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ARTICLES IN THE NEW ISSUE INCLUDE:

Recession and Rebuilding in the New York Economy:
The Current Job Outlook
by Gregory DeFreitas

New Organizing and Social Unionism in Manufacturing:
A Conversation with UNITE President Bruce Raynor
Interviewed by Gregory DeFreitas

The Coming Health Care Crisis for New York Parents
by Niev Duffy

Women's Labor Rights Rulings in 2001: A Mixed Bag
by Joanna L. Grossman

Immigrant Women Take on the Global Factory
book review by Anne O'Byrne

New York's Workers Respond to Crisis:
Snapshots of Labor in 2001

Key Labor Market Indicators

Calendar

THE CURRENT JOB OUTLOOK

Recession and Rebuilding in the New York Economy

by Gregory DeFreitas

Each month brings new economic data suggesting that the 2001-2002 national recession is fading into a rocky recovery. Overall production of goods and services is rising, but the country has still barely begun to restore the more than one million jobs lost since the downturn began. The average length of unemployment has kept increasing, adding to the discouragement that has driven down the number of Americans entering the labor force. And the black unemployment rate has risen to nearly 11% -- the highest in 5 years. The new jobs that have been created so far have been almost exclusively part-time. Most forecasts expect the economy's prospects to be limited in coming months by high energy prices and consumer debt, a weak stock market, large trade deficits, and continuing threats of domestic terrorism.

In fact, the principal reason that gross domestic product has grown at all since September 11th is the sharp increase in government activity since then. Thanks to huge jumps in military and domestic security operations, airline subsidies, higher unemployment and health care benefits, and other programs, federal spending rose13% from October through February – double the usual increase. In addition, the Federal Reserve's steep interest rate cuts made possible low-cost auto and mortgage loans, which sparked renewed car sales and home buying.

Unfortunately, there are as yet few clear signs that New York City, badly injured by the terror attacks on the World Trade Center, is emerging from its own crisis. The September tragedy in lower Manhattan transformed the city's economic future, at least for the next few years. Beyond the incalculable losses in human life, the immediate economic effects for the city have been enormous: over 100,000 workers displaced, at least 15 million square feet of prime office space (enough to fill 15 Empire State Buildings) lost, and hundreds of businesses destroyed or forced to relocate. In the last 3 months of 2001, the city's economy shrank by -4.4% just as the overall U.S. economy expanded 1.7% (at annual rates). The city's unemployment rate jumped by over 1 percentage point. The latest figures reveal that the unemployment rates of both African American and Latino New Yorkers have now risen to 10%. And just 1 in 7 teenagers in the city now holds a job.

Of course, well before September, New York and most of the country were suffering mounting job losses. In the month before, the national economy lost the most jobs (-199,000) since February 1991 during the last recession. In late August and early September, layoffs had begun spreading beyond manufacturing to long-stable clothing, grocery, restaurant, and temporary-help employers. Work hours declined and earnings growth ended. Finally, the National Bureau of Economic Research (NBER) ruled in November that the economy had been in recession since March, ending the longest economic expansion in U.S. history.

New York City was still creating new jobs in August at a faster rate than the national average. However, in the month after the attacks, the state labor department estimates that the city lost 79,000 jobs – a 1.6% decline that was over 5 times worse than the national rate. The economic toll of the trade center attack and its aftershocks on the New York metropolitan area could be immense. According to estimates in a December report by the city Comptroller's Office, New York City's economy is likely to shrink by over 3% in 2002, down from annual growth rates of 1.4% in 2001 and 5.2% the previous year. Net job losses for 2002 are projected at over 68,000, pushing up the unemployment rate to 6.7%.

The city has been plunged into both a severe recession and its worst fiscal crisis since the 1970s. Facing a nearly $5 billion deficit, newly elected Mayor Michael Bloomberg has proposed to close it almost exclusively through education and service cuts, labor concessions, and massive new borrowing. The City Council's counter-proposal seeks to protect the schools and most cultural institutions from harmful cuts, as well as to reduce new debt, through an income tax surcharge on wealthy residents. Any agreements on the current budget as well as on the long-term rebuilding of New York are crucially dependent on the state and federal governments, neither of which has proven either generous or timely in its assistance so far.

From Growth to Crisis

New York City lost 132,400 jobs last year, the worst job decline in a decade. In relative terms, this 3.5% decline was over 4 times worse than the national job loss rate (Table 1). Two-thirds of the job losses occurred after September 11. Clearly, the numbers reflect both jobs that were lost post-9/11 due to falling business activity and jobs that were lost due to firms relocating elsewhere. For the wider New York metropolitan area, the U.S. Labor Department reported in January that New York's job losses last year were the largest of any of the 274 metropolitan regions in the country for which the government collects payroll data.

