

Tanya Domi:

Hi. This is Tanya Domi. Welcome to The Thought Project recorded at The Graduate Center of the City University of New York, fostering groundbreaking research and scholarship in the arts, social sciences, and sciences. In this space, we talk with faculty and doctoral students about the big thinking and big ideas generating cutting edge research, informing New Yorkers and the world.

Tanya Domi:

Dr. Jim Orr is an associate director of the Economic Studies Group at The Graduate Center, CUNY. He holds a PhD in Economics from the University of Pennsylvania and a BS in Business Administration from Drexel University. He previously worked at the Federal Reserve Bank of New York where he served as Vice President and Head of the Regional Analysis Function. There he authored articles on a variety of issues important to the New York region, including subprime mortgage lending, land prices, and the impact of the 9/11 attack. He was assigned to New York City office of the deputy mayor where he authored a report on foreign investment in the city. Most recently he contributed to a study of the outlook for middle-skill occupations in New York City. Welcome to The Thought Project, Dr. Jim Orr.

James Orr:

Thanks, Tanya. I'm very happy to be here.

Tanya Domi:

So you and other economists have said that the New York City economy was fairly healthy going into the pandemic, but now it's eight months later. New York City is still dealing with the COVID-19 pandemic with to no end in sight. The House of Representatives passed the Heroes Act this past spring and its updated version would include about 2.2 trillion in stimulus for unemployment, small business, and for city and state governments. But yesterday, the Federal Reserve Chair, Jerome Powell, warned that the economy could see tragic results without robust government support.

Tanya Domi:

Then last night, President Trump tweeted that there would be no stimulus before the election. And then right before midnight, he tweeted again and said, no, it's back on, but maybe, maybe just a discreet one issue bills. Meanwhile, the reaction to the fact that there might not be any stimulus was pretty negative. And in New York City itself, MTA representatives said the news was so devastating for the cash strapped system that, in fact, they mean need to apply for a loan from the Federal Reserve to get through the end of the year. So where are we given all these background factors and what is happening because of medical issues and because of really incredibly terrible unemployment figures. Where are we in New York City? And what can you say about this economy about where it is at this time?

James Orr:

Well, I think I'll start to talk briefly about where we were going into the crisis. Going into the crisis, the city was actually doing quite well. Using employment growth as the measure, it was a fairly strong and consistent growth at a rate that was above the US, and some of the key drivers that really set the stage for the COVID downturn were some very big and important industries. One is healthcare and social assistance. This had been growing more than 5% going into the crisis.

Tanya Domi:

That's very high. Yeah.

James Orr:

Very high. Professional and business services. Now this is a category that includes the whole range of office work. So it's the relatively high skilled workers, the lawyers, the accountants, the marketers, advertisers.

Tanya Domi:

White collared jobs. White collared professional jobs. Yeah.

James Orr:

White collared jobs. Relatively high pay.

Tanya Domi:

Yes.

James Orr:

Right? Relatively high pay.

Tanya Domi:

Right.

James Orr:

The support services and then the services to the buildings, that's an important sector in New York and that was doing well. The information sector. Now this used to be publishing and printing, but now includes the whole range of high-tech related activities. High-tech software publication, web search portals, as well as movie and TV production. It's not a big sector, but it's growing. And I think it's kind of signifies, let's say part of what might be called the new New York City in terms of its evolution of employment.

Tanya Domi:

It's interesting. Okay.

James Orr:

Retail, also a big, it's been under pressure a little bit, especially department stores because of the online shopping, but that was adding jobs in 2019. And, of course, leisure and hospitality, tourism, hotels, and restaurants with tourism at record highs, this industry was adding jobs going into the recession at a very rapid pace. I did mention finance. Finances are critically important industry for New York. The security sector, or the Wall Street component has an average salary over \$400,000. So jobs there are important. However, that sector has not been a major source of job growth. It's a big sector. It's an important sector. But in terms of job growth there's been some of these other sectors that have been growing that sort of represent, if you will, the evolution of employment in the city.

