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New York City's Covid-19 Economy Will Not Snap Back

A report by James A. Parrott

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Table of Contents

1. Introduction and Highlights	1
2. The post-April jobs rebound slowed in the fall, and stalled with winter’s second Covid-19 wave.....	6
3. Job losses by industry, with comparisons to the U.S.	10
4. Job losses concentrated among persons of color, young, and less-educated	14
5. Critical importance of unemployment insurance benefits	18
6. Several worrisome labor market developments.....	21
7. Growing hardships moderated by federal assistance.....	24
8. Pandemic exacerbates wage and income inequality	28
9. The NYC economy and jobs not likely to “snap back” in 2021.....	30
10. Conclusion and Policy Needs	32

1. Introduction and Highlights

Last year New York City experienced its worst single-year job-loss since the 1930s. In 2020, the city lost 750,000 payroll and self-employed/independent contractor jobs on average between the months of February and December, nearly one out of every six jobs. While the new year is brightened by the late December \$900 billion federal aid package and the return of responsible and capable leadership in the White House towards containing the coronavirus, 2021 will bring monumental challenges in addressing the lopsided economic impact of the pandemic in the U.S. and in New York City.

This lopsided impact exacerbates previously existing income inequalities. The devastating effects have had a concentrated impact on predominantly low-income workers of color, young adults, and women. For those who were better off to begin with, jobs, benefits, and careers are mostly intact. There is a business version of this lopsided impact as well, with many tech and media companies flourishing and Wall Street recording one of its best years ever while Broadway, restaurants, and the tourism sector have crashed through the floor. It has been called a K-shaped recovery for good reason; many in the bottom half of the economy have lost jobs or earnings and are experiencing housing insecurity, while most of those in the top half of the income distribution retain their jobs, and many have seen their financial assets rise in value.

Thousands more New York City jobs will return in 2021 after vaccinations are widespread and social distancing restrictions ease, but businesses that have failed will not reopen and they will not be bringing their workers back. Together with the fact that recovery in restaurants, tourism, and the arts will be very drawn out, the city will still be short roughly 350,000-400,000 payroll and independent contractor jobs a year from now, and it likely will take at least until late 2023 or 2024 for the city to return to the pre-pandemic employment level.

Signs of serious economic distress are multiplying, long-term unemployment is skyrocketing, many of the new jobs emerging are lower quality than the jobs that have been lost, and many of those returning to jobs are only working part-time. The city's underemployment rate is 25 percent. Four rounds of federal aid in 2020 have helped the unemployed and small businesses, and while President Biden has proposed a \$1.9 trillion package to extend unemployment benefits and other assistance nationwide through September, this may not be sufficient to restore the quantity and quality of the New York City jobs and businesses that have been sacrificed in the interests of public health. Federal aid has kept the poverty rate from skyrocketing, and the Biden package could cut child poverty nearly in half, but it will be years before the New York City labor market is as favorable as it was in the years before the pandemic for tens of thousands of less-educated, lower-paid, and young workers.

This report examines the Covid-19 economic and employment impact in New York City at the end of January 2021 and assesses the several labor market challenges for the year ahead. We

look at the demographic and industry contours of the job market effects and investigate how the pandemic has exacerbated wage and income inequality.

Highlights—New York City’s Covid-19 Economy Will Not Snap Back

- New York City lost 750,000 payroll and self-employed/independent contractor jobs on average between the months of February and December in 2020. The loss for the entire year was the worst single-year city job decline since the 1930s and much worse than during the 2008-09 Great Recession or as a result of the 2000-to-2003 recession and 9/11 impact.
- The partial rebound since last spring has been called a K-shaped recovery for good reason; many in the bottom half of the economy have lost jobs or earnings and are experiencing severe housing and food insecurity, while most of those in the top half of the income distribution retain their jobs, and many have seen their financial assets rise in value.
- The second wave of Covid-19 infections that started to rise in early October led to the reinstatement of business restrictions and put New York City’s halting jobs rebound in reverse at the end of 2020.
- From the early days of the pandemic, it has been clear that communities of color have been the hardest hit both in terms of the disease itself and when it comes to job loss and economic hardship:
 - An estimated 68 percent of lost jobs were held by workers of color. The real numbers likely are higher since persons of color tend to be among the “last hired, first fired.”
 - Latinx workers were 21 percent more likely to have lost jobs than other workers. Young adults were 34 percent more likely to have lost work, and workers with a high school education or less were 16 percent more likely to have suffered job dislocation.
 - Black workers were not overly concentrated relative to their workforce share among those losing jobs. However, since they account for nearly half of all workers in Essential industries, including health care, social assistance, and government employees, they were at greater risk of exposure to Covid-19.
 - Unemployment among men of color was twice that for white men in the last half of 2020. While unemployment rates for white women and women of color were similar, the disparity between white women and white men was greater (2-to-1) than in previous years, since more women stayed home during the pandemic to care for children not attending daycare or school.
 - Nearly two-thirds of those likely to have lost jobs had annual workplace earnings of less than \$40,000, while only nine percent had earnings of more than \$100,000.
- Total payroll employment in New York City was down by 11 percent at the end of 2020, more than twice the national five percent decline.
 - Leisure and hospitality jobs and administrative and support services jobs tied to New York’s dependence on office-based industries account for over half of the city’s job losses and largely explain the city’s greater job loss relative to the nation’s.
 - Strong pandemic demand for media content and movie and television entertainment generated a slight job gain in the information sector, one of only two industries where New York City outperformed the nation.
 - Homebound families buying online and having food delivered have supported a 74 percent growth in delivery jobs, slightly better than the nation’s 67 percent gain. These numbers do not include the growing use of independent contractors by gig companies and labor contractors, such as those used by Amazon. Delivery jobs are noteworthy for being of low quality, offering rock-bottom pay with no benefits, no paid leave, and no employment rights.

- The 20 percent job decline from February to December for the Face-to-Face, predominantly low-wage, service industries far exceeds the five percent decline for the Remote industries, and the three percent decline for the Essential industry category.
 - Employment in the arts, entertainment, and recreation sector was down by 63 percent at the end of 2020 compared to February, by far the greatest net decline in any industry. Jobs in hotels and restaurants were down by 40 percent.
- As of mid-January, there were 2.6 million New York State residents receiving unemployment benefits, with New York City accounting for half of that number, or 1.3 million people.
 - New York City's unemployed workers have received an estimated \$36 billion in unemployment benefits since March of 2020. The benefit payout to city residents nearly doubled in January 2021 from December with the reinstatement of a federally funded weekly supplemental.
 - The federal share of unemployment insurance (UI) benefits averaged about 75 percent last year and rose to 90 percent in January with the reinstatement of the federal supplement and because more workers transitioned onto federal funded extended benefits.
- Signs of serious labor market stress are multiplying:
 - An estimated 500,000 New Yorkers are considered long-term unemployed (without work for more than six months).
 - Because many workers returning to work can only find part-time work, there are an estimated 320,000 involuntarily part-time workers.
 - 240,000 workers have left the city's labor force over the past year, reflecting discouragement at the prospect of finding work or the need to care for family members.
 - If those leaving the labor force and involuntarily part-time workers are added to the official estimate of the unemployed, 993,000 New York City workers were either unemployed or underemployed in December, an underemployment rate of 24.5 percent.
- Sharply rising numbers of New Yorkers have sought some form of public assistance over the past year:
 - The number of public assistance recipients rose by 20 percent between February and June, remained at that level through September, then finished the year about 50,000 higher than in February.
 - The number of city residents receiving Supplemental Nutrition Assistance Program (SNAP) benefits rose by 220,000 from March until September before dropping back to end the year 165,000 higher than in February.
 - As of November, an estimated 336,000 city residents had lost health insurance as a result of losing a payroll employment job during the pandemic, and Medicaid enrollment rose by 426,000.
- It is clear that Federal economic assistance has mattered greatly in relieving hardships for millions of New Yorkers and Americans. However, little has been done in New York, other than modest philanthropic efforts, to address economic assistance needs among undocumented workers, who accounted for eight percent of New York City's pre-pandemic workforce.

- The extreme lopsided nature of the prolonged pandemic downturn has vastly intensified economic inequality in New York City and elsewhere. The pandemic brought to a screeching halt the considerable gains achieved by those in the bottom half of the wage distribution in New York City in recent years and has laid bare racial and income disparities in health, access to health care, and great unevenness in housing conditions, paid leave, and access to broadband.
 - The unemployment insurance safety net has certainly helped, but wage losses from the disappearance of jobs and the increased incidence of part-time work have been greater.
 - Although average wages in the Face-to-Face sector are only one-third those in the Remote sector, total 2020 estimated wage losses were \$28 billion in the Face-to-Face industries compared to \$11 billion in Remote industries.
 - Three-fourths of the city’s average monthly job loss in 2020 took place in Face-to-Face industries, compared to 10 percent in Remote industries.
 - On the other hand, the 2020 booming stock market boosted capital gains and dividends for many in the top 20 percent of income distribution and proportionately much greater for the top one percent. For the first three quarters of 2020, profits at the large Wall Street securities firms were the second-highest in 40 years of data.
- The earnings potential for hundreds of thousands of city residents has been eroded as long-term unemployment deepens and time out of the labor force lengthens. Educational achievement and access to higher education critical for upward mobility have faltered. The pre-pandemic number of jobs in New York City was the culmination of a decade of recovery and sustained growth that brought tens of thousands of usually sidelined New Yorkers into the labor market. The pandemic has reversed that progress, adding new barriers, creating legions of long-term unemployed, and forcing women to give up their place in the job market to shoulder family responsibilities.
- Even when a large share of the population has been vaccinated and social distancing restrictions ease, jobs and businesses will not “snap back” in 2021.
 - At this point, conditions suggest that New York City will gain 200,000-250,000 jobs during 2021 (between December 2020 and December 2021). Since the details of President Biden’s American Rescue Plan proposal are still evolving and have not yet been enacted, our forecast does not factor in the impact of those investments.
 - New York City likely will end 2021 still short between 350,000 and 400,000 payroll and independent contractor jobs due to the continuing impact on tourism, the arts, restaurants, building services, and other industries.
 - The bulk (roughly three-quarters) of the city’s net job gain in 2021 likely will occur in the Face-to-Face industries, led by restaurants, arts, entertainment and recreation, educational services, and personal services. Professional services (including parts of the tech sector) and health care also will add jobs in 2021. But New York City might not regain all of its pandemic job loss until the end of 2023 or into 2024.
- President Biden’s proposed \$1.9 trillion pandemic relief package includes several significant programs in addition to beefing up funding for vaccine delivery and public health investments. The additional relief efforts include \$1,400 stimulus payments and further extension of federal unemployment insurance benefits, and major initiatives to augment housing, nutrition, schools, and child care investments, provide state and local fiscal relief, and a significant enhancement of the Child Tax Credit to reduce child poverty by more than 40 percent. As necessary as these measures are, they may not return the New York City labor market to the pre-pandemic high employment level that

created positive labor market connection for tens of thousands of less-educated, lower-paid, and young workers.

