The Covid-19 New York City Economy
Three Months In:
Reopening, and a Continuing Low-Wage Worker Recession

A report by James A. Parrott and Lina Moe
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Highlights

• While there was a slight net gain of 42,000 private jobs in New York City in May, total payroll jobs remained more than 19 percent (-892,000) below the pre-pandemic February level.

• In addition, about 333,000 independent contractors have lost jobs and filed for Pandemic Unemployment Assistance.

• This abrupt 1.25 million total job loss since February marks by far the sharpest job decline seen in New York City since the 1930s.

• Three-fourths of the city’s job loss has taken place in the mainly low-wage face-to-face industries (-666,000), which together saw a 35 percent drop. The steepest losses occurred in the restaurant, hotel, and arts and entertainment industries, where two-thirds of all workers lost jobs on a temporary or permanent basis.

• Even essential industries, including health care and social assistance, have seen significant job losses (over 150,000, or 9.6 percent). Pandemic restrictions and budget pressures factored in the loss of 33,000 mainly local government jobs since February.

• Although much less affected than the face-to-face or essential industries, remote industries, including finance, tech, and professional services, shed 72,000 jobs, a 6 percent job loss.

• To a greater extent than in previous downturns, the Covid-19-related job losses are heavily concentrated among low-wage workers, hitting persons of color, immigrants, young workers, and less educated workers the hardest.

• Soaring job losses have pushed the city’s unemployment rate from its historic low of 3.4 percent in February to 18.3 percent in May, well above the previous high point since the 1930s. However, adding back the 380,000 unemployed workers who haven’t looked for jobs during the pandemic would raise the city’s unemployment rate to 26 percent in May.

• Unemployment is one-third to one-half higher in the Bronx, Queens and Brooklyn than in Manhattan. The City Comptroller’s office estimates that May unemployment rates were about twice as high for Blacks, Latinx, and Asians as for whites.

• While initial unemployment insurance claims have come down sharply from their early April peak levels, the statewide weekly level of continuing regular unemployment claims remains between 1.6 and 1.7 million, with close to half of that representing city residents. Another 900,000 dislocated independent contractors (statewide) are receiving Pandemic Unemployment Assistance.

• As New York City re-opens further in coming weeks, more jobs will return but it is likely that recovery will proceed unevenly, with public health concerns overshadowing other forces. Economists have not found evidence that the $600 supplemental weekly unemployment insurance payments has slowed the return of workers to their jobs.
• While it is impossible to precisely predict where the recovery will be by the end of this year, it is likely that New York City could end 2020 with 500,000 to 600,000 fewer jobs than at the beginning of the year, with half of that job deficit stemming from the face-to-face industries.

Our key conclusion is that New York City is experiencing deep and enduring unemployment mostly by low-income workers of color and the city is facing a sluggish recovery with double-digit unemployment. Substantial additional federal economic assistance is needed to reduce hardships and spark more and better employment opportunities.

**Recommendations:**

Among several policy priorities here are five that are particularly needed in New York City.

1—Government needs to come up with more effective ways of maintaining the viability of Covid-19 endangered small employers who collectively employ hundreds of thousands of New Yorkers.

2—Congress should extend the $600 supplemental weekly unemployment insurance benefit that is due to expire July 25.

3—Economic assistance needs to be extended to the estimated 200,000 dislocated undocumented workers in New York City and others who have fallen through the cracks and are not receiving unemployment assistance.

4—Federal support is needed to fund public service and other jobs programs to serve young workers, invest in infrastructure, and to promote climate resiliency and adaptation.

5—Substantial federal fiscal relief to state and local governments is needed as soon as possible to avert harmful cuts in essential public services and employment that would worsen an already bleak jobs picture.
Introduction

As New York City begins to re-open its economy in the wake of Covid-19 and as the number of new cases continues to steadily drop locally, there is genuine reason for a glimmer of optimism. Restaurants are now open for outside dining, and Phase 3 scheduled to begin on July 6 will mark the return of limited indoor dining. Some workers are beginning to return to their offices, and New Yorkers are once again able to patronize neighborhood services like hair salons and barbershops, and brick and mortar retail stores. Yet many restrictions remain in place. Quintessential New York activities, like Broadway theater performances, likely will remain shuttered until early next year.