Tanya Domi:

I see. So it was going exceptionally well. But when you look at the data on the unemployment in New York City, right now, it's approximately like 17.65% at this time, roughly. And the city, it has experienced a negative drop in employment of 311.5% since January. Just this past week, the governor and the mayor of New York City have identified a COVID cluster neighborhood in South Brooklyn, and two clusters in Queens that are being shut down today. Now I've heard different information on whether or not businesses are shut down in those neighborhoods. And, of course, the disagreements between the governor and mayor continue, which is unfortunate because it's really confusing to the public. But tell us about some of the other indicators. And you can elaborate on these unemployment figures that reveal the depth of the pandemic in the city from the point of view of health and economics.

James Orr:

Looking at health, the unfortunate number 23,000 deaths in New York City that stands out initially as it shows the severity of the crisis. However, when you look at cases, they peaked in April at about 5,000 per day. By early June that got dropped to 400. Now, as you mentioned, there's been an uptick in the last seven days which has pushed that number to maybe 500 new cases per day.

Tanya Domi:

A day. Yes.

James Orr:

That's a little concerning as well as the positive tests rising. It's now over 1%. I think the latest figure is 1.5% of the tests are positive. So the number of cases, the curve was flattened, it was pushed down. The number of daily deaths is way down, but you've got this slight uptick that is concerning. Nationally, we see the same thing there in the sense that it peaked much later. It peaked in mid-July, but has fallen. It peaked at 66,000 cases down to 39.

James Orr:

That's also risen slightly in the last, actually over the last couple of weeks. With rises in the states in the west and the Midwest. So you've got a situation where the cases peaked, came down sharply, and we're seeing a little bit of an uptick. In terms of employment, employment is starting to recover. As you said, there was a huge drop in employment. I've got 900,000 jobs in that March to May period. And that contrast was what we saw in the financial crisis. And the first month was 4%. This is a 20% drop. And in 9/11, again, it was about a 4% drop. So this is unprecedented. We knew the numbers were going to be bad because we saw the unemployment claims coming in [crosstalk 00:08:34] indicator. Very high frequency. Yeah. And it went up in the state from like 15,000 a week to over 150,000. So that was a clear indication...

Tanya Domi:

Of how bad it was.

James Orr:

Yeah. How bad it was. Now when you [inaudible 00:08:51] stepping back to think about the downturn and recovery. This term is often used, a V-shaped recovery thinking of a graph. You've got a sharp downturn and then the health issues got under control. And the employment graph bounces back up to an earlier level and has the shape of the V with the idea that controlling the health angle is able to

prevent spillovers from what was really a health shock into the broader economy. Either because workers around employed a long time, because businesses were shut exceedingly long. There may be some spillover to there whether they can reopen into their investment. So we can think of the Cares Act that you mentioned, and also the monetary stimulus that was provided as an effort to try to prevent the spillover from what is a lockdown related to health from spilling over and having more broader economic effects.

James Orr:

And so we haven't seen the V-shape recovery. As I say, employment in the city is recovering. Began recovering in June, but it's not quite an L-shape, but it's somewhere between a V and an L if we can use that. Looking at some of the key drivers, health, social assistance, major employment declines, retail, trade, the hotel accommodation and food service, basically hotels and restaurants numerically had the biggest decline, over 250,000 jobs. The building services category and the transportation and warehousing also big declines. And they are recovering, but the recovery is not as strong as we would like. And this idea of a V-shape recovery, I think, has given weight to somewhat maybe more realistic view as to what's going to be needed to really fully recover.

Tanya Domi:

So there's been a lot of reporting about, with respect to like national unemployment, between February and April, it was 10% of Americans that were ages 25 to 54 lost their jobs. But there was a recovery in August that aligned with the great recession recovery yet not all of these workers are the same. It appears according to a Washington Post reporting that's based on Labor Department, Hispanics have suffered the most. The recovery is also spread unequally among American workers. White Americans have recovered more than half of their jobs lost between April and February. But meanwhile, black Americans have recovered just over a third of employment lost in the pandemic. So what are these trends with regard to these different groups of workers in New York City? Do they track with the national trends?