This is a stark reversal of the city's strong economic performance just a year earlier. New York City's economy ended 2000 still enjoying more robust job growth than the country as a whole. From December 1999 to December 2000, the city's job base grew 2.4%, well ahead of the national pace of 1.5%. The city has been the engine of the entire state's growth since the late 1990s, accounting for over half of all new jobs created and a comparably high share of state tax revenue.

Every sector of the city suffered declines, led by job losses of 6 to 7% in manufacturing, transportation, utilities, and Wall Street (Fig. 1). While the drop by 42,000 in service jobs was the largest of any industry, much of this reflected shrinking demand for business services for downtown finance, insurance and real estate (FIRE) firms. Some of these, like Morgan Stanley and Goldman Sachs, have now decided to permanently relocate a large number of their downtown employees outside the city. Others, led by American Express, temporarily evacuated thousands from downtown headquarters, but have recently returned. However, April brought predictions of another round of Wall Street layoffs in coming months. With the banking business down to 1998 levels, a comparable staff reduction could mean another 13,000 layoffs in the industry.[1]

Garment manufacturers downtown were hard hit by Sept. 11 damage and temporary street closings, as well as by a general slowdown in consumer spending. In Chinatown, barely half a mile from ground zero, 40 garment factories closed down between September and February. One-fourth of the neighborhood's jobs (-7,500) were lost, and its wage losses totaled an estimated $114 million.[2]

The declines in air travel after Sept. 11 and the mid-November crash of American Airlines flight 587 in the Belle Harbor section of Queens hurt that borough's many airport-dependent jobs and businesses. About 41,000 people are employed by the airlines or airport businesses at JFK and LaGuardia airports, and another 20,000 jobs are in travel agencies, aircraft supply firms, and other directly travel-dependent sectors. Food-service companies producing airline meals had laid off 600 workers by mid-November. The NYS Dept. of Labor estimates that air transport job losses could hit 8,000, with most coming in Queens.

Hotels reacted to the drop in travelers to the city by cutting 3400 jobs in late September and October, and by reducing the average Manhattan hotel room rate from $222 to $192. The discounts helped pick up the occupancy rate enough for the hotels to rehire nearly half of those laid off just after Sept. 11. So did the generally successful efforts of the state's U.S. Senators and other leaders to persuade a variety of large conventions to relocate to the city, including: the U.S. Conference of Mayors, the American Society of Travel Agents, and other meetings of engineers, lawyers and publishers. But widespread expectations of far fewer international travelers to the city left hotel owners and union leaders at the Hotel Trades Council preparing for a new round of layoffs during the post-holiday slump. The loss of foreign tourism is especially costly because, though only one-fifth of all tourists are from abroad, their spending has accounted for two-fifths of all tourism revenue.

Retailers' fears that the Christmas season would be the weakest in over a decade proved unfounded. Compared with the same 5-week period at year-end 2000, stores open at least a year averaged 2001 sales growth of 2.3%, according to the Goldman Sachs Retail Index. Costco, Kohl's and Wal-Mart all registered double-digit sales jumps. However, sales at New York-based Federated Stores fell 8.7% and at Saks they declined 10.9%. Advertising revenue and jobs suffered along with the retail sales slowdown, as firms pulled back on ad spending. With so many advertising firms concentrated in Manhattan, as well as the many magazine and other media firms that depend on ads, the impact was broadly felt in the city.

Over the same period, Long Island had almost no net job growth. Aftershocks from Wall Street's disruptions were reflected in a 3.6% decline in banking and securities jobs. But the greater diversification of the suburban economy shows in the offsetting job growth registered by services and telecommunications firms (Fig. 2). Retail stores managed only a 0.4% hiring improvement, and near-term job prospects are clouded by troubles at Kmart. The country's third- largest discount retailer and a growing presence in the New York area, Kmart filed for bankruptcy in January. At least 22,000 jobs will be cut as the company shutters 284 stores nationwide. Among these are the large stores in South Valley Stream on Long Island and in Westchester County's Pelham Manor.

Unemployment and Underemployment

New York City's unemployment rate rose to 7.3% in December (seasonally adjusted) -- jump of nearly 2 percentage points over the past 12 months. It had been falling steadily to a low of 5.1% last July, and was rapidly approaching the national average of 4.6%. As Figure 3 shows, the city's rate then began rising more rapidly than both the U.S. and the Long Island rates. By year's end, New York City had a jobless rate 1.5 percentage points aove the national average and over 3 percentage points higher than Long Island.