Tens of thousands of workers are returning to jobs following a period of temporary layoff. Even as public health restrictions are eased, many businesses reliant on in-person transactions will continue to experience low customer traffic. This means both that the number of jobs in New York City’s service-intensive economy likely will remain well below pre-pandemic levels for several more months, and that the survival of some number of small businesses will be severely tested given the duration of reduced patronage levels. In addition to job losses directly related to reduced face-to-face activity, the citywide economy will also experience job losses in other businesses as the Covid-19 recession continues to have cascading economic effects.

This report takes stock of New York City’s economy and job market three months after the onset of the pandemic that has taken the lives of 22,000 New Yorkers and Covid-19 related public health shutdowns. It follows up on and uses some of the same framework and methodology of our April 15 report, “The New Strain of Inequality: The Economic Impact of Covid-19 in New York City.”

We look at the extent of lost jobs and earnings and which parts of the economy were hardest hit; we identify the workers, businesses, and boroughs bearing the brunt of economic dislocation. We see a pronounced small business and low-wage worker Covid-19 recession, distinct in character from the post-9/11 recession or the 2008-09 Great Recession. In a final section of the report, we try to make sense of the latest data to inform an initial projection of what might happen in coming months, and we offer recommendations for getting the local economy back on track.

In this report, we analyze the most currently available four months of employment statistics from the New York State Department of Labor: February-May 2020. This allows us to compare the employment picture in the last full month (February) before State-mandated restrictions in economic activity related to the pandemic began with the three months (March-May) when those restrictions were in fullest force. (Comparable jobs statistics for the month of June will not be publicly available until July 16.)
The Center for New York City Affairs and the Consortium for Worker Education (CWE) have established a Covid-19 Economic Recovery Project to monitor New York City economic and employment conditions and develop policy and programmatic recommendations to facilitate worker and small business recovery. This project will release periodic briefs updating the assessment of how the pandemic- and recession-related job dislocations are affecting average New Yorkers. The project will also tap into the CWE’s extensive network of community based organizations and union training programs to identify worker and workforce development priorities. Future briefs will also examine small business impacts, hard-hit industries, workforce organizational needs and priorities, pandemic-induced economic changes, and policies to protect incomes and improve economic opportunities.

Slight May job rebound—unsurprising and underwhelming

There was a slight net gain of 42,000 private payroll jobs in New York City in May, though total payroll jobs remained more than 19 percent (-892,000) below the pre-pandemic February level. The May gains came mainly from three sectors – construction, retail, and restaurants – hit particularly hard by the mandated shutdowns that began in the city on March 16. The 42,000 net job increase represents a rebound of approximately five percent of the jobs lost since February.

The New York State Labor Department, which provides these official employment numbers, bases their monthly estimates on a survey of businesses conducted during the week that includes the 12th day of each month. While New York City did not enter Phase 1 of the re-opening schedule set by the State until June 8, by early May economic activity had started to pick up slightly as businesses deemed “essential” in the construction and retail sectors reopened, and restaurants were allowed to open for take-out and delivery service only. In other industries, such as accounting services, performing arts, hotels, private universities, social assistance, and government (mainly local government), significant job reductions continued in May; these sectors cut a total of 50,000 jobs in May.

To better understand the landscape of job dislocations in a Covid-19 economy, we continue to find it useful to group jobs into the three categories we identified in our April 15 report: essential jobs, face-to-face jobs, and remote jobs. Essential jobs are those critical to public health, safety, and sustenance. 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 manufacturing. Information, financial, professional, and managerial services, many of which can be performed remotely, constitute the third category.

Figure 1 uses these three broad categories to show the State Labor Department’s monthly estimates for payroll job levels (not seasonally adjusted) and changes since February, and the cumulative percent change from February to May. One change from our April 15 categorization is that we now include the entire government sector in the essential category. Previously government had been excluded on the grounds that we did not expect significant government job reductions by the end of April, the time period that was our focus in the April report.
Figure 1 shows the pervasive extent of job losses suffered in New York City in the first two months of the pandemic-related lockdown. All 24 of the industries shown in the figure lost jobs, with 18 of the 24 marking double-digit job declines. All told, including government, 892,000 jobs were lost between February and May, 19.1 percent of total employment in New York City. Private payroll jobs alone declined by 21 percent during that time. That is twice the magnitude of losses recorded in the 1989-1992 recession, more than twice the post-9/11 job drop, and nearly eight times as bad as the losses registered during the 2008-09 Great Recession.