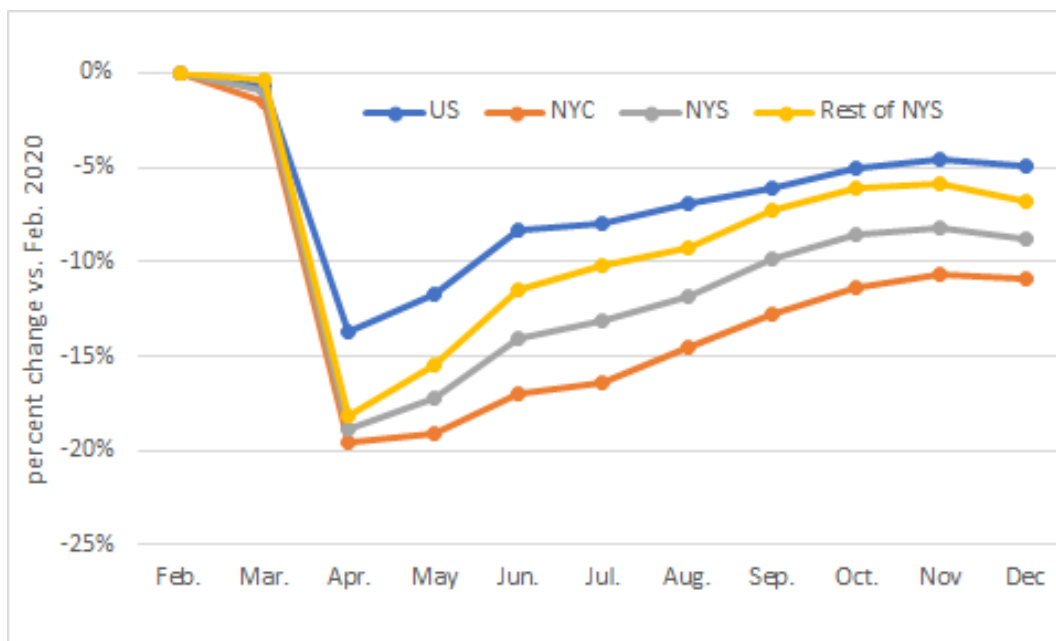
- To counter the pandemic labor market turmoil, all levels of government need to ensure that workforce development organizations are well-positioned to respond to changing job demands and training needs, and that they are able to effectively advise young adults on both short- and long-term career choices.
- Given the myriad problems the pandemic has surfaced regarding inadequate worker protections and leave policies, as well as a greater awareness of racial and gender disparities in compensation practices and of flaws in the worker safety net particularly pertaining to gig and independent contractor workers, policymakers need to take more systematic approaches to addressing inequities and raising job quality.
- Immediate State policy priorities include permanently improving New York's partial unemployment insurance program and providing economic relief to workers previously excluded from federal programs.

2. The post-April jobs rebound slowed in the fall, and stalled with winter's second Covid-19 wave

The second wave of Covid-19 infections that started to rise in early October put New York City's halting jobs rebound in reverse at the end of 2020. Initial unemployment claims started to rise again, and the number of payroll jobs fell by 10,000 in December, a month that usually brings a seasonal hiring surge. As the early epicenter of the coronavirus outbreak, the job decline last spring was much greater in New York City than nationally, and by the end of the year the city's job level was still down more than twice that of the nation overall: -11 percent vs 5 percent. (See Figure 1.)

Figure 1

As of December, New York City jobs were 11% below the pre-pandemic February level, while nationally, jobs were 5% below the February level.



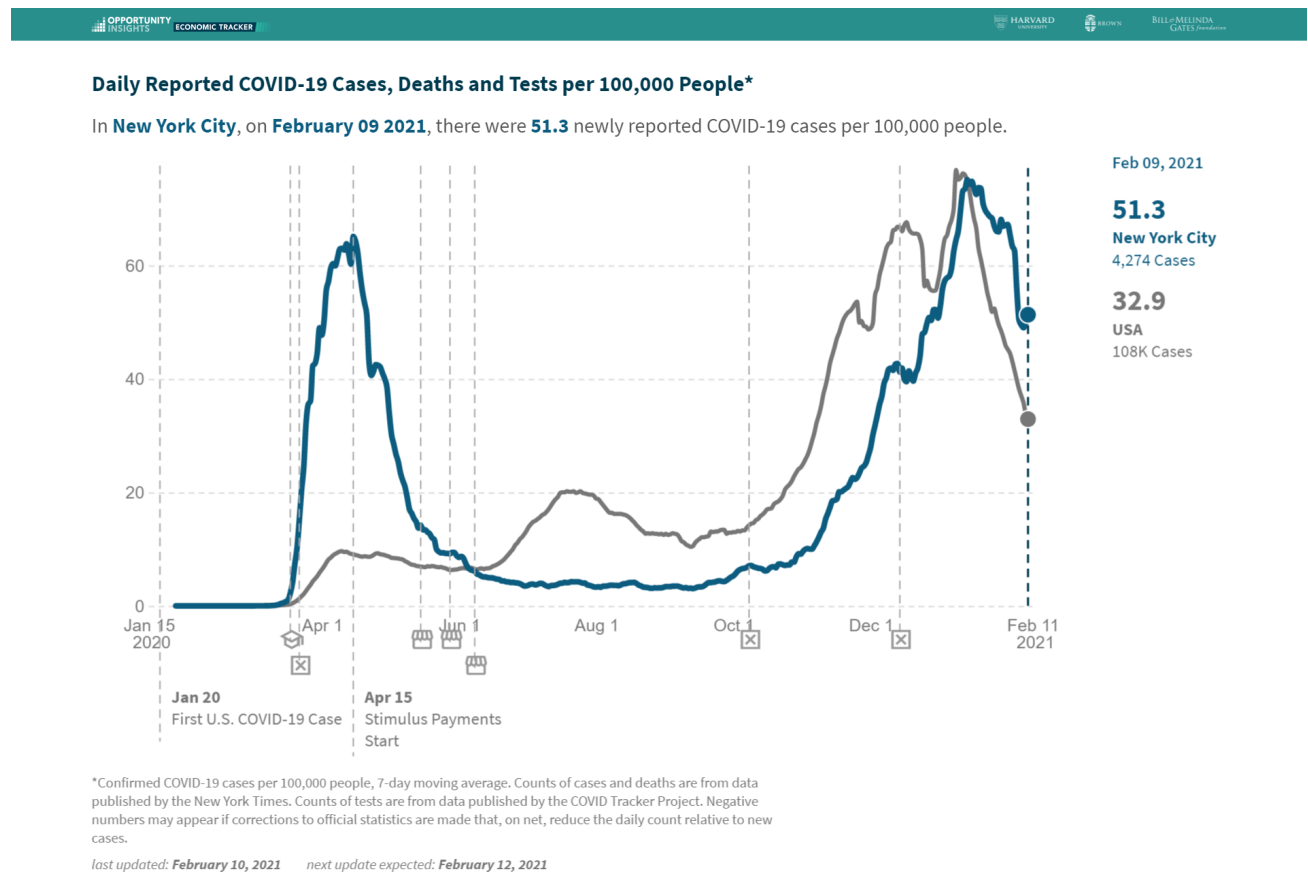
Source: U.S. Department of Labor (USDOL), New York Department of Labor (NYSDOL); not seasonally adjusted Current Employment Statistics data.

The expected fall and winter rise in the Covid-19 case rate started in earnest in early October, with the infection rate per 100,000 population at both the national level and for the New York metro area surpassing the New York area's spring peak. (See Figure 2.) The overall U.S. infection rate had surpassed the New York metro area's rate in June and stayed well above the

local rate from then until early January, when the local rate overtook the national infection rate. In recent weeks, infections fortunately have started to decline. The resurgence in infections in the fall and early winter led to the reinstatement of business restrictions and put the brakes temporarily on the recovery.

Figure 2

The New York metro area's second wave started to rise in mid-October with the Covid-19 case rate passing the national rate in mid-January, then started to recede.



Source: Opportunity Insights Economic Tracker, February 9, 2021

New York City's February-to-December 2020 job loss was five times worse than what the city experienced during the 2008-09 Great Recession. It was about a third worse than the 2000-to-2003 job decline resulting from a combination of the early-2000s national recession and the economic fallout from the 2001 attacks on the World Trade Center. In fact, 2020's pandemic job loss was the worst single-year New York City job decline since the 1930s.

When you add the loss of about 100,000 independent contractor jobs to the preliminary 507,000 payroll job drop, the city lost over 600,000 jobs between February and December.¹

The flattening of the job rebound continued in January according to national data released in early February. On a seasonally adjusted basis, there was a net gain of only 6,000 jobs. The largest increase occurring in professional services and the temporary help industry while job declines continued in manufacturing, and leisure and hospitality. While the national unemployment rate declined from 6.7 in December to 6.3 percent in January, there were still 10.1 million Americans officially jobless. And that statistic does not include the seven million people not in the labor force who want a job and the six million who are involuntarily working only part-time.² As we will see below, the severity of unemployment is similarly broad in New York City.

The net change from last February to December understates the severity of the pandemic job decline. For the six months from April through September, the job shortfall compared to February averaged 775,000. For the entire span of the pandemic in 2020, March through December, the payroll job decline averaged 625,000. Figure 3 shows the monthly job losses relative to February's pre-pandemic level and includes estimates of the loss of independent contractor jobs among taxi, Uber, and Lyft drivers, and construction and nail salon workers, among others. We estimate that net monthly independent contractor job losses averaged 123,000 from March through December.³ Combining payroll employment and independent contractors, job losses averaged 748,000 for these months.

Reflecting the stalled recovery and the effects of the second Covid-19 wave on business activity, initial unemployment insurance (UI) claims filed by city residents have been rising since October. (See Figure 4.) The January 2021 level of 113,000 claims was three-and-a-half times the average of January 2019 and January 2020. Since February of last year, two million initial UI claims have been filed by New York City residents, with some workers undoubtedly filing for a second time after returning to work for a brief period. That is twice the number that filed during all of 2008 and 2009.

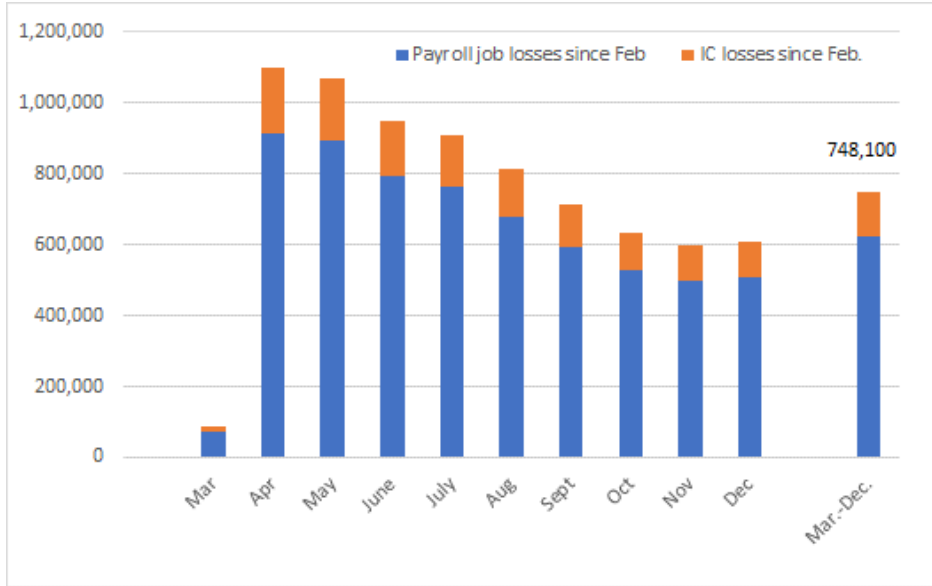
¹ The New York State Department of Labor (NYSDOL) will release revised "benchmarked" payroll employment data in early March that could deepen the 2020 job loss. The 2020 job data could be revised further in March of 2022 when more comprehensive data for all of 2020 is available.

² Bureau of Labor Statistics, January 2021 Employment Situation Report, Feb. 5, 2021.

³ Our independent contractor estimates factored in the pandemic-period growth in restaurant and package delivery jobs. Delivery jobs and taxi/Uber/Lyft drivers are all categorized in the transportation industry that represents about 30 percent of all unincorporated independent contractor jobs in New York City. The "other services" industry that includes nail salon workers, accounts for about 13 percent of unincorporated independent contractors.