The number of city residents employed fell by 93,600 in the course of 2001, even though the number officially counted as unemployed rose by only 6600. This far smaller change in the officially unemployed, as shown in Table 2, reflects a large increase in the numbers dropping entirely out of the active labor force. The government defines jobless persons as "unemployed" only if they have been jobseeking during the past 4 weeks and are available to take a job now. The city's shrinking labor force may well reflect growing discouragement among former jobseekers whose recent searches have turned up few openings. A good deal of such frustration was reported in press interviews with the thousands lining up for hours at the city's several "Twin Towers' Job Fairs."

Despite Long Island's positive, if slight, job growth reported by employers last year, the unemployment rate of its residents rose from a low of 2.7% in March 2001 to 3.2% by August. From September on, it increased even faster to 4.1% by year's end. The rapid deterioration of the city's job market has directly displaced many commuters from downtown jobs, as well as reducing business at suburban firms heavily dependent on the city's corporations.

How have black, Latino, immigrant and young New Yorkers fared in the current downturn? No separate unemployment tabulations for these subgroups are currently available from federal, state, or local government sources. So, we regularly conduct our own statistical analysis of raw monthly Current Population Survey (CPS) household data, obtained from the U.S. Census Bureau. Table 3 presents our separate estimates of unemployment rates, employment-population ratios, and underemployment rates by gender, race, Spanish Origin, age, and immigration status for New York City and Long Island. For comparative purposes, we also present estimates for the 20 center cities of the largest metropolitan areas and the suburbs of all metropolitan areas, To produce large enough samples to permit reliable statistical estimates of these geographic and demographic subsets, we pooled the most recent three months (the 4th quarter of 2001).

Looking first at the leftmost column of Table 3, New York City's 7.5% unemployment rate during the October to December period was well above that of the other largest cities. Scanning across the columns reveals that the unemployment rate of African-American New Yorkers has risen to 10.5%, and the Latino rate is now 9.9%. Both are nearly twice as high as the non-Hispanic white rate. But white New Yorkers are far more likely to be unemployed than other big-city whites. Latinos, immigrants and teenagers in New York also have higher unemployment than their urban counterparts elsewhere.

An alternative measure of job availability is the fraction of each population subgroup (ages 16 and over) currently employed: the employment-population ratios in the table's middle rows. By this measure, the gap in jobholding prospects between New York and other big cities appears to be far wider. Only 53.9% of all New Yorkers hold a job, compared to 60.2% in other cities. Among New York blacks and Latinos, employment rates are 50-52%, well below the rates of blacks and Latinos elsewhere.

In order to take into account the fact that the official unemployment rate does not count those jobless persons too discouraged to keep looking for work, we used related information in the quarterly CPS to estimate the broader measure of "underemployment." The underemployed includes the officially unemployed as well as the marginally attached, discouraged labor force dropouts and part-time workers unable to find full-time jobs. Some 13 percent of all New York City residents are now underemployed (Table 3, bottom rows). Underemployment among the city's African Americans and Latinos is nearly 17%. As Figure 4 shows, underemployment rates in the city increased sharply between the fall of 2000 and the same period in 2001. City-wide, underemployment rose by over 4 percentage points.

By any employment measure, the current situation of New York City teenagers is worrisome. Their official unemployment rate has risen to 22.2% and their underemployment rate has jumped to 37.7%. Both exceed the comparable rates of youth 16 to 19 in other large central cities. While New York teenagers have had below-average rates of jobholding since at least the 1970s, the boom of the late '90s had raised the fraction with a job to nearly one-fourth. The employment population estimates in Table 3 indicate that ***only 1 in every 7*** New York City teenagers (14.6%) now has a job! Compared to teen jobholding rates of one-third in other large cities and two-fifths in the suburbs, it is evident that the relative disadvantage of New York youth has worsened markedly. This is happening at the same time when many more low-income families, with parents facing layoffs or reduced work hours, may have greater need for older children to contribute earnings to the family.

Working Poor Are Worst Off

One of the least-noticed aspects of the September disaster was the disproportionate harm it imposed on the working poor. For example, the 3500 hotel and office cleaners in lower Manhattan who lost their jobs in the fallen buildings typically had little in savings. With state unemployment benefits available for only 6 months and new jobs unlikely as tourist-related services cut back, their near-term prospects look bleak. Half the unionized garment factory workers in the area lost days in unpaid work and the city's 11,000 corporate black car drivers faced reported fare losses of 80%. In the words of a New York Times account: ""The displaced workers and their families will be struggling for a long time to recover from the attack, and they should not be forgotten."[3]

The attack's disruption of state computer systems based downtown left thousands of the poorest families without emergency food, funds, or health care for weeks. From the city to Westchester, Nassau and Suffolk counties, public assistance offices found themselves unable to access crucial computer files. Legal Aid, housing and disability services to the poor were also thrown into disarray when their offices at 90 Church Street and 22 Cortland Street were closed by the nearby destruction.[4]

