



PARTNERSHIP
for New York City

WRITTEN COMMENTS TO THE COMMITTEE ON CIVIL SERVICE AND LABOR

**OVERSIGHT: "HOW IS THE IMPROVING ECONOMY AFFECTING
NEW YORK CITY'S LABOR MARKET?"**

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The Partnership for New York City represents the city's business leadership and its largest private sector employers. Earlier this month, we released the *NYC Jobs Blueprint* (www.nycjobsblueprint.org). Using input from business leaders, nonpartisan urban experts and the consultancy McKinsey & Co., the *Blueprint* summarizes how the city economy has developed through the last decade and how the policies employed by the Bloomberg Administration were used to achieve job growth and diversified economic activity across the five boroughs; it outlines the challenges to continued growth that will confront the next Mayor; and finally, it provides recommendations that the public and private sectors might pursue to accelerate job-generating activity and ensure that NYC remains a strong, inclusive city of opportunity.

During the past decade, the city's economy has experienced steady growth, despite turbulence in the global and national economies. Today, New York has more people and more private sector jobs than at any time in history. Its GDP growth is outpacing the nation and it is widely considered the safest and "greenest" big city in America. It is the country's #1 tourism destination and it has moved to the forefront of the high tech, innovation economy.

A key finding of our *Blueprint*, however, is that our recent economic strength and forward momentum cannot be taken for granted. Despite an uptick in the past two years, population growth has been weak. Unemployment is too high, as is chronic poverty. Productivity - long the essence of the city's value proposition for business - is falling behind competing business locations.

I briefly want to highlight two particular challenges facing the city: the loss of middle class jobs and the mismatch between worker training and the needs of employers.

EXHIBIT 3.3: Mid-wage Jobs Have Not Returned to Pre-recession Levels

Net Change in NYC Metro Occupational Employment¹



- Technology has **displaced a range of mid-wage jobs**, primarily those that were composed of routine tasks (e.g., administrative assistants)
- Globalization has also contributed to this trend, driving **many mid-wage jobs that cannot be automated out of the country** (e.g., manufacturing)
- Many low-wage industries are insulated from the impact of both technology and globalization because they require personal contact

NOTES:

1) New York City Metropolitan Division

2) Recession is 2008 to 2010; recovery is 2010 to 2011

SOURCE: McKinsey analysis of data from BLS, Occupational Employment Statistics

The city is experiencing a loss of middle-wage jobs and middle class households (as shown in the chart above). This is partly due to the rising cost of living – driven by the cost of housing – and partly to advances in globalization and automation that allow companies to either eliminate or easily move business support and other mid-level functions to lower cost locations. (Many low-wage jobs are insulated from these factors because they require personal contact.) The consequences of this trend, if it accelerates, could be the destabilization of neighborhoods, weakening of the city’s labor pool, and further narrowing of the tax base.

Many of us have been working to expand good-paying industries in NYC that continue to grow and hire. If we look at the past ten years, the fastest growing sectors in terms of economic output are high-tech, creative industries (media, arts, fashion) and tourism. All these sectors offer salaries that exceed average local earnings, with tourism having the lowest average wage at \$52,000, which is still roughly \$7,000 more a year than the average city salary. In terms of jobs, these sectors together only represented 12.2%, or 462,000, of the city’s jobs at the end of 2011, leaving considerable room for further growth.

However, too few of the city’s startup and small businesses are growing into major employers. Of the 220,000 businesses in the city, 195,000 or 88%, have fewer than 20 employees. One of the more surprising findings in the *Blueprint* is that despite all the recent startup activity, there has been no net increase in the number of companies with over 50 employees in the last decade -- signaling that businesses are unable to absorb the high costs, both regulatory and fiscal, as they attempt to grow here.

Another stumbling block for employers in high-growth sectors is a shortage of qualified candidates for available jobs. A few data points:

- Despite gains in graduation rates and other education accomplishments, the performance of the city's education system continues to disappoint employers. In 2012, only 28.6% of the city's public high school graduates were deemed ready for higher education or careers. Nearly 80% of admissions to CUNY's community colleges from the city system required remedial work in math, reading, or writing.
- In 2011, colleges and universities in the city awarded only 13,000 bachelor and graduate degrees in Science, Technology, Engineering or Math (STEM), versus 26,000 in the humanities. The average STEM degree attainment for innovation center cities (Austin, Boston, San Jose, San Francisco and Seattle) in 2011 was 16% of all degrees vs. New York City's 11%.

Residents who are ill-prepared for the high-tech work environment, or lack other skills required by employers, increasingly are in temporary and part-time jobs or freelance assignments, often earning less than is required to live in a high cost urban environment. In the absence of a sufficient number of qualified candidates, employers will increasingly locate support functions outside of the city.

To better prepare our workforce, the *Blueprint* proposes the *NYC 2020 Jobs Challenge* under which employers commit to map career-oriented curricula, provide mentors, work experience, and job opportunities for public high school and community college students at a meaningful scale.

The economic development arm of the Partnership has committed \$20 million to support development of urban tech campuses for entrepreneurs and startups with the goal of creating affordable live-work campus environments in each borough.

Moreover, the report contains more than thirty specific policy recommendations that focus on five key areas: more and better jobs; better educated and skilled workers; infrastructure that provides greater connectivity and accessibility; a safe and affordable living environment; and an efficient, disciplined, and well-run city government. Working together with government, labor and the nonprofit sector, the Partnership and business community will back several of the proposals with significant financial or operational support.

We look forward to working with the Civil Service and Labor Committee and the entire City Council to encourage business and job growth in New York so that we can sustain our position as a global leader of innovation.

Thank you.