Three-fourths of the current job loss has taken place in the face-to-face industries, which together saw nearly a 35 percent drop. As projected in our April 15th report, the steepest losses occurred in the restaurant, hotel, and arts and entertainment industries, where two-thirds of all workers lost jobs on a temporary or permanent basis. As of May, employment in food services and drinking places (i.e. restaurants and bars) was more than 200,000 below the February level, accounting for more than one out of every five New York City jobs displaced by Covid-19. Temporary help agency positions and building services jobs comprise the bulk of the 77,000 lost jobs in administrative and support services. Three face-to-face industries – non-essential retail, other (personal) services, and arts and entertainment – each experienced the loss of about 60,000 jobs between February and May.

Even essential industries have seen significant job losses. While hospitals have been the focal point of the public health crisis, the health care industry – the largest single industry in New York City, with nearly 600,000 jobs in February – saw job losses of 69,000, concentrated in the offices of doctors and dentists, in home health care services, and among some hospital workers not deemed Covid-19 essential. One out of every six jobs in the social assistance industry – largely composed of nonprofits providing social services under government contract – were lost, with much of that occurring in youth services as a result of City budget cuts. Pandemic restrictions and budget pressures were also a factor in the loss of 33,000 mainly local government jobs since February.

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1 Compare Figure 7 in the April 15th report. Our estimates in that report were meant to approximate the job displacement picture as of the end of April, thus, mid-way between the NYS Department of Labor (NYSDOL) April and May employment surveys (which are conducted during the week containing the 12th of each month.) Our April 15th estimates were generally within 10 percentage points of the April and May NYSDOL employment reports, allowing for the fact that our estimates included independent contractors expected to lose jobs, with those losses concentrated in transportation, personal services (“other services” in Figure 1), and arts and entertainment. Our projections for job losses in non-essential retail and manufacturing were about 25 percentage points too high, and overall the midpoint of our April 15th private payroll job loss projection was about four percentage points above the average according to the April and May NYSDOL reports (25.5 percent vs. 21.6 percent.) The 21.1 percent February-May actual job loss figure was slightly above our “low” projection of 20.5 percent. As discussed below, given the data on Pandemic Unemployment Assistance claims, our projection for the loss of 191,000 independent contractor jobs (unincorporated) was low.
2 According to the Human Services Council, several nonprofit social services providers experienced severe cash flow problems because of greater than usual delays in State contract funding, and postponed annual fundraising events.
Although much less affected than the face-to-face or essential industries, remote-operating industries shed 72,000 jobs between February and May. Finance, professional services, information, real estate, corporate management, and tech companies (partly in professional services and partly in information), are all dominated by large, office-occupying companies, most functions of which can be performed remotely. The 6.3 percent job losses in these industries are on a par with the losses during the 2008-09 Great Recession and about half those seen during the recession that began in December 2000 and extended into the post-9/11 period.
Covid-19 job losses concentrated among low-wage workers

To a greater extent than in previous downturns, the Covid-19-related job losses are heavily concentrated among low-wage workers. Figure 2 shows the earnings distribution for each of our three categories of workers. Two-thirds of all workers in the city’s face-to-face industries earn less than $40,000 annually, while only 27 percent of remote workers have comparably low earnings. At the other extreme, 35 percent of remote workers have annual earnings over $100,000 while only eight percent of face-to-face workers and 10 percent of essential workers are in that income range. This finding for New York City is reinforced by a national study presented by economist Alexander Bartik and colleagues recently at a Brookings conference, “Both traditional and non-traditional data show that, in contrast to past recessions, this recession was driven by low-wage services, particularly the retail and leisure and hospitality sectors.”

A new Census Bureau survey taken in early June found that, among New York State residents, the likelihood of experiencing loss of employment income since mid-March was more than twice as great for a worker with household income less than $35,000 as for a worker with household income of $200,000 or more. The national Bartik, et. al. study also found that “more disadvantaged workers (less educated, non-white) were more likely to be laid off and less likely to be rehired.” These findings reinforce available data for New York State and City.