Figure 3

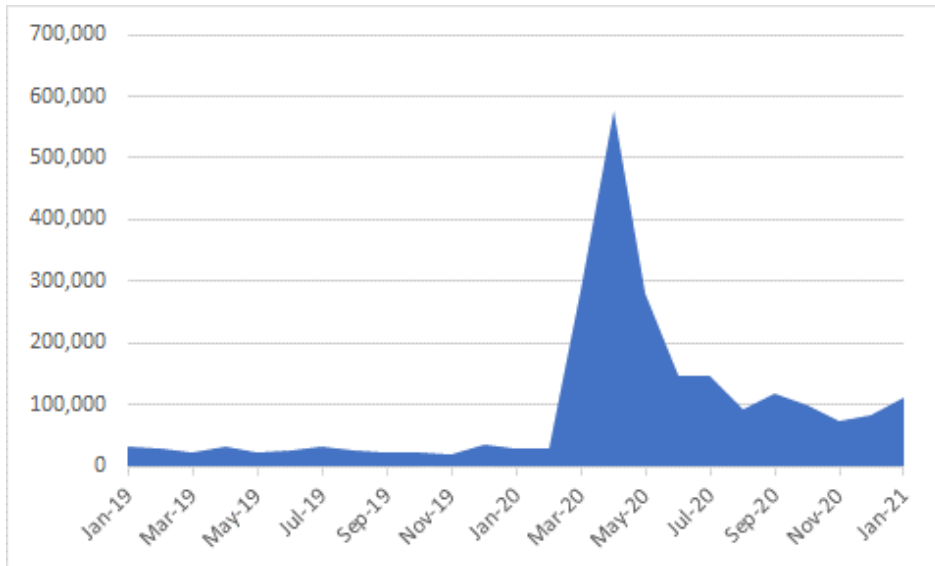
The New York City loss of payroll plus independent contractor jobs averaged 748,000 for the months of March through December 2020.



Source: Author's analysis.

Figure 4

Over 113,000 initial UI claims were filed by New York City residents in January this year, more than three times the average of January 2019 and January 2020.



Source: NYSDOL.

3. Job losses by industry, with comparisons to the U.S.

Figure 5 shows the February-to-December net change in New York City payroll employment by industry, with the industries grouped into the three broad categories that help capture different Covid-19 economic effects: Essential, Face-to-Face, and Remote. Essential jobs are those in health care, social assistance, and government. Face-to-Face service and production workers include those in restaurants, hotels, transportation, most construction, neighborhood personal services, administrative and building services, and non-essential retail, wholesale trade and

Figure 5

More than 80% of New York City job losses as of December in the Face-to-Face industries; no Essential or Remote industry has had above-average job decline.

<i>payroll employment (000s)</i>	FEB	DEC	Feb.-Dec. change		Feb.-Apr.	Apr.-Dec.	% jobs rebound
All Industries	4,669	4,162	-507	-11%	-914	407	45%
All private industries	4,078	3,577	-501	-12%	-902	401	44%
Essential industry category	1,436	1,396	-40	-3%	-119	78	66%
Utilities	15	15	-1	-5%	-1	0	-40%
Health Care	599	586	-13	-2%	-71	59	82%
Social Assistance	231	211	-21	-9%	-34	14	40%
Government	591	585	-7	-1%	-13	6	48%
Face-to-face industry category	2,031	1,621	-411	-20%	-725	315	43%
Construction	155	138	-17	-11%	-74	57	77%
Manufacturing	67	56	-12	-17%	-20	8	42%
Wholesale Trade	138	120	-18	-13%	-23	5	22%
Retail Trade	338	317	-20	-6%	-93	73	78%
Transp. & warehousing	131	115	-16	-12%	-34	18	53%
Admin. & support services	289	242	-47	-16%	-79	32	40%
Educational Services (private)	261	223	-38	-15%	-34	-4	-12%
Arts, Entertainment & Rec.	87	32	-55	-63%	-53	-2	-5%
Accommodation	51	31	-20	-40%	-28	8	28%
Food srvcs & other eating places	315	184	-131	-42%	-224	93	41%
Other Services	200	165	-36	-18%	-63	27	43%
Remote category	1,201	1,145	-56	-5%	-70	14	20%
Information	208	211	3	1%	-9	12	131%
Finance and Insurance	343	330	-14	-4%	-7	-6	-88%
Real Estate & rental & leasing	134	127	-7	-6%	-15	7	50%
Prof., Sci., & Tech. srvcs.	438	406	-32	-7%	-32	0	-1%
Mgmt. of comps. & enterprises	77	72	-6	-7%	-7	2	25%

Source: NYSDOL, not seasonally adjusted Current Employment Statistics.

manufacturing. Information, financial, professional, and managerial services, many of which can be performed remotely, constitute the third category—the Remote industries.

Payroll jobs plunged by nearly 20 percent (914,000) between February and April. The last column in Figure 5 shows the extent to which job levels have rebounded since April. For all industries taken together, the 407,000 payroll jobs regained between April and December represent 45 percent of the February-to-April decline. (Nationally, about 64 percent of jobs have been recovered.)

The Face-to-Face industries collectively accounted for more than 80 percent (411,000 of the overall 507,000) of the job falloff in those first two months of the pandemic. The 20 percent decline from February to December for the Face-to-Face industries far exceeds the five percent decline for the Remote industries and the three percent decline for the Essential industry category. In New York City, only the information industry has recouped all of the February-to-April job decline. Other than information, the strongest job rebound has taken place in health care, followed by retail trade and construction, each having recovered more than 75 percent. Three industries – finance and insurance; arts, recreation, and entertainment; and accommodation – continued to lose jobs between April and December.

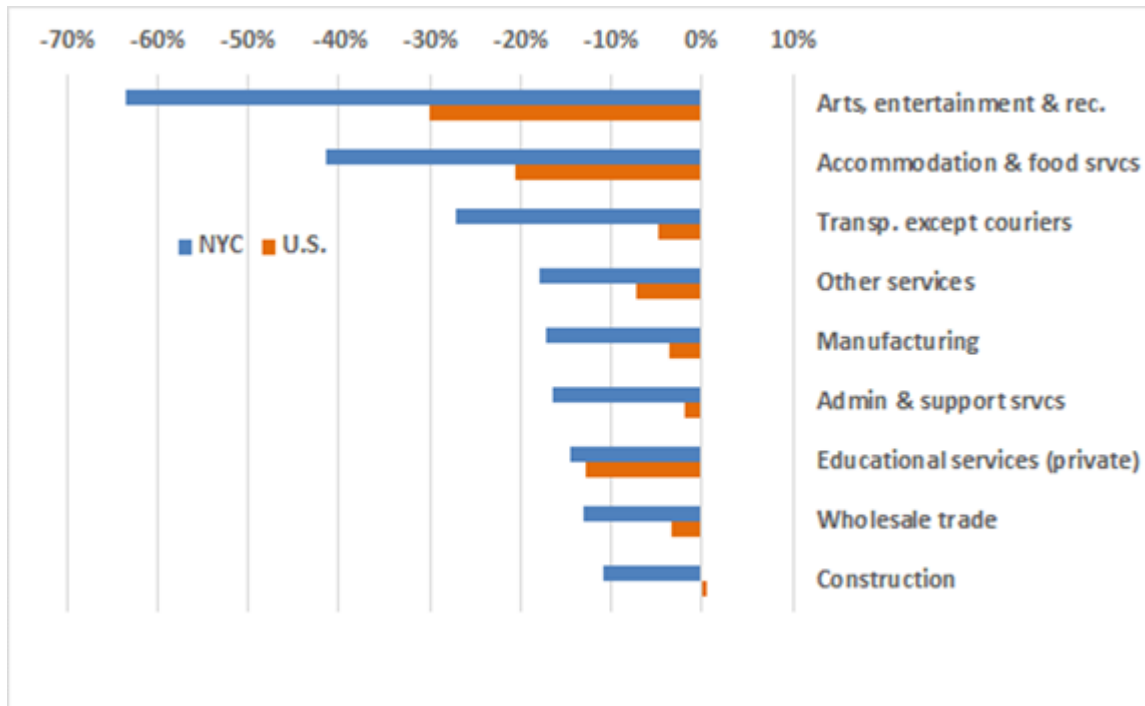
While the industries within the Face-to-Face category all shared a common fate in suffering sharp job declines in the early weeks of the pandemic as a result of public health-mandated restrictions, they are far from a monolith in terms of the continuing Covid-19 impact. While construction and retail trade have rebounded by more than 75 percent, several Face-to-Face industries have only regained 40-45 percent of April job losses, with accommodation and wholesale trade having regained only about a quarter of their job losses. As noted above, the arts, entertainment, and recreation sector has not regained any jobs as of December, and the arts employment level was down by 63 percent compared to February, by far the greatest net decline in any industry.

There are also notable disparities within industries. For example, in retail, clothing store employment was still down significantly in December, while grocery and drug stores have gained slightly since February. And within food services, limited service restaurants have done much better than full service restaurants.

In comparing industry-level job changes between New York City and the United States, four industries help account for the city's proportionately greater job loss. Tourism, leisure, hospitality, and administrative and support services tied to New York's dependence on office-based industries account for 55 percent of the city's February-to-December job decline. Figure 6 compares the city's job changes in these and other Face-to-Face industries to national changes. In most industries shown in Figure 6, the New York City decline is twice that (or worse) as for the country as a whole. The biggest lopsided difference in the figure is in administrative and support services, an industry that includes building service workers who have suffered because of empty Manhattan office towers.

Figure 6

Most of New York City's disproportionate February-to-December job loss compared to the nation's stems from a few Face-to-Face industries.

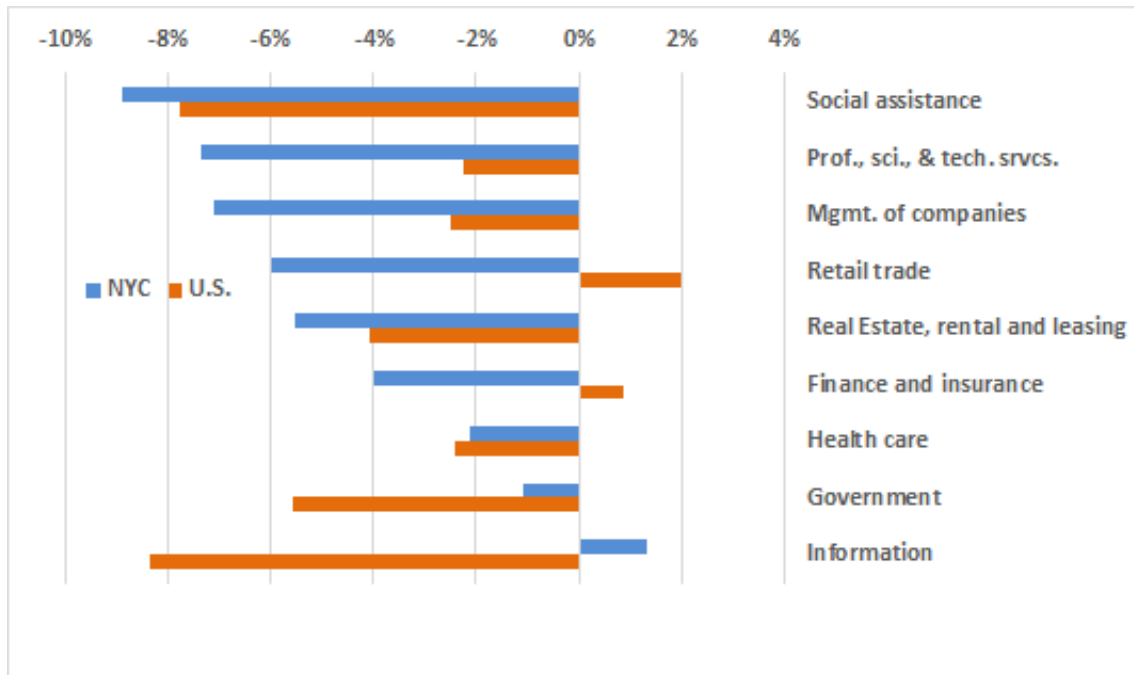


Source: Author's analysis of NYSDOL and USDOL, not seasonally adjusted Current Employment Statistics.