James Orr:

They do to a large extent. Again, this sort of health driven decline, the effects of, as you pointed out, really been unequal. And this is some work recently done at the New York Fed. Looking at county by county, the majority minority counties, that would be those where the majority is Hispanic or non-Hispanic black, suffered the most. The denser counties and the low income counties also had higher cases and higher death rates. So there was definitely a vulnerability with regard to the low income, the majority minority counties, and this density, a couple of other interesting notes, the higher delinquency counties that is counties where residents were already delinquent on some of their credit card, and other payments also had a disproportionate number of cases. And households with children seem to also have a disproportionate hardship compared to households without children. So from a medical point of view, the impacts were quite unequal.

James Orr:

And then when you look at employment, when you array workers by their wage, and you focus on the low wage category, that low wage, that low one third of the workforce, they seem to have had the biggest employment decline and not a strong recovery. Whereas the highest wage workers also had a decline, but that had a fairly rapid recovery. So, again, this is inequality. As you mentioned, Hispanics, particularly, hard hit. Younger workers and also workers with high school and some college degrees

were relatively harder hit on the employment side. And I think this in part represents the fact that as the state responded with the lockdown and the stay at home order, a lot of the industries where these workers were employed shut down and ceased operation.

James Orr:

And these workers were also, in many cases, the low wage workers, not really able to work remotely. So the nature of the lockdown and the nature of the industry and the types of jobs explains a fair amount, not all, but a fair amount of the employment impact. Just so you mentioned Hispanics, the labor market information service at CUNY looked at Hispanics in these industries that I had described where the hardest impact. And the Hispanic, in terms of numbers and the share of employment, Hispanics were the largest in those five sectors. So, yes, I think that, yeah, the impact is quite unequal.

Tanya Domi:

Yeah. I read their report. And another point that has come out is that mothers and fathers are also affected differently in that childcare has become a significant issue. Again, not surprisingly and mothers saw greater initial drops in employment than fathers. So that's a really interesting factor where they're seeing that this pandemic and the unemployment that's accompanied it has really disproportionately effected women because generally they do the caregiving. And when the caregivers are not available, because many of them earn pay as caregivers in New York City, it does happen. It's quite predominant among black and brown workers. It's really affected women in the workplace as well.

James Orr:

Yeah. So I think that's tied up, as well, with the education and the schools and policies directed at whether or not to open schools, how to open them, whether it's remote learning or in-person. I think that also relates to the role of women and the impact on women to the extent then [crosstalk 00:15:37] involved in the education.

Tanya Domi:

Sure. Very good point. You're absolutely right. And that also tracks with an increase in COVID. We're seeing this across the country, not just K through 12, but universities too, and that is probably contributing to uptick. I just saw a report on Wisconsin and they're really having a significant uptick in infections there, as an example. So we've covered these demographic groups, but in New York City, you did mention the counties. It would seem to be that Bronx has probably been one of the hardest hit in the city. Is that not true in terms of the county?

James Orr:

Yeah. Looking at the zip codes, a number of the hardest hit zip codes were in the South Bronx, as well as North and Southeast Queens, and actually Staten Island. So, again, within the city, it was unequally distributed. They tend to correlate with low income, large household sizes, and in addition, and I think this is important for New York. Public transportation, there's some work being done that suggests that people who had to ride the subway to get to their jobs were infected to a greater rate. And a lot of these, again, were in Queens and in the Bronx. So there's that angle to.o

Tanya Domi:

Interesting. Makes sense. Makes a lot of sense. So we should look at now the outlook and risks for New York City, as the end of the year approaches. This pandemic remains in full throttle. There's been a lot of discussion about when is the vaccine going to become available? And the Food and Drug Administration just made an announcement saying that it's not really going to happen this year. It will happen after the election. And even if the vaccine becomes available next year, the FDA is insisting on two months of followup human trials to ensure that the vaccine is safe and trustworthy.