Figure 2

Most workers in face-to-face industries are low-paid

![Graph showing earnings distribution for face-to-face, essential, and remote workers]

Source: Authors’ analysis based on 2014-18 American Community Survey earnings data.

4 U.S. Census Bureau, “Household Pulse Survey, Week 6,” June 4-9, 2020. Employment Table 1. Young workers (ages 18-24), males, Hispanics, and those with less than a higher school diploma were also much more likely to have experienced loss of employment income.
Until the 2010-20 economic expansion, New York City’s economic fate since the 1960s had been closely tied to the ups and downs of the financial sector. Upswings were fueled in large part by soaring Wall Street profits and bonuses. Downturns were characterized by job losses emanating outward from the financial sector, affecting professional services, real estate, and the service industries reliant on consumer spending by highly compensated investment bankers and traders. Job losses in the recessions of the early 1990s and 2008-09 Great Recession were concentrated in “remote” industries characterized by high-paying jobs. The early 2000s recession saw comparable job losses in face-to-face and remote industries over its roughly three-and-a-half year duration.5 (See Figure 3.)

The New York City economic expansion over the last decade was the first since the 1960s that wasn’t propelled mainly by a speculation-fueled Wall Street boom. The City’s historic pace of job growth since 2009 benefitted from rapid expansion in the relatively high-paying tech sector, a flourishing tourism and restaurant industry, and extensive residential and commercial development in the boroughs outside of Manhattan. A doubling of the minimum wage helped raise incomes for those in the bottom half of the income distribution and contributed to a more broad-based economic expansion than at any time since the mid-1980s. Nonetheless, significant racial pay and wealth disparities persisted.

The current downturn especially threatens the gains made by minimum-wage workers since three-fourths of the jobs lost as of May have been in the lower-paying face-to-face industries. The highly paid finance and information sectors have seen very slight job reductions to date.

**Additional pandemic-related lost independent contractor jobs**

The job losses shown in Figure 1 pertain only to payroll jobs. In our April 15th report, we estimated that 9.4 percent, or 424,000, of all pandemic-related New York City job losses would be held by independent contractors who are not considered payroll workers by the businesses for which they work. Neither the State nor the Federal governments have released data that allow us to readily track the number of lost independent contractor jobs. However, some indication of the overall magnitude of the number can be seen in the claims data for Pandemic Unemployment Assistance (PUA) that was authorized by the Federal CARES Act to provide emergency financial assistance to dislocated workers not eligible for regular State-administered unemployment insurance.

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5 In part, the relatively severe face-to-face job losses in the early 2000s stemmed from the long-term structural decline in manufacturing jobs occurring at that time, and retail job losses accentuated by the usual seasonal falloff in early 2001 following the annual December peak level (that recession started in December 2000.) (See Figure 3, based on not seasonally adjusted data.)
Figure 3
The bulk of current job losses are occurring in face-to-face industries whereas in previous recessions, remote industries saw the steepest losses.

Source: NYS Department of Labor, not seasonally adjusted current employment statistics series, industry grouping by the authors.

Through May 30, the State Labor Department reported that 736,100 workers had filed PUA claims statewide. (No geographic or industry detail for New York State PUA claimants has been made available.) Since New York City accounts for 45.3 percent of self-employed unincorporated independent contractors statewide, we estimate that there are approximately 333,000 dislocated independent contractors in New York City.6

Adding these 333,000 dislocated independent contractors to the 892,000 lost payroll jobs between February and May brings the total number of lost New York City jobs to 1,250,000.

New York City unemployment rate hits all-time high 18.3 percent in May

Not surprisingly, soaring job losses have pushed the city’s unemployment rate to 18.3 percent, well above its previous high point (since the inception of the monthly series in January 1976) of 11.6 percent reached in October 1992. The month before the onset of the pandemic (February) had seen the lowest unemployment rate recorded in 34 years, of 3.4 percent. (See Figure 4.)