All of the New York City industries in Figure 6 sustained double-digit job losses. In Figure 7, featuring essential and remote industries plus retail trade (a Face-to-Face industry), the declines were all nine percent or less. As noted above, information actually showed a small city job gain as a result of heightened demand for the movie, television, and media content generated in this sector. In retail, the explosion in e-commerce has driven a two percent job gain at the national level as of December, while the weakness in clothing retailing has contributed to the overall decline in New York City retail jobs. Besides information, the other sector with a large New York City-U.S. disparity is in government employment; the city's one percent job falloff pales in comparison to the six percent drop for the U.S. overall. The 1.3 million government jobs lost at the national level between February and December exceed the declines in all other sectors except for restaurants.

Figure 7

Several New York City remote industries have seen greater job declines than at the national level, although information flips that relationship with a small job gain locally.



Source: Author's analysis of NYSDOL and USDOL, not seasonally adjusted Current Employment Statistics

That leaves us with one very specific industry that stands out in this unusual economic environment: delivery jobs. Homebound families buying online and having food delivered from their favorite restaurants have super-charged growth in delivery jobs, totaling more than a half-million at the national level. While New York City's 74 percent delivery job growth surpassed the nation's 67 percent gain, the local job growth has been a mere 14,000. That's because Labor Department data only captures payroll jobs. There likely are multiples of that number of delivery jobs being added (both in the city and more broadly) where workers are hired as independent contractors, with many working through delivery apps like Uber Eats or Door Dash or through labor contractors serving Amazon. There is no question that delivery jobs are in high demand, but they also are noteworthy for being of low quality, offering rock-bottom pay with no benefits, no paid leave, and no rights. But at the moment, delivery jobs are the only ones being created.

4. Job losses concentrated among persons of color, young, and less-educated

From the early days of the pandemic, it has been clear that communities of color have been the hardest hit both in terms of the disease itself and when it comes to job loss and economic hardship—68 percent of lost jobs were held by workers of color. Figure 8 below updates our estimates of the demographic composition of workers losing jobs in 2020. These estimates are based on the average composition of the workforce by industry pre-pandemic, since precise data on the demographic makeup of those losing jobs does not exist. Generally, those who are considered to face more challenges in the job market, including entry-level workers, and those who are less-educated, younger, recent immigrant, and persons of color, have a large presence in the Face-to-Face industries hardest hit by pandemic job losses. But it is likely these estimates understate the impact on these workers, since they are likely to comprise those who were hired most recently. In the years just before the pandemic, as the city economy added jobs at an unprecedented pace in and the unemployment rate had reached historic lows. (See Figure 8.)

Figure 8

Demographic characteristics of Covid-19 dislocated NYC workers, December 2020

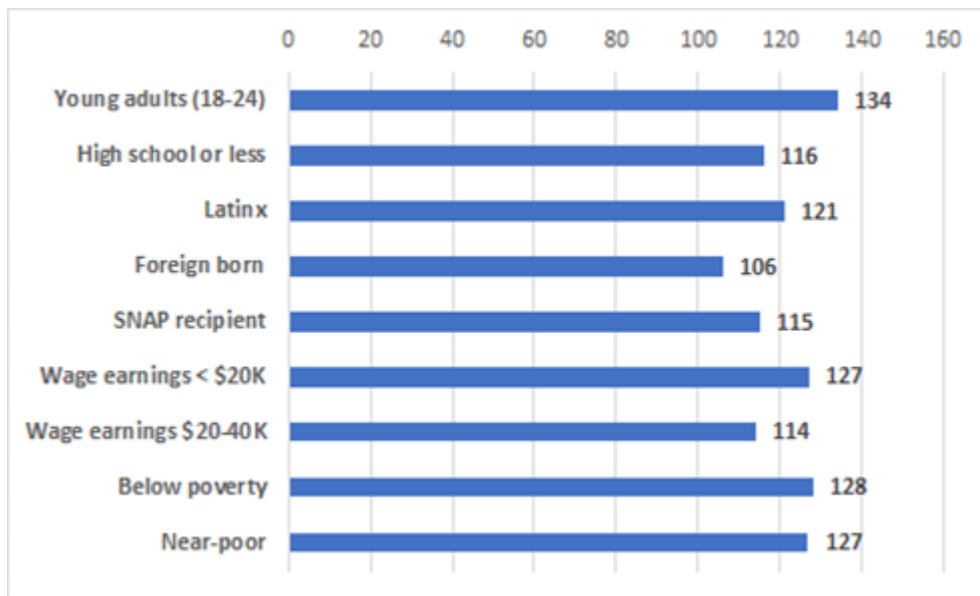
Demographic characteristic	Baseline employment Feb. 2020	Dislocated workers as of Dec. 2020	Demographic shares of total		Dislocated workers as share of baseline
			Baseline employment Feb. 2020	Dislocated workers as of Dec. 2020	
TOTAL NYC payroll workers	4,272,000	-507,200	100%	100%	-12%
Gender					
Male	2,104,200	-271,400	49%	54%	-13%
Female	2,167,800	-235,800	51%	46%	-11%
Race/Ethnicity					
White Alone	1,454,400	-162,800	34%	32%	-11%
Black Alone	935,500	-92,600	22%	18%	-10%
Hispanic	1,150,400	-158,800	27%	31%	-14%
Asian & All Others	731,600	-93,000	17%	18%	-13%
Age					
18-24	465,500	-74,100	11%	15%	-16%
24-39	1,705,500	-209,600	40%	41%	-12%
39-54	1,195,700	-132,600	28%	26%	-11%
55+	905,300	-91,000	21%	18%	-10%
Education					
HS or less	1,451,200	208,300	34%	-41%	14%
Some coll. (incl. As	1,014,300	120,600	24%	-24%	12%
BA +	1,806,400	178,300	42%	-35%	10%
Foreign-born					
No	2,267,400	255,700	53%	-50%	11%
Yes	2,004,500	251,500	47%	-50%	13%

Source: Authors' estimates based and ACS, 2018 5year sample, IPUMS.

Figure 9 identifies the demographic groups disproportionately affected by Covid-19-related job losses using an index of concentrated job loss measuring the ratio of each demographic’s share of job loss to that demographic’s share of baseline employment. For example, the 134 reading for the index of concentrated job loss for young adults indicates that they were 34 percent more likely to have lost work during the pandemic than workers in other age groups, on average. Latinx workers were 21 percent more likely to have lost jobs, and workers with a high school education or less were 16 percent more likely to have suffered job dislocation. While Black workers were not overly concentrated relative to their workforce share among those losing jobs, since they account for 47 percent of all workers in essential industries, including health care, social assistance, and government employees, they were at greater risk of exposure to Covid-19.⁴

Figure 9

Index of concentrated job loss—the ratio of a demographic’s dislocated worker share to their baseline employment share (x 100), February-to-December 2020 job losses.



Source: Figure 8.

Demographic data from New York’s unemployment insurance system corroborates the disproportionate job loss impact on several groups. Demographic characteristics are not publicly

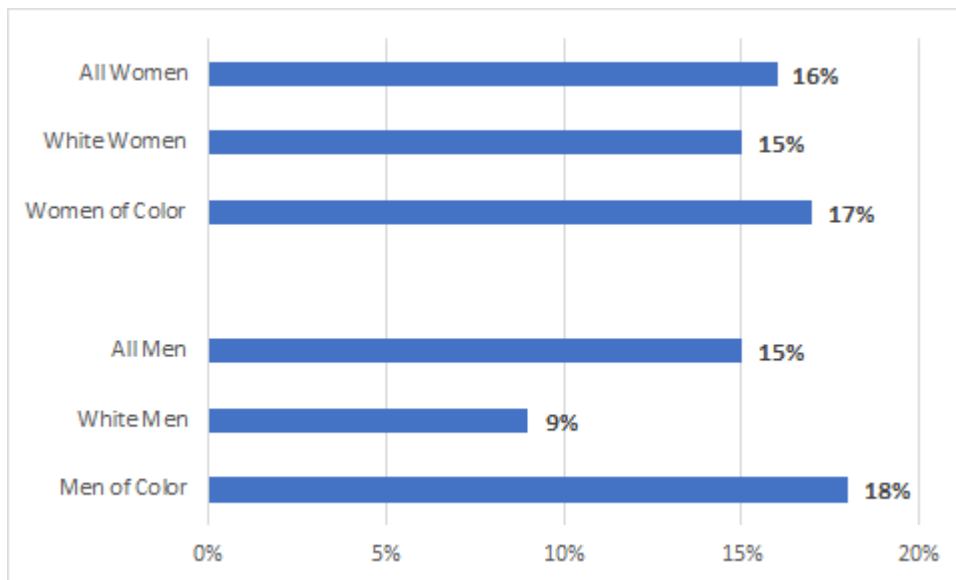
⁴ Columbia University’s New York City Poverty Tracker survey found that 31 percent of Black workers continued to work on-site at the peak of the Covid-19 outbreak, more than twice the rate of Latinx workers and three times the rate for white workers. Sophie Collyer, Sonia Huq, Kahlen Washington, and Christopher Wimer, “Spotlight on Covid-19: Nearly half of all New York City workers lost employment income from the pandemic, deepening economic insecurity and racial inequity across the city,” University Center on Poverty & Social Policy, Columbia Population Research Center, and the Robin Hood Foundation, October 2020.

available for New York City unemployment insurance recipients. However, since the city accounted for nearly 54 percent of all recipients for the last half of 2020, statewide demographic data are reasonably representative of New York City. Women represented 51.3 percent of recipients during the last half of 2020, significantly greater than their 46.5 percent share during the last half of 2019. Similarly, there were much greater shares of reciprocity for the last half of 2020 compared to the last half of 2019 among young workers less than 22 and those 22-34, Latinx and Asian workers, and military veterans.⁵

While unemployment rates for New York City men and New York City women were similar for the June-to-November 2020 period (15 and 16 percent, respectively), a substantial disparity existed between white men and men of color. (See Figure 10.) White men had an average unemployment rate over that period of nine percent, half the 18 percent unemployment experienced by men of color. The disparity between white women and white men is much greater than what has been in previous years, likely reflecting a greater incidence of women staying home during the pandemic to care for children, including school-age children learning from home.

Figure 10

While average unemployment rates for New York City men and women were similar for a 6-month period in 2020, unemployment among white men was half of that for men of color.



Source: CNYCA analysis of Current Population Survey, June-November 2020

⁵ Data on the characteristics of unemployment insurance recipients are available from the U.S. Department of Labor's Employment and Training Administration, ETA 203 report.

The lopsided nature of the pandemic's economic effects could not be starker. As Figure 11 indicates, nearly two-thirds (64 percent) of those likely to lose jobs had annual workplace earnings of less than \$40,000, while only nine percent had earnings of more than \$100,000. In a similar vein, as Figure 9 showed, workers living in households with income below the federal poverty line were 28 percent more likely to have lost work, and those in near-poor households (incomes 100-200 percent of federal poverty) were 27 percent more likely than all workers on average to have lost a job.

