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## Introduction and Overview

On November 5, 2001, the Fiscal Policy Institute released a report, "The Economic Impact of the September 11 World Trade Center Attacks," that estimated that New York City would lose a total of 105,200 jobs in the fourth quarter of 2001 as a result of the WTC attacks. Of this total job loss to the city, an estimated 79,700 of the lost jobs were likely to involve layoffs; the remainder (25,500) involved jobs that were relocated outside of the city.

The November 5 report was based on estimates made by FPI that were developed through numerous interviews with industry sources supplemented with economic analysis of the city economy and input-output analysis of the multiplier effects. At the time of that report, there were no government data for New York City yet available for the fourth quarter. On March 5, the New York Labor Department released its annual benchmark revision of the monthly payroll data for New York City. With this data, it is possible to determine more up-to-date estimates of the actual job losses occurring during the fourth quarter on a detailed industry basis.

The attached table presents FPI's updated estimates of the WTC-related job loss during the fourth quarter. FPI developed these estimates by seasonally adjusting the benchmarked data at a detailed industry level, and by applying adjustments for the effects of the recession and anticipated further revisions when the 2002 benchmarked data is released in March of 2003. FPI examined job changes on an industry basis for the first three quarters of 2001 to estimate the likely effects of the recession during the fourth quarter in the absence of the WTC attacks. Since the 2001 benchmark revisions were only based on more complete administrative records through the second quarter of 2001, the Labor Department will further revise employment data for 2001 when the 2002 benchmark. The 2002 benchmark will be based on the administrative records for the last half of 2001 and the first half of 2002.

FPI finds that the revised WTC job loss involving layoffs was approximately 73,900 during the fourth quarter, slightly lower than the 79,700 estimate from the November 5 report. Among the most significant changes were a 5,000 upward revision in job loss in the air transport industry, a 3,900 reduction in the number of hotel jobs estimated to have been lost, and a 3,000 reduction in the estimated restaurant industry job loss. In the case of both the hotel and restaurant industries, sharp job declines registered in the immediate aftermath of the attacks were partially offset by seasonally adjusted job gains in the months of November and December. For example, the restaurant industry reported an employment decline of 12,300 in October, but gains of 3,300 jobs in November and 1,300 in December.

## Highlights of New York City's Current Employment Picture

- NYC lost 131,300 jobs in 2001, 3.5% of the total number of jobs that existed in December 2000. This was one of the largest 12-month employment declines on record and the largest employment decline in the city since 1991.
- **Every industry sector experienced job loss during the last 3 months of 2001, except for construction** where there was a small gain of 400 jobs.
- Nearly two-thirds, or 84,000, of the 131,300 job decline occurred during the fourth quarter, effectively the post-September 11 period. The post-September 11 decline during 2001 was almost two-thirds of the total for the year, and 5-and-one-half times the pace of decline occurring in the 9 months of the pre-September 11 period in 2001.
- As the November 5 report pointed out, most of the job displacement post-September 11 hit low-income workers in the restaurant, retail, wholesale and hotel industry.
- The post-September 11 job decline picture looks very different from the pre-September 11 job decline. Before the WTC attacks, New York City job losses were concentrated in manufacturing (-13,900), business services (-27,400), and the FIRE sector (-4,100). Post-September 11, the FIRE sector led all industries in job declines (-26,600), although nearly half of this involved jobs being relocated outside of the city. Air transport (-9,900), restaurants (-7,700), other retail (-5,600), and hotels (-3,100) were hard hit. In most cases, these industries had felt only moderate job loss before September 11. (The figures cited here are before FPI adjustments.)

## Almost All September 11 Displaced Workers are NYC Residents

- 85% of the workers displaced by the WTC attack are NYC residents, according to the State Labor Department. The largest portion live in Brooklyn (26%), followed by Queens (24%) and Manhattan (20%).

## **Unemployment and Unemployment Insurance Claims**

- With 264,100 people officially unemployed, the unemployment rate in NYC was 7.5% in January, well above the national rate of 6.3% (not seasonally adjusted). For the 4 months since September 11 for which there are data, the city's unemployment rate has averaged 7.2%. However, the bleak employment outlook in the city has led nearly 50,000 city residents to cease looking for work altogether. If these discouraged workers were factored into the unemployment rate calculation, the city's unemployment rate would be 8.7%. Even though the national economy may be entering a recovery period, the unemployment rate is likely to rise further in NYC through the rest of 2002.

- Over 260,000 NYC workers have filed initial unemployment claims in the 6 months since September 11. The volume of initial claims has tapered off somewhat since January, but the number filing from mid-November to mid-January was nearly as great (100,400) as the number applying for unemployment insurance in the first two months (114,400) after the attack (mid-September to mid-November). Those starting to receive unemployment benefits in the wake of the September 11 attacks will soon start exhausting the 26 weeks (6 months) of regular state unemployment insurance compensation.

- Nearly six months after September 11, the number of workers filing for unemployment insurance is still 20% higher than a year ago, a period when the recession had already started to push up unemployment filings in NYC.