However, the “official” unemployment rate seriously understates the true extent of unemployment. In addition to those officially considered unemployed (those without jobs but

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6 We do this estimate through May 30 to reflect independent contractor job losses as of the end of May. In our April 15 report, we estimated 157,000 to 226,000 dislocated independent contractors; however, we did not include incorporated self-employed workers who are also eligible for PUA. There were another 211,000 PUA initial claims statewide in the first three weeks of June to June 20.
Figure 4  
New York City’s 18.3 percent May unemployment rate far surpasses the mid-1970s peak and other recession peak levels since then

Source: NYS Department of Labor, seasonally adjusted.

Figure 5  
New York City’s employment-to-population ratio dropped from an all-time high to a historic low

Source: NYS Department of Labor, seasonally adjusted.
actively seeking them), some 380,000 New Yorkers “dropped out” of the labor force in recent months; they did not report they had actively sought another job (not surprising given health risks and the “shelter in place” orders in effect through May). Adding these workers back into the unemployment rate estimate would result in a 26 percent New York City unemployment rate for May.\(^7\)

The employment-to-population ratio, measuring the portion of the labor force currently employed out of the total working-age population, shows how dramatically the Covid-19 recession has affected the total number of working-age New Yorkers. Figure 5 shows that the employment-to-population ratio for New York City plummeted to 44.7 percent in May from 58.3 percent in February.

Reflecting recent job losses concentrated among workers in the Bronx, Queens, and Brooklyn, the unemployment rate is one-third to one-half higher in those boroughs than in Manhattan, according to the State Department of Labor. The Bronx registered 21.6 percent unemployment in May, compared to 13.7 percent for Manhattan, 19.9 percent in Queens, 18.2 percent in Brooklyn and 16.5 percent in Staten Island.\(^8\) The City Comptroller’s office estimated May unemployment rates by race and ethnicity in New York City, and found that unemployment was about twice as high for Blacks, Latinx, and Asians as for whites.\(^9\)

**What’s the City’s job situation like now at the end of June and what’s the near-term outlook?**

As noted before, the May employment data are for the week of May 10-16 (the week including the 12\(^{th}\) of the month). With the city entering Phase 1 of reopening on June 8 (the city entered Phase 2 on June 22, after the survey week), one would expect the June employment data that will be reported on July 16 to show a less dire local jobs picture. While there should be some improvement in jobs and economic activity, the question is how much and whether the workers most affected so far by the pandemic will benefit from this rebound. If the data on continued unemployment insurance (UI) claims are any indication, improvement will remain moderate in June.

Figure 6 shows that while initial UI claims for New York State and New York City have come down sharply from their early April peak levels, and in recent weeks have been about half of the

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7 A similar adjusted unemployment rate calculation for April would have been 21.5 percent, fairly close to the lower end of the 22 to 31 percent April unemployment range we estimated in our April 15\(^{th}\) report, see p. 21 and Figure 12.

8 Not seasonally adjusted data released June 23 by NYSDOL. The May unadjusted New York City unemployment rate was 18.2 percent.

9 The City Comptroller’s office estimated unemployment rates from the Current Population Survey but did not benchmark its unemployment estimates (19.9 percent for New York City overall) to the NYS DOL seasonally unadjusted New York City unemployment rate of 18.2 percent. While the Comptroller’s estimates might be overstated, the relative unemployment rate relationship between persons of color and whites has been fairly consistent over time. New York City Comptroller, “The New York City Employment Situation in May: Continued Deterioration,” June 19, 2020.
level prevailing in May, the weekly level of continuing unemployment claims remains between 1.6 and 1.7 million.\textsuperscript{10} New York City makes up an estimated 45-50 percent of the statewide initial and continuing claims totals.

We also now have the anomalous situation where the number of workers receiving regular State UI benefits exceeds the number of those officially counted as unemployed in the State’s monthly unemployment report. In May, for example, the State counted 1.3 million officially unemployed workers statewide, but the weekly level of UI claimants averaged about 1.8 million. In addition to the continued claims under the regular State UI program, nearly 950,000 New York State residents have filed PUA claims since early April, with several hundred thousand expected to be receiving PUA benefits each week.\textsuperscript{11} There were a further 69,000 New Yorkers receiving

\textbf{Figure 6}

While initial unemployment insurance (UI) claims have come down, continuing NYS UI claims remains fairly steady at around 1.7 million

Sources: US DOL and NYS DOL. Data are for weeks ending with the date indicated.