Figure 11

Earnings and income characteristics of Covid-19 dislocated NYC workers, November 2020

Income and earnings status of NYC payroll workers	Baseline employment Feb. 2020	Income and earnings status of dislocated workers Dec. 2020	Shares of total within category		Dislocated workers as share of baseline
			Baseline employment Feb. 2020	Dislocated workers Dec. 2020	
TOTAL	4,272,000	-507,200	100%	100%	-12%
Worker's annual earnings					
0-\$20,000	1,381,000	-199,300	32%	39%	-14%
\$20,000-\$40,000	941,000	-127,300	22%	25%	-13%
\$40,000-\$60,000	668,900	-73,800	16%	15%	-11%
\$60,000-\$100,000	722,600	-62,800	17%	12%	-8%
\$100,000+	558,500	-44,000	13%	9%	-8%
Household income relative to federal poverty					
0-50 percent	200,600	-30,700	5%	6%	-15%
50-100 percent	257,700	-39,100	6%	8%	-15%
100-150 percent	309,600	-47,600	7%	9%	-15%
150-200 percent	329,600	-48,700	8%	10%	-14%
200-300 percent	610,200	-81,800	14%	16%	-13%
300+ percent	2,564,100	-259,300	60%	51%	-10%

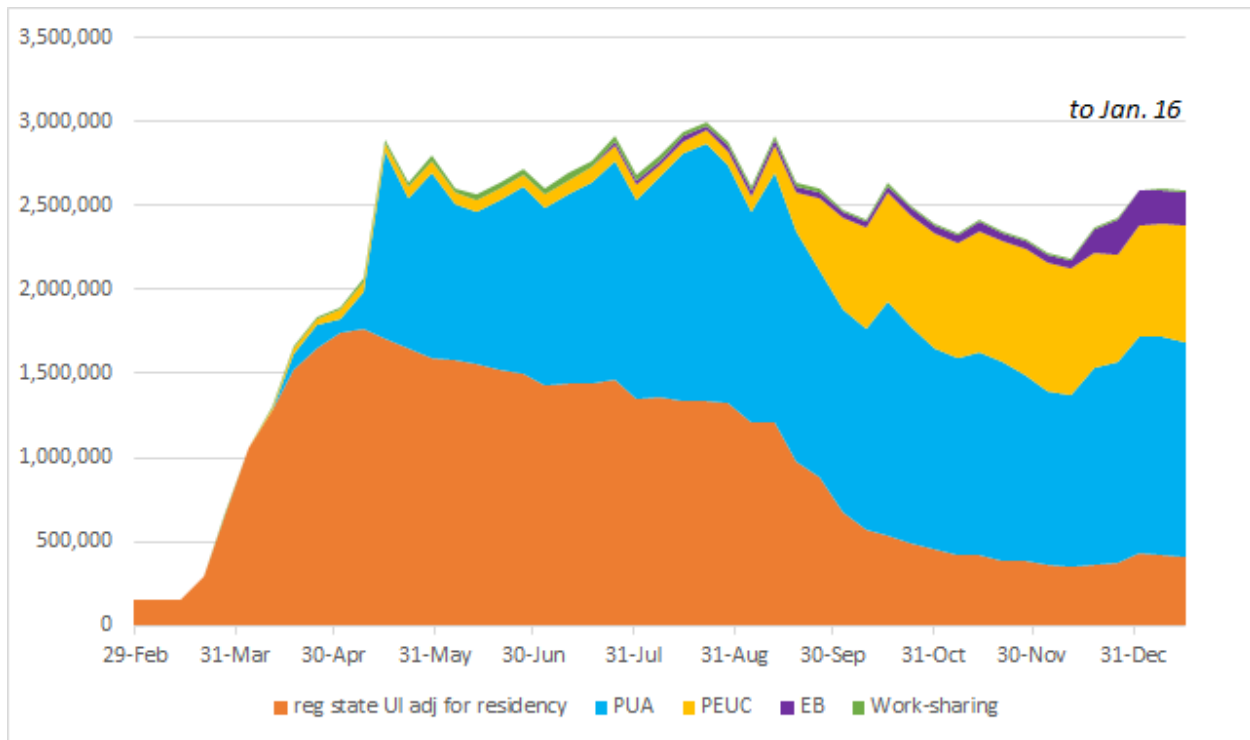
Source: CNYCA estimates based and ACS, 2018 5-year sample, IPUMS.

5. Critical importance of unemployment insurance benefits

As noted earlier, the level of initial regular State unemployment claims filed by New York City residents has been rising since October. The January weekly average of 28,200 was 36 percent greater than in November. In addition, there were an estimated weekly average of 21,000 city residents submitting initial claims for Pandemic Unemployment Assistance in January, a level nearly twice the November weekly average. As of mid-January, there were 2.6 million New York State residents receiving unemployment benefits, with New York City accounting for half of that number, or 1.3 million. See Figure 12 for the statewide level of UI beneficiaries from five programs.

Figure 12

The second Covid-19 wave has pushed the level of continuing UI claims up again, with a growing portion of recipients exhausting 26 weeks of regular state UI benefits and receiving extended benefits.



Source: USDOL, Employment and Training Administration

In addition to those receiving regular New York State unemployment insurance (UI) benefits, Figure 12 includes self-employed workers, independent contractors, and others who do not normally qualify for regular State UI and who instead receive Pandemic Unemployment

Assistance (PUA); and also workers receiving Pandemic Emergency Unemployment Compensation (PEUC), which kicks in after the 26-week limit on State UI benefits elapses. Both PUA and PEUC were authorized by the Federal CARES Act enacted in late March 2020, with benefits paid entirely by the Federal government. Both programs were extended until mid-March 2021 by the Emergency Coronavirus Relief Act enacted in late December.

There are also unemployed workers receiving extended benefits (EB); this is a permanent Federal-State UI program triggered when a state's unemployment rate reaches a specified average level for the previous 13 weeks.⁶ In New York, the EB program provides up to 20 weeks of benefits following exhaustion of regular State benefits. Under the CARES Act, PEUC was designed to provide extended benefits first; after PEUC benefits are exhausted, a worker who is still unemployed becomes eligible for the EB program.

Workers losing their jobs at the beginning of the pandemic in March began exhausting regular UI benefits in September and moved to the PEUC program. As the chart indicates, part of the decline in the number of regular UI recipients can be explained by those workers transitioning to the PEUC program.

As of mid-January, there were a little over 400,000 regular State UI recipients in New York, 1.3 million receiving PUA benefits, and nearly 900,000 receiving either PEUC or EB extended benefits. It is reasonable to assume that about half of each category represents New York City residents.

Data from the State Comptroller's office indicate that unemployed workers in New York State received \$65.2 billion in unemployment benefits from March last year through January of this year. As Figure 13 indicates, New York City's unemployed workers have received an estimated \$36 billion of that total. The benefit payout to city residents nearly doubled in January from December with the reinstatement of a federally funded supplemental weekly UI payment. The Emergency Coronavirus Relief Act provided for a \$300 weekly supplement (half the \$600 weekly amount that was provided to all UI recipients from April through July). A six-week \$300 federal supplement was provided in August and September of 2020 out of FEMA funds. New York State disbursed most of that supplement during September. No federal supplement was provided from October through December.

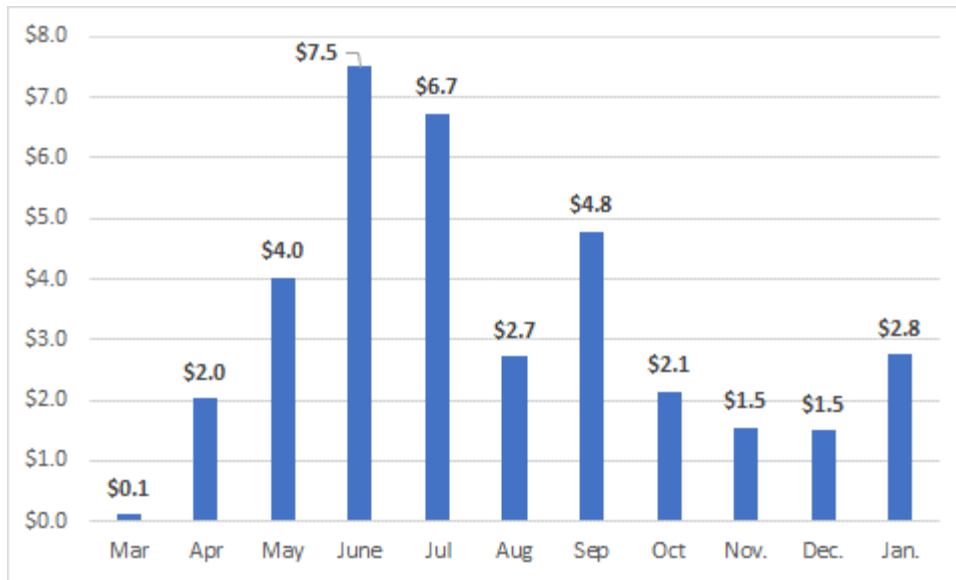
The Federal government has funded the bulk of UI benefits paid in New York since March. For the four months from April through July, the federal share of all benefits paid was 76 percent. The federal share rose to 78 percent for the months of August through December. Even though there were only six weeks of federal supplemental benefits during that time, recipients of regular State UI benefits began exhausting their 26-week eligibility for State benefits in September and transitioned to federally funded extended benefits. In January of this year, the federal share of UI benefits rose to 90 percent, mainly because of the reinstatement of a \$300 federal supplement but also as more workers transitioned onto federal funded extended benefits. With the uptick in

⁶ Figure 12 also shows the small number covered by "work-sharing" arrangements involving reductions in hours worked in lieu of layoffs—in mid-January there were about 8,000 work-sharing participants.

initial regular UI claims in recent months there has been a net increase in regular UI recipients, but that number has been topped by the increase in the numbers receiving extended benefits.⁷

Figure 13

New York City residents have received nearly \$36 billion in UI payments between March 2020 and January 2021.



Source: New York State Comptroller, Open Books New York; estimates for New York City share based on city's share of monthly regular state UI benefits from the NYSDOL.

⁷ Analysis of New York State Comptroller data on state agency payments from Open Book New York and NYSDOL data on regular state unemployment insurance benefits. As of February 4, 2021, New York's UI Trust Fund had borrowed \$9.6 billion from the U.S. Treasury to pay benefits. U.S. Treasury Direct, Title XII Advance Activities Schedule as of February 4, 2021.

https://www.treasurydirect.gov/govt/reports/tfmp/tfmp_advactivitiesched.htm

If Federal loan repayment is not waived, the UI Trust Fund will have to repay the amount borrowed from employer UI payroll taxes. State UI benefit payments are funded through employer payroll taxes, not the State budget.

6. Several worrisome labor market developments

As bad as is the sheer level of job displacement and unemployment that persists into 2021, there are additional dimensions of labor market weakness that need to be recognized. Long-term unemployment is soaring, hundreds of thousands of those called back to work are working only part-time, and a quarter of a million New Yorkers have dropped out of the labor force.

Long-term unemployment

In the national unemployment report released on February 5 it was reported that, according to the household survey, 40 percent of those unemployed had been jobless for more than 26 weeks, the standard definition of long-term unemployment. The numbers could be higher in New York City. Just looking at the UI participation data suggests the numbers of long-term unemployed here are very high. Long-term unemployment makes it less likely for works to attain new jobs or comparable jobs, and is a factor in longer-term economic hardship, health conditions, and family stability.⁸

As noted in the previous section, nearly 900,000 state residents were receiving extended unemployment benefits as of mid-January, meaning that they have been jobless for more than 26 weeks. The statewide number receiving PUA benefits has averaged 1.2 million since mid-May and was 1.3 million in the first two weeks of January of this year. PUA benefits was extended in December through mid-March. If the same proportion of recipients in the PUA program has exceeded 26 weeks as in the regular State UI program (where 69 percent of recipients have transitioned to either the PEUC or EB extended UI programs), that would mean about 900,000 PUA recipients are long-term unemployed. That makes a total of 1.8 million UI recipients. As discussed further below, an estimated 25 percent of UI recipients are receiving partial UI benefits, meaning that they have returned to work but only on a part-time basis, retaining access to a portion of their UI benefits.⁹ Reducing the 1.8 million recipients by 25 percent who may be working part-time leaves 1.35 million workers statewide. Applying the city's share of January's reciprocity level yields approximately 650,000 individuals who may be considered long-term unemployed.