Tanya Domi:

And then you have the job of distributing a vaccine. And there's a major contract with Pfizer and BioNTech. It's \$1.9 billion contract with the US government. And the contract requires them to produce 600 million doses. It's just going to take a lot of time to distribute this. It's probably halfway through next year before we would see anything. And we have to be concerned about a second wave. You've looked at all the data now in present tense. How do you see this forecast going forward knowing that this pandemic is probably going to be with us for a good part of 2021.

James Orr:

Yes. And that really puts a lot of risks to any outlook. Nationally it looks like a lot of the forecasts implicitly assume that there's going to be a vaccine or a treatment and there's some relaxing of social distancing. But like you say probably into the mid-2021. There also tends to be an assumption of no second wave. Given that, we're seeing there's growth expected this year to start in the third quarter and carry into this year. Change in GDP for this year is still expected to be negative, roughly about 5%, but to become positive in 2021. So growth picks up in the third quarter this year, still negative for the year, but then positive for 2021. Now locally 2020 was down sharply. Employment fell. By the end of the year, employment is still going to be significantly below where it was in February of the year pre-pandemic.

James Orr:

And so that's pretty clear. But 2021 jobs are expected to pick up. Now the range is quite wide for a lot of the reasons you said. This national recovery is going to be important for New York City so that should be a plus. However, again, frankly there's a lot of risks around that. I think going forward employment will pick up in 2021, whether we get back to where we were and how quickly we get back, of course, is difficult to say. Some of the things that should happen would be the social distancing rules probably have to be eased. And, again, people feeling comfortable in situations that involve the social interactions. The return of tourists and return of hotels and restaurants to full operating capacity. These are sort of risks that's hard to say. So that the outlook is, again, national growth, local growth, but there's a wide range of how quick that growth is going to be in 2021.

Tanya Domi:

Sure. Depending on the circumstances in the terms of this pandemic.

James Orr:

Right. Right.

Tanya Domi:

And the other thing there's been a lot of dire predictions. I mean, it can be people observers of New York City. The President has said, "Oh. I can't believe how bad it looks. It'll never be the same." These

kinds of prognostications seem to haunt New York. I mean, in terms of the data, that doesn't seem to be consistent. Does it? In your mind? I mean, this is a major capital of culture, financial, media, information technology, capital in the world.

James Orr:

I would tend to think that these discussions are that that's sort of the end of the New York are really nowhere really accurate. I think, New York, a couple of things. One, New York has faced a lot of difficulties in the past. We've had a financial crisis, seventies and early eighties. We had stock market declines. We had a 9/11 attack. And the city has recovered each time. Now, of course, that doesn't mean it's going to recover this time. But the city has shown a lot of ability to bounce back, to restructure itself. The forces associated with being in New York in terms of consumers and businesses and the service sector, and like you say, the clustering together of educational institutions and health institutions is very strong. That's served New York well in the past.

James Orr:

And I think that's going to be important going forward in terms of the city rebuilding. That's not to say that there aren't issues. Of course there's issues. I think the transportation and the people feeling comfortable traveling again is going to be important, not just for New York City, but really for everywhere. Some of the articles recently on population loss seem to be a bit alarmist. It's true that New York City has lost some population both in 2018 and 2019. And there's certainly stories of people leaving the city now, but I'm waiting to see the numbers on those to see how big that really is. However, one of the components of the dynamic of population growth in New York is immigration. And recently immigration has been declining and New York City has been receiving fewer immigrants. So the extent to which that dynamic is going to play out going forward could be important for the city.

Tanya Domi:

For sure. Very interesting observations. I want to thank you for sharing your thoughts and your outlook and assessment of New York City and the national economy today.

James Orr:

Well, thank you. I enjoyed it. Thanks for having me.

Tanya Domi:

Thanks for tuning into The Thought Project. And thanks to our guest, Dr. Jim Orr of the Economic Studies Group at the Graduate Center, CUNY.

Tanya Domi:

The Thought Project is brought to you with production, engineering, and technical assistance by Kevin Wolfe of CUNY TV. I'm Tanya Domi. Tune in next week.