Pandemic Emergency Unemployment Compensation (PEUC) as of early June. Enacted as part of the CAREs Act in late March, PEUC provides up to 13 weeks of extended unemployment benefits to workers who exhaust their 26 weeks of regular state unemployment payments—it was

\textsuperscript{10} By comparison, average weekly claimants statewide were 111,620 during the fourth quarter of 2019, according to the federal Employment and Training Administration (ETA), part of the U.S. Department of Labor.

\textsuperscript{11} The federal ETA reports that continued (not initial) claims in New York State for PUA benefits were 927,000 for the week ending June 6. U.S. ETA, \textit{UI Weekly Claims News Release, June 25, 2020}.  
established in light of the severe unemployment expected to continue over the next few months. Thus, there were a total of nearly 2.7 million New York State workers receiving benefits under the three unemployment compensation programs in early-June. In recent downturns, the number of New York UI claimants typically ranged from one-third to one-half of all those unemployed.

Even as a number of regions in New York State (excluding New York City) began to re-open in May, the number of those remaining on UI did not decline dramatically. Some observers contend that some workers are not returning to work because regular State UI benefit amounts are being supplemented by a $600 weekly payment under the CARES Act. Or, it may be because workers are apprehensive about returning to their jobs out of concern for the continuing public health risks. Normally, a low-wage New York worker would receive a regular State UI payment equal to 50 percent of their average weekly wage. Statewide, weekly UI payments averaged $385 during the fourth quarter of 2019. But with the $600 weekly unemployment supplement, a New York City minimum-wage worker would receive about $900. (That would include $300 – one-half of $15 times 40 hours – plus the $600 weekly supplement.) The recent Bartik et. al. national study of Covid-19 labor market effects found no evidence that high UI replacement rates (the technical term for UI benefit payments relative to prior earnings) has slowed rehiring.

New York State does not have a particularly generous regular state unemployment insurance program. New York’s average weekly regular UI benefit was $386 in the first quarter of 2020, ranking it 21st among all states, and its maximum $504 weekly benefit ranked 20th, despite the fact that New York had the third highest average weekly wage among the 50 states. For both average and maximum benefits, New York fell below all of its five neighboring states (Pennsylvania, New Jersey, Connecticut, Massachusetts, and Vermont.)

Employers concerned about the continuing economic fallout of the pandemic may also be trying to get by with fewer payroll workers. There are indications that many consumers are reluctant to patronize businesses until a vaccine is available, testing is more widespread, and observance of location-appropriate social distancing measures is clearly established and followed.

Developments elsewhere in the nation may be adding to such unease. Recent news about the United States reaching new highs in the number of new Covid-19 cases does not bode well for a more rapid re-opening even in New York State, where the rate of new cases has dropped substantially. With new daily record highs reported in some southern and western states, some of those states have slowed or reversed reopening plans, such as Texas and Florida, where bars are being closed again, and Kansas, Oregon, and Louisiana, where the process of reopening has been slowed. The continuing uncertainty and possibility of returning to more tightly restricted economic activity will make the process of recouping jobs slower and more difficult to model.

Economists at the International Monetary Fund now anticipate that the Covid-19 pandemic had a more negative impact on global economic activity in the first half of 2020 than in their April

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12 Nationally, there were 30.6 million recipients under the three unemployment compensation programs. Ibid.
14 U.S. Department of Labor, Employment and Training Administration.
forecast—reducing their forecast for all of 2020 from a three percent decline to a 4.9 percent drop.

All regions in the state outside of New York City have entered Phase 3, which allows indoor dining at restaurants with up to 50 percent capacity, and personal care services, including nail salons and spa services. New York City is scheduled to begin Phase 3 on July 6. Phase 4 will allow larger gatherings (up to 50 people), including indoor religious services at one-third capacity. Nonessential businesses allowed to resume operation in Phase 4 include low-risk outdoor and indoor arts and entertainment, film and TV production, colleges and universities, and professional sports without spectators. Gyms, movie theaters, and shopping malls will remain closed at the beginning of Phase 4.