Thus, conservatively taking three-quarters of the above estimate suggests that nearly 500,000 city residents are long-term unemployed in this 11th month since the onset of the pandemic.

Part-time employment

Since neither of the regular government labor market surveys provides current information on part-time employment, it is difficult to pinpoint the extent to which part-time employment may have grown in New York City over the past year. However, we can plausibly suggest that there has been a substantial increase in part-time work from data on partial UI benefits. As mentioned

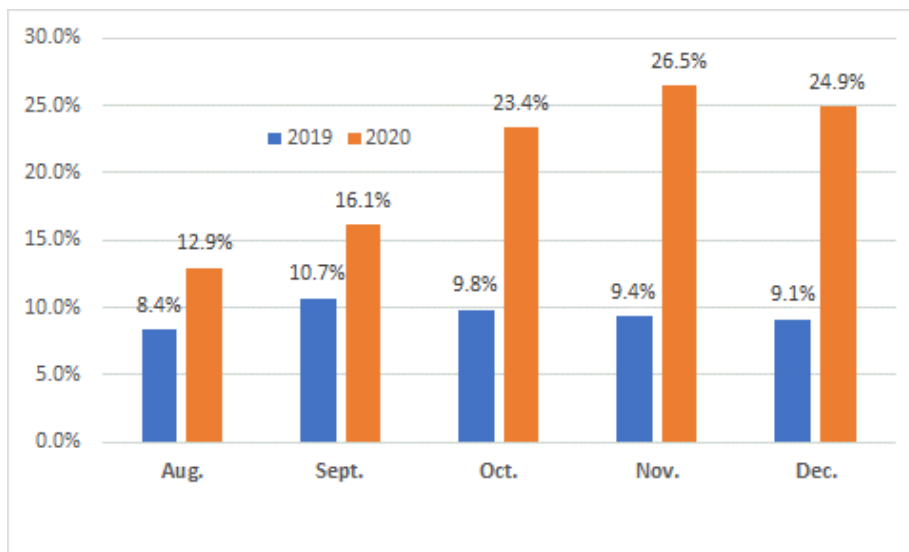
⁸ Josh Bivens, "Long-Term Unemployment Has Not Damaged the Productivity of Workers, A Review of the Evidence on Long-Term Unemployment's Lasting Effects on Workers, Households, and the Economy," Economic Policy Institute, September, 2014.

⁹ James Parrott, "N.Y. Needs better unemployment benefits now," New York Daily News, February 2, 2021.

above, a worker may receive partial UI benefits if they return to work but their employer can only offer them part-time hours. The U.S. Labor Department’s Employment and Training Administration publishes data on the number of weeks of partial UI benefits paid each month. That data is used to construct the series presented in Figure 14, indicating that partial UI benefits have represented an average of 25 percent of UI weeks compensated for the months of October through December, compared to about nine percent for the same months in 2019. Twenty-five percent of the estimated number of New York City UI recipients in January would yield about 320,000 involuntarily part-time workers.¹⁰

Figure 14

A rapidly rising share of NYS regular UI recipients have returned to work but only on a part-time basis.



Source: USDOL, Employment and Training Administration

Workers leaving the labor force and the effect on the unemployment rate

Prior to the pandemic New York City’s seasonally adjusted labor force level had fluctuated in a narrow range of plus or minus one percent of 4.08 million for the previous seven years. From February 2020 to January 2021, the city’s labor force fell by 240,000 or 5.9 percent. Such a sudden drop reflects a substantial number of workers leaving the labor force for reasons that include discouragement at the prospect of finding work or the need to care for family members. Among states, New York State had the fourth-greatest labor decline over this period: 4.7 percent, trailing only Iowa, Vermont, and Nevada. Nationally, the labor force declined by 2.4 percent

¹⁰ According to BLS estimates for alternative measures of labor utilization for 2020, New York City had an annual average involuntary part-time employment rate of 5.0 percent. Applying this 5 percent rate to the size of the city’s labor force in December 2020 would yield 190,000. https://labor.ny.gov/stats/nys/alternative_measures.shtm

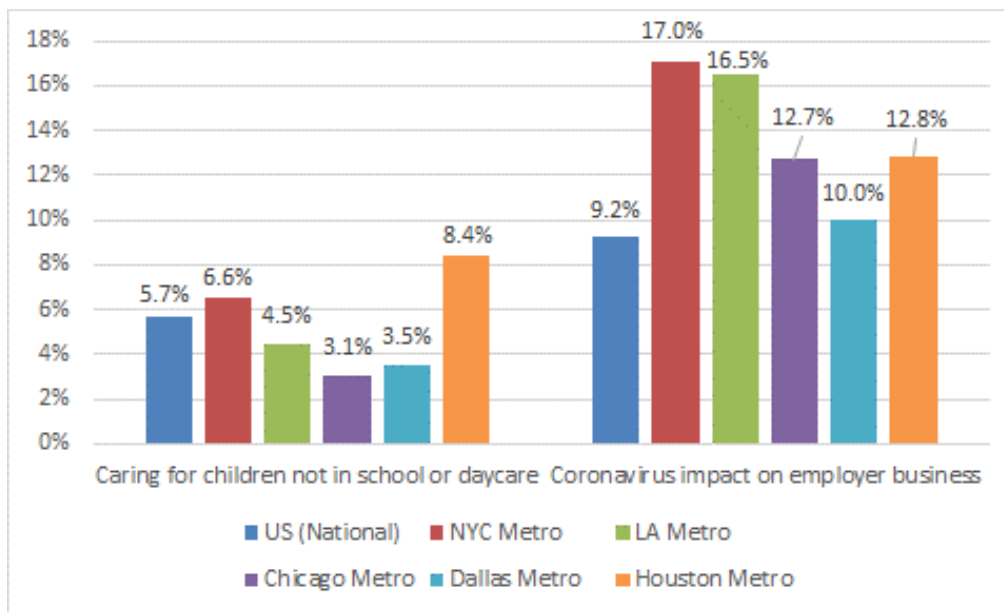
between last February and this January. Among states, only Iowa had a steeper labor force decline over the past 11 months than New York City (-7.6 percent vs. -5.0 percent).

The official unemployment rate for New York City in December 2020 was 11.4 percent, reflecting unemployment of 433,000 workers. However, if the 240,000 labor force dropouts are added back, the unemployment rate would rise to 16.6 percent. And if the estimate of 320,000 involuntarily part-time workers is factored in, a total of 993,000 city workers were either unemployed or underemployed, translating into an underemployment rate of 24.5 percent.

To better gauge the ongoing social and economic effects of the coronavirus epidemic, we turn to the U.S. Census Bureau's Household Pulse Survey, which periodically queries a sample of all households. Figure 15 reports on the two main reasons (other than retirement) that respondents gave for not working in the week prior for the nation overall and for the five largest metro areas. For the New York metro area, 6.6 percent of adults reported not working due to caring for children not in school or daycare, and 17 percent reported not working because of the impact of the virus on their employer.¹¹

Figure 15

Not working due to caring for children not in school or daycare, or because of the Coronavirus impact on an employer's business were prominent reasons for not working among those reporting a reason in the Jan. 6-18 Household Pulse Survey



Source: U.S. Census Bureau, Household Pulse Survey, Week 22, Jan. 6-18, 2021.

¹¹ Depending on the area, from 50-68 percent of respondents did not provide a reason for not working.

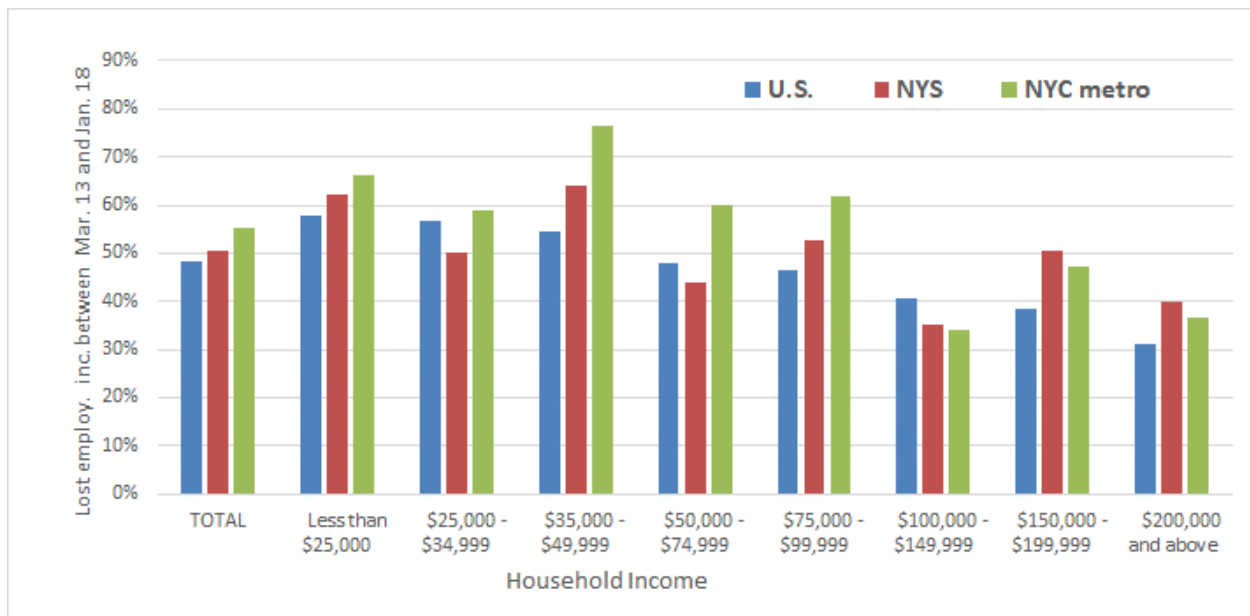
7. Growing hardships moderated by federal assistance

The unprecedented extent of job loss and under-employment coupled with its concentrated impact among low-income workers is a sure recipe for greater economic hardships. This section reviews income losses and data on rising hardships and takes stock of the extent to which federal economic assistance has moderated what would otherwise have been a catastrophic poverty increase.

The Census Household Pulse Survey for mid-January found that more than two-thirds of all New York City metropolitan households with incomes less than \$50,000 had experienced some loss of employment income (either through a furlough, layoff, or reduction in hours or pay) since the onset of the pandemic in mid-March. For households with incomes of \$150,000 or more, fewer than 40 percent had experienced some earnings losses. At all income levels below \$100,000, the extent of earnings losses were greater in the metro area than in New York State overall and at the national level. (See Figure 16.)

Figure 16

Two-thirds of NYC metro area households with less than \$50,000 in income lost employment income at some point between Mar. 13, 2020 and Jan. 18, 2021.



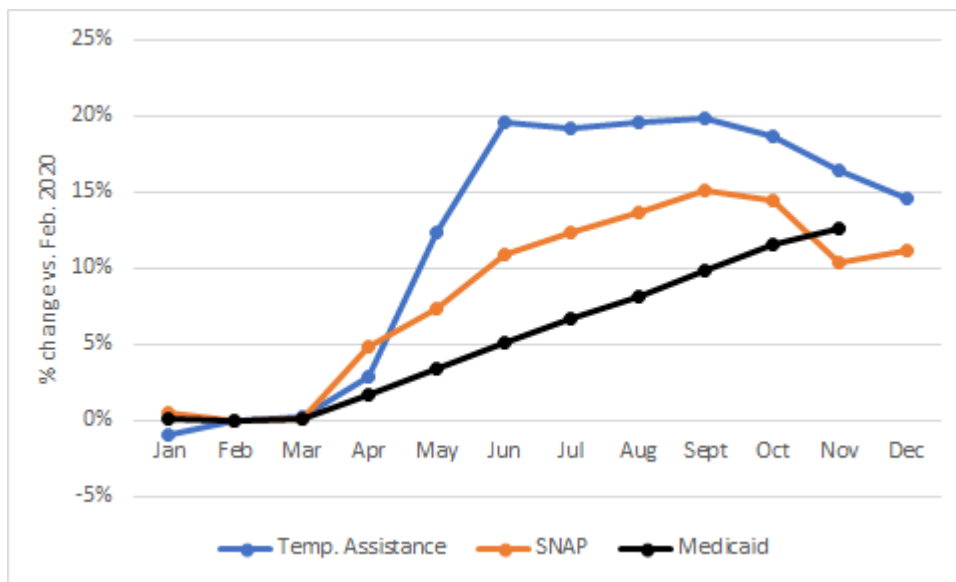
Source: U.S. Census Bureau, Household Pulse Survey, Week 22, Jan. 6-18, 2021.

Despite the large numbers of New York City residents receiving UI benefits (including weekly supplements for a total of five and a half months in 2020), sharply rising numbers have sought some form of public assistance since February. This has occurred following a long-term decline

in public assistance reciprocity in the city over the past decade, and a decline in poverty since 2013. The number of public assistance recipients (either of Temporary Assistance for Needy Families or State Safety Net Assistance) in New York City rose by 20 percent between February and June, then remained at that level through September before beginning to recede to 15 percent as of the end of 2020. (See Figure 17.) The number of city residents receiving Supplemental Nutrition Assistance Program (SNAP) benefits rose by 220,000 from March until September before dropping back to a December level 11 percent greater than in March.

Figure 17

Spring 2020 saw large jump in New York City public assistance rolls and Medicaid enrollments have risen 426,000 since February 2020.



Source: NYS Office of Temporary Assistance and Disability, and NYS Department of Health

As of November, an estimated 336,000 city residents had lost health insurance as a result of losing a payroll employment job during the pandemic. Of this number, 288,000 previously had employer-provided health insurance; 48,000 had purchased their own health insurance but presumably without earnings will no longer be able to buy their own insurance.¹² Although the Remote industries were responsible for far fewer job losses, a much higher percent of their workers had employer-provided health insurance (86 percent compared to 55 percent for Face-to-Face workers). The estimate of 336,000 payroll workers losing health insurance is broadly consistent with the February to November increase in Medicaid enrollment for New York City of

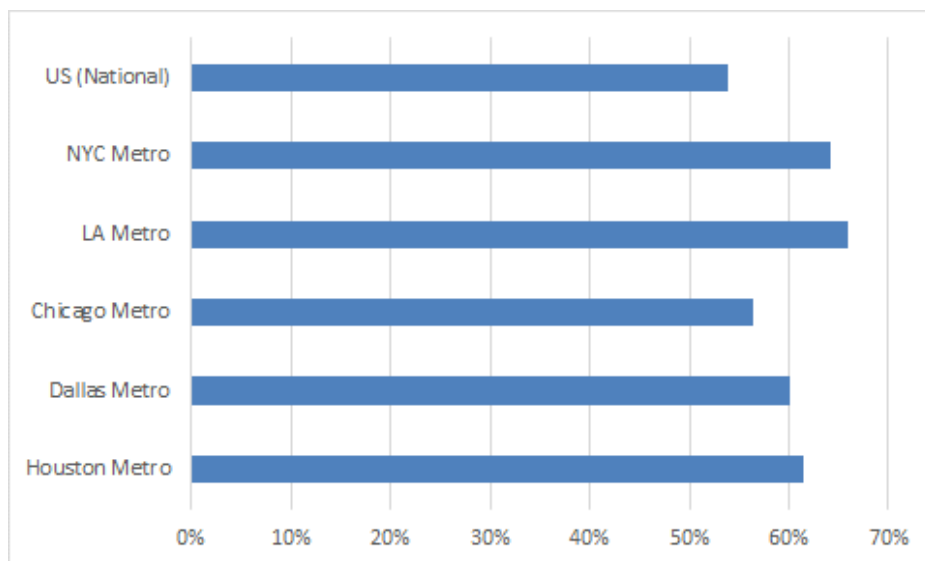
¹² CNYCA analysis of American Community Survey data on health insurance coverage together with analysis of payroll employment changes. An estimated 73,000 payroll workers losing jobs did not have any health insurance previously, and 98,000 were covered by Medicaid previously and presumably would continue on Medicaid after losing their job.

426,000.¹³ (See Figure 15 on the growth in Medicaid rolls.) Much of the difference might be accounted for by self-employed workers and independent contractors losing work and the ability to buy their own health insurance.

The Census Household Pulse survey confirms that low-income households in the New York City area are experiencing significant hardship. During the first part of January, the survey found that 64 percent of New York City metro area households with incomes under \$50,000 had difficulty “paying usual household expenses in the last seven days.” This was 10 percentage points higher than for the nation overall; similar higher-than-national-average levels were found in all five of the nation’s largest metro areas. See Figure 18.

Figure 18

64% of New York metro area households with incomes under \$50,000 found it “somewhat difficult” or “very difficult” to pay usual household expenses during the pandemic



Source: U.S. Census Bureau, Household Pulse Survey, Week 22, Jan. 6-18, 2021.

Hundreds of thousands of New Yorkers are already behind on their rent, and while both the State and the federal government have placed moratoria on evictions, significant amounts of back rent are building up for many renters that will have to be resolved at some point. The Covid-19 assistance package enacted in December included \$1.3 billion for rental assistance for New York tenants, and President Biden has proposed additional assistance in his American Rescue Plan.

Many of the workers losing jobs and earnings in the pandemic economy were not that far from hardship prior to March of last year. The Columbia University New York City Poverty Tracker survey found that workers losing employment income were twice as likely to be in poverty prior

¹³ NYS Department of Health, Monthly Medicaid enrollment data.

to the pandemic compared to those who were able to work from home, and that 40 percent of those losing employment income faced food hardship before the pandemic, compared to only five percent of those who began to work from home.¹⁴

Longstanding food hardships have been compounded during the Covid-19 era. While prior to Covid-19, 12 percent of New Yorkers visited a food pantry at least once in a 12-month period, in September and October of 2020, 32 percent of adults reported that they had used a food pantry at least once in the 12 prior months.¹⁵ Although Supplemental Nutrition Assistance Program (SNAP) benefits provide crucial assistance, in July and August the Poverty Tracker survey found that 60 percent of New York City SNAP households still turned to food pantries to get enough food to make it through the month.¹⁶ The December Federal assistance bill increased monthly SNAP benefits by 15 percent and funded additional food assistance.

The considerable Federal assistance provided since the early days of the pandemic have helped moderate the rise in poverty even if they have not gone very far to date in restoring lost employment opportunities. Columbia University researchers estimate that nationally the CARES Act reduced the supplemental poverty measure by five-and-a-half percentage points from what it otherwise would have been in April of 2020. Rather than 19.4 percent of the U.S. population being in poverty, stimulus checks and the federal expansion of unemployment benefits lowered it to 13.9 percent. As impact of the stimulus checks wound down the CARES Act poverty reduction moderated to 3.3 percentage points and slipped further to 1.4 percentage points in August after the \$600 supplemental unemployment benefit payments ended on July 31.¹⁷

The Columbia researchers also estimated that, in extending federal unemployment assistance, and providing a \$300 weekly UI supplement, the December package reduced national poverty by one percentage point for 2021 (from 13.6 percent to 12.6 percent) from what it would have been had the measure not passed.¹⁸ The estimated child poverty reduction impact of President Biden's expanded child tax credit is discussed in the final section.

It is clear that Federal economic assistance has mattered greatly in relieving hardships for millions of New Yorkers and Americans. However, little has been done in New York other than modest philanthropic efforts to address economic assistance needs among undocumented workers, who accounted for eight percent of New York City's pre-pandemic workforce.¹⁹

¹⁴ Collyer, et.al., October 2020.

¹⁵ Sophie Collyer, Chantal Bannerman, Rebecca Charles, Katherine Friedman, and Christopher Wimer, "Food hardship in New York City is rising as New Yorkers wait for a second federal stimulus bill," Columbia University Center on Poverty & Social Policy, Columbia Population Research Center, and Robin Hood, November 2020.

¹⁶ Collyer, et.al., November 2020.

¹⁷ Zachary Parolin, Megan Curran, Jordan Matsudaira, Jane Waldfogel, and Christopher Wimer, "Monthly Poverty Rates in the United States during the COVID-19 Pandemic," Columbia University Center on Poverty & Social Policy, October 15, 2020.

¹⁸ Zachary Parolin, Sophie Collyer, Megan Curran, and Christopher Wimer, "The Potential Poverty Reduction Effect of President-Elect Biden's Economic Relief Proposal," Columbia University Center on Poverty & Social Policy, January 14, 2021.

¹⁹ James A. Parrott and Lina Moe, *The New Strain of Inequality: The Economic Impact of Covid-19 in New York City*, Center for New York City Affairs at The New School, April 15, 2020, p. 18.

8. Pandemic exacerbates wage and income inequality

The extreme lopsided nature of the profound and prolonged pandemic downturn has vastly intensified economic inequality in New York City and elsewhere. The pandemic brought to a screeching halt the considerable gains achieved by those in the bottom half of the wage distribution in New York City in recent years. Sustained strong job growth had added a million jobs to the city economy in the decade since the end of the 2008-09 Great Recession. Unemployment was below four percent for most of 2019 (the longest such period in at least a half century), and the State minimum wage in New York City more than doubled between 2013 and 2019. While New York City remained one of the most economically polarized large cities in the United States, those in the bottom 60 percent of the income distribution slightly increased their income share while the richest one percent's share slipped slightly from 2013 to 2018 (the latest year for these data). The federal poverty rate in the city fell from 21 percent in 2012 to 16 percent in 2019, and child poverty dropped from 31 percent to 22 percent from 2012 to 2019.²⁰

The pandemic has laid bare racial and income disparities in health, access to health care, and great unevenness in housing conditions, paid leave, and access to broadband. These disparities resulted from years of polarization in the distribution of income and wealth. Now the substantial economic progress achieved over the past decade is at risk of being undone by the lopsided nature of the pandemic job disruption.

The unemployment insurance safety net has certainly helped, but wage losses stemming from the disappearance of jobs and the increased incidence of part-time work have been greater. And the earnings potential for hundreds of thousands of city residents suffers as long-term unemployment deepens and time out of the labor force lengthens. Educational achievement and access to higher education critical for upward mobility have faltered.

Figure 16 provides a first approximation of the unevenness in wage losses. Average annual wages for workers in the Face-to-Face industries hardest hit were less than a third of the average wages for Remote sector workers in 2019 (\$61,500 vs. \$188,700). Workers in the Face-to-Face industries bore 76.5 percent of the city's average monthly job loss in 2020 compared to only 10 percent in the Remote industries. Even with average wages of one-third those in the Remote sector, total estimated wage losses were \$28 billion in the Face-to-Face industries compared to \$11 billion in the Remote industries. (These estimates do not factor in part-time work, which would add several billions to the lost wage earnings estimate in the face-to-face sector.)

Moreover, the estimates in Figure 19 assume average wages per worker were unchanged in 2020 from the year before when in reality, average wages likely continued rising for many highly compensated workers in finance, technology, information, and professional services. Average

²⁰ New York City income distribution data from New York City Independent Budget Office, NYC Residents' Income and Tax Liability Excel files. Poverty data from the American Community Survey. The statement about large city income polarization is based on ACS Gini coefficient data.

wages in many of those industries had been rising four-to-five percent a year in recent years according to the New York State Department of Labor.