For the immediate future, because of widespread health concerns about using mass transit, many Manhattan-based and other office-oriented businesses are likely to continue operating with many employees working remotely. This will diminish demand for building services and revenues at businesses catering to office workers during lunch and after work. Tourism spending, which accounts for nearly one-quarter of restaurant revenues and helps fuel local retail sales, will remain severely depressed through the end of this year. The arts and entertainment industry will mostly remain closed through the end of the year, and while restaurants and local services may be able to partially operate, they will likely see significantly reduced revenues and employment.

The recovery in New York City and the nation will be made even more sluggish if Congress fails to extend the $600 weekly UI supplement that is set to expire on July 25. The dollar amount of all UI benefits equaled nearly 15 percent of the amount of total wages and salaries in May, and supplemental benefits were two-thirds of all UI benefits. If the supplemental payments are allowed to expire, countless low-wage workers in New York City and around the country will have a much harder time paying their rent and feeding their families as long as unemployment stays at extremely elevated levels.

Unfortunately, the notion of “last hired, first fired” is all-too-often the economic rule during a downturn. Over the past decade since the end of the Great Recession, as unemployment fell to historic low levels, many workers usually considered “hard-to-employ,” including those who had prior involvement with the criminal justice system, young adults of color, and the disabled, found jobs and were able to begin earning, supporting themselves and planning for a better future. A lot of that progress is in serious jeopardy as a result of the Covid-19 pandemic. The hardest-hit industries had hired thousands of these workers, many of whom likely are now out of work. This makes it all the more urgent to stabilize their employers and restore the opportunities that these workers had finally been able to grasp.

Federal Reserve Chairman Jerome Powell underscored this point in his semiannual report to Congress in mid-June. Chairman Powell stated,

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15 International Monetary Fund, *World Economic Outlook Update, June 2020.*
The burden of the downturn has not fallen equally on all Americans. Instead, those least able to withstand the downturn have been affected the most. … low-income households have experienced, by far, the sharpest drop in employment, while job losses of African Americans, Hispanics, and women have been greater than that of other groups. If not contained and reversed, the downturn could further widen gaps in economic well-being that the long expansion had made some progress in closing.17

In May, payroll employment levels in the face-to-face industries were down 666,000 from February. Given the way things look now, it is likely that 250,000 to 300,000 of those jobs will not return by the end of this year. And if the pandemic and the recession mean that employment in the essential and remote industries is down by a relatively moderate five percent by year’s end, that would mean another 150,000 or so lost jobs. To those numbers should be added another 100,000 to 150,000 independent contractors who likely will not return to work by the end of the year. Thus, overall, the pandemic and the ensuing recession will mean New York City could end 2020 with 500,000 to 600,000 fewer jobs than at the beginning of the year.18 Since several factors affect such projections, and much depends on the course of the public health crisis and further federal economic actions, the economic damage could also be greater.

Recommendations

It is clear from the very tentative and halting course of the economy’s re-opening, that additional policies will be needed in New York City and around the country. Among several policy priorities here are five that are particularly needed in New York City.

1—Given that the survival of hundreds of small businesses in hospitality, retail, local services and other face-to-face industries is seriously in jeopardy, government needs to come up with more effective ways of maintaining the viability of small employers who collectively employ hundreds of thousands of New Yorkers.

2—Since unemployment likely will stay in double digits through year’s end, Congress should extend the $600 supplemental weekly unemployment insurance benefit that is due to expire July 25.

3—Given the heavy concentration of job losses among low-wage workers and the unprecedented demands placed on emergency food services, economic assistance needs to be extended to the estimated 200,000 dislocated undocumented workers in New York City and others who have fallen through the cracks and are not receiving unemployment assistance.

4—Since prolonged unemployment erodes workers’ skills, federal support is needed to fund public service and other jobs programs to serve young workers and others typically disadvantaged, invest in infrastructure, and to promote climate resiliency and adaptation.

18 These New York City projections assume the extension of the $600 supplemental unemployment payments and enactment of significant federal state and local fiscal relief this summer.
5—Since sharp state and local government revenue declines will otherwise force harmful cuts in essential public services and employment, worsening an already bleak jobs picture, substantial federal fiscal relief to state and local governments is needed as soon as possible.