Figure 19

Lower-wage workers in face-to-face industries have borne the brunt of job losses and experienced \$28 billion wage loss in 2020

	Essential industries	Face-to-face industries	Remote industries	All industries *
Average 2019 Employment	1,383,543	1,932,858	1,164,693	4,492,708
Total Wages 2019 (\$ billions)	\$90.1	\$118.9	\$219.8	\$429.6
Average Annual Wages 2019	\$65,128	\$61,521	\$188,718	\$97,695
Share of all jobs 2019	30.8%	43.0%	25.9%	100%
Share total wages 2019	21.0%	27.7%	51.2%	100%
Avg. monthly job loss, 2020	-84,400	-477,900	-62,500	-624,800
Share of Feb.-Dec. avg. monthly job loss	13.5%	76.5%	10.0%	100%
Percent avg. monthly job loss	-5.9%	-23.5%	-5.2%	-13.4%
Estimated total wage loss, 2020 (\$ billions)	-\$5.3	-\$27.9	-\$11.4	-\$44.7

* includes 11,121 jobs not classified by industry

Wages represent roughly 90 percent of total family income for most households in the bottom 80 percent of the distribution, and only 10 percent of income usually comes from other sources such as earnings on savings or unemployment compensation. For the top 20 percent, capital gains, dividends, interest, and business income account for 42 percent of family income and for the richest one percent, these non-wage income sources account for two-thirds of income.²¹ The booming stock market in 2020 boosted capital gains, dividends, and business incomes considerably for many in the top 20 percent and proportionately much greater for the top one percent. For the first three quarters of 2020, profits at the large Wall Street securities firms were the second highest in 40 years of data.²²

²¹ New York City Independent Budget Office, New York City NYC Residents' Income and Tax Liability Excel files, tax year 2018.

²² New York City Office of Management and Budget, Quarterly Report on Current Economic Conditions, December 2020, p. 5

9. The NYC economy and jobs not likely to “snap back” in 2021

Even when a large share of the population has been vaccinated and social distancing restrictions ease, jobs and businesses will not “snap back” in 2021 to where they were in February 2020. Too many of the sectors important to the New York City economy will continue to be hampered to a significant degree for several months beyond 2021. Individual health concerns about the need for social distance will persist on some scale, restraining a quick and complete rebound in restaurants, tourism, the arts, and among office workers. This means some jobs will not readily come back. Then there is the fact that the employers forced out of business by the pandemic will not be around to hire back their workers. New businesses eventually will emerge, but not soon enough to offset the scale of shuttered shops and restaurants.

The pre-pandemic number of jobs in New York City was the culmination of a decade of recovery and sustained growth that brought tens of thousands of usually sidelined New Yorkers into the labor market. The pandemic has reversed that progress, adding new barriers, creating legions of long-term unemployed, and forcing women to give up their place in the job market to shoulder family responsibilities.

Economists who talk about a “full recovery” usually are thinking in terms of the level of inflation-adjusted Gross Domestic Product (GDP) returning to or surpassing the pre-pandemic level. They are mistaking an aggregate and partial economic indicator for the economic reality of workers needing gainful employment at decent wages. Those saying the economy will quickly “bounce back” are guilty of what economists call the “fallacy of composition,” that is, thinking that the recovery of one measure of economic activity can be generalized across the board to the broader economy.

Sure enough, measures of gross product are expected to surpass pre-pandemic levels for the city and the nation in 2021, but job levels are not expected to get back to February 2020 levels until 2023 at the soonest. The Congressional Budget Office’s recent forecast projected that real (inflation-adjusted) national GDP would return to its pre-pandemic level in mid-2021, but payroll employment is not expected to reach its pre-pandemic level until 2024.²³ Similarly, New York City’s Office of Management and Budget (OMB) forecasts that real Gross City Product will surpass the pre-pandemic level this year, but payroll employment will not recover until sometime in 2023. In fact, both City OMB and the City’s Independent Budget Office (IBO) estimate that total New York City personal income actually rose in 2020 (by 3.1 percent according to OMB, with the IBO the pegging city’s personal income growth last year at 6.2 percent). The increase in unemployment compensation benefits in 2020, which are counted as

²³ Congressional Budget Office, “An Overview of the Economic Outlook: 2021 to 2031,” February 2021. The CBO analysis factored in the December pandemic relief package but did not reflect passage of the \$1.9 trillion package proposed by President Biden.

personal income, alone would equate to about four percent of personal income, but that certainly does not indicate an economy that has “recovered.” The IBO does not expect New York City’s employment level to recover to the February 2020 level until 2025.²⁴

At this point, it seems plausible that New York City will gain 200,000-250,000 jobs during 2021 (between December 2020 and December 2021). Since the details of President Biden’s American Rescue Plan proposal are still evolving and have not yet been enacted, our forecast does not factor in the impact of those investments. Without the Biden package, New York City likely would end 2021 still short between 350,000 and 400,000 payroll and independent contractor jobs due to the continuing impact on tourism, the arts, restaurants, building services, and other industries. The bulk (roughly three-quarters) of the city’s net job gain in 2021 likely will occur in the Face-to-Face industries, led by restaurants, arts, entertainment and recreation, educational services, and personal services. Professional services (including parts of the tech sector) and health care also will add jobs in 2021.²⁵ New York City might not regain the pandemic job loss until the end of 2023 or into 2024; that is, it may take four years to restore the jobs lost between February and April of 2020.

In addition to this extended job shortfall, the considerable labor market damage that is currently accumulating will impede an effective return to work for workers enduring long-term unemployment, with pronounced adverse impacts on women and young adults. Job quality will also be an important concern, particularly considering that some of the growth in demand for lesser-skilled workers will continue to occur in areas like delivery jobs where pay and benefits are very low, and workers have few employment rights and protections.

In his recent speech to the Economic Club of New York, Federal Reserve Chair Jerome Powell spoke of the challenge and imperative of marshalling policies to achieve maximum employment:

Given the number of people who have lost their jobs and the likelihood that some will struggle to find work in the post-pandemic economy, achieving and sustaining maximum employment will require more than supportive monetary policy. It will require a society-wide commitment, with contributions from across government and the private sector. The potential benefits of investing in our nation’s workforce are immense. Steady employment provides more than a regular paycheck. It also bestows a sense of purpose, improves mental health, increases lifespans, and benefits workers and their families.²⁶

²⁴ City of New York, “January 2021 Financial Plan Detail, Fiscal Years 2021-2025,” January 2021, p. 21; New York City Independent Budget Office, “While Projected Budget Gaps Are Modest, the Economic and Fiscal Risks NYC Faces Are Not,” January 2021, p. 3.

²⁵ These employment forecasts could change in the event of significant annual benchmark employment revisions for 2020 that will be released by the NYSDOL in early March. At this point, we would expect a relatively minor 0.5 percent downward revision in the December 2020 employment level.

²⁶ Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System, “Getting Back to a Strong Labor Market,” Remarks to The Economic Club of New York, February 10, 2021.

10. Conclusion and Policy Needs

The pandemic's lopsided impact exacerbates previously existing income inequalities. The devastating effects have had a concentrated impact on predominantly low-income workers of color, young adults, and women. It has been called a K-shaped recovery for good reason; many in the bottom half of the population's income distribution have lost jobs or significant earnings and are experiencing housing insecurity, while the jobs of most of those in the top half of the income distribution remain intact and many have seen their financial assets rise in value.

Thousands of jobs will return in 2021 after vaccinations are widespread and social distancing restrictions ease, but businesses that have failed will not re-open and they will not be bringing their workers back. Together with the fact that recovery in restaurants, tourism, and the arts will be very drawn out, New York City will still be short 350,000-400,000 payroll and independent contractor jobs a year from now, and it likely will take at least until late 2023 or 2024 for the city to return to the pre-pandemic employment level.

Signs of serious economic distress are multiplying: long-term unemployment is skyrocketing; many of the new jobs emerging are lower quality than the jobs that have been lost; and many of those returning to jobs are only working part-time. Four rounds of federal aid in 2020 have helped the unemployed and small businesses, but a serious and persistent jobs deficit looms.

The latest \$900 billion federal pandemic package enacted in late December included extended federal unemployment insurance programs for another 11 weeks through mid-March, a second round of Paycheck Protection Program forgivable loans targeted to small businesses, \$600 in direct cash payments, an estimated \$4 billion for New York public schools, \$4.2 billion for the MTA, \$1.3 billion for emergency rental assistance in New York. The measure also included \$15 billion in relief for arts venues.

The House and Senate majorities are currently fleshing out the details for President Biden's proposed \$1.9 trillion pandemic relief package. It is likely to include several significant programs in addition to beefing up funding for vaccine delivery and public health investments, including a public health jobs program. Key components of the Biden proposal include:

- \$1400 direct cash stimulus payments;
- Extending federal unemployment insurance payments through August or September and an increase in the weekly supplement from \$300 to \$400;
- Additional housing assistance to more effectively respond to the Covid-19-created crisis that has imperiled one out of every five adult tenants (under President Biden the Centers for Disease Control extended an eviction moratorium through March and he has asked Congress to extend the moratorium through September);
- Extending the 15 percent increase in SNAP benefits through September and enhancing the Special Supplemental Nutrition Program for Women, Infants and Children (WIC);

- Providing over two years \$130 billion in new flexible funds for school districts to enable them to reopen safely and meet students' educational needs;
- Fiscal relief of \$350 billion for state and local governments to cope with Covid-19-caused revenue shortfalls;
- Establishing a \$25 billion emergency stabilization fund to help hard-hit child care providers at risk of closing and adding \$15 billion in funding through the Child Care and Development Block Grant to help parents with child care costs; and
- Significantly enhancing the Child Tax Credit to reduce child poverty by more than 40 percent and extending meaningful Earned Income Tax Credits to low-paid childless workers.²⁷

While the Biden relief package would provide critically needed assistance in several areas to sustain dislocated workers and help families cope with the health and economic costs imposed by Covid-19, it is too early to gauge the extent to which the harms inflicted on the labor market for most low- and moderate-income families will be addressed. These measures alone may not return the New York City labor market to the pre-pandemic high employment level that created positive labor market connection for tens of thousands of less-educated, lower-paid, and young workers. Wage-subsidies and additional public service job creation investments may be needed to retain and create needed jobs. Some of the Biden measures provide a good start on “building back better” to redress longstanding inequities and will need to be continued and expanded beyond this year. It is also expected that President Biden will work with Congress on an extensive infrastructure investment plan including transit, broadband, and green investments later in the year that may provide a further boost to job creation.

To respond to the pandemic labor market turmoil, all levels of government need to ensure that workforce development organizations are well-positioned to respond to changing job demands and training needs, and that they are able to effectively advise young adults on both short- and long-term career choices. Given the myriad problems the pandemic has surfaced regarding inadequate worker protections and leave policies, as well as a greater awareness of racial and gender disparities in compensation practices and of flaws in the worker safety net particularly pertaining to gig and independent contractor workers, policymakers need to take more systematic approaches to raising job quality. Addressing racial and gender pay inequities improves labor market function and the lesson of the historic rise in New York's minimum wage in recent years is that improving job quality fosters economic growth.

Immediate State policy priorities include permanently improving New York's partial unemployment insurance system²⁸ and providing economic relief to workers previously excluded from federal programs. New York City workforce development organizations will be releasing recommendations for comprehensive policies to improve local labor market functioning in the coming weeks.

²⁷ White House, President Biden Announces American Rescue Plan, January 20, 2021. Various briefs from January 28 and February 8 and 9, 2021 on provisions of the Biden proposal prepared by the Center on Budget and Policy Priorities. www.cbpp.org

²⁸ James Parrott, “N.Y. Needs better unemployment benefits now,” *New York Daily News*, February 2, 2021.