As November ended, so did federal welfare assistance for 38,000 of the state's poorest families – 30,000 of them in the city – who hit the 5-year lifetime limit imposed by the 1996 welfare law. Another 13,700 more of the city's poor families had their federal aid cut off over the following 3 months. About half of those thrown off welfare have jobs, but at such low wages that they had qualified for a welfare supplement. Another 14% had workfare assignments cleaning streets and parks, and a similar proportion were in the process of case assessment, job search programs, job training, or were ill, disabled or elderly. While state and city officials told the press that the state's own Safety Net program would provide most with similar benefits to the federal TANF level, reporters visiting public assistance offices found enormous confusion and delays in getting any help. According to one report: "Some have received letters just in the last few days denying them state aid, apparently in error. Others, in offices bristling with ominous posters about time running out, tried to apply for benefits but caseworkers told them – within a reporter's earshot – that it was too late."[5]

According to the latest findings from a special Census 2000 survey, the average New York family's income (after inflation adjustment) declined from 1989 to 1999, and the number of New Yorkers in poverty increased. At the same time, inequality rose: as the middle class treaded water, the average income of the richest one-fifth of families jumped to a level 13.6 times the median income of the poorest fifth. The findings were based on the Census 2000 Supplemental Survey of 700,000 households across the country. Until data from the full 2000 Census becomes available, this special survey has provided a basis for a number of preliminary evaluations of 1990-2000 trends.[6]

The recent confluence of rising layoffs, widespread exhaustion of unemployment benefits among the jobless, and the end of welfare eligibility for hundreds of thousands of long-term recipients has driven homelessness to record levels across the country. According to a December survey by the U.S. Conference of Mayors, requests for emergency shelter in 27 cities jumped an average of 13% over the same time last year. The duration of homelessness was up as well, an average of 6 months or more in over half the cities surveyed. A rising fraction of the homeless are working poor families with children. With housing prices still close to their late 1990s peaks, more and more low-wage workers simply cannot find affordable shelter. In New York, city records show that nearly 32,000 people (1300 of them children) slept in homeless shelters on an average night in February. The homeless shelter population jumped 23% over last year's level, the largest increase since such record-keeping began in the 1970s. Three-fourths of them are families, many with working members.[7]

A new study by the Economic Policy Institute estimates that a modest "basic needs" budget for a 1-parent, 2 child family today requires an average wage of at least $14 an hour – more than three-fifths of American workers earn!

The day-to-day plight of today's working poor has recently been chronicled in a new book by Barbara Ehrenreich, *Nickel and Dimed: On (Not) Getting By in America* (NY: Henry Holt, 2001). To investigate how the low-wage work force lives in America today, she anonymously took a succession of waitressing, house cleaning, and sales clerks jobs in Florida, Maine, and Minnesota. Though each city she lived in was widely believed to have a "labor shortage," Ehrenreich found that wages were typically so low ($6 - $7/hour) and apartment rents so high that she and many co-workers needed at least 2 jobs to get by. Even with multiple full-time jobs, she found it difficult to afford more than bare necessities, much less the required 2-months advance rent needed for a decent apartment. Instead, she wound up staying in overpriced transient motels in poor areas.

According to a new national study of state budget problems by the Center on Budget and Policy Priorities:

> "Across the country, many states are facing fiscal stress, and are responding by cutting programs that serve low-income populations. More than two-thirds of the states have already taken steps to cut spending on programs that serve low-income residents. Since almost every state has some form of a balanced budget requirement, state policymakers cannot manage fiscal crises by financing ongoing expenditures through borrowing. Instead, they are often forced to choose between spending cuts and taxincreases, actions that can, to varying degrees, hinder economic recovery. Cutting low-income programs is among the most contractionary actions states can take. Economists note that lower-income people

tend to spend most or all of every dollar they receive. As a result, reducing programs that provide income support or essential services to low-income people tends to reduce consumption, and thus state economic activity, by the full amount of the spending reduction…Moreover, economic downturns naturally increase the need forprograms that serve low-income households."[8]

The report documents a variety of creative alternatives that some states that are currently using to balance their budgets without cutting low-income programs. Colorado and Ohio, for example, specifically excluded Medicaid funding. From planned budget reductions. Florida and Virginia have delayed new tax cuts that were scheduled for 2002. And tax hikes have been adopted in Alabama, North Carolina and Ohio to help balance their budgets.

Washington's Reluctant Response

Despite the recession and the national surge in poverty and homelessness, the White House policy offensive this spring includes renewal of the tough 1996 welfare reform program, but with even more demanding work requirements. Not only will the majority of welfare mothers be required to find jobs, but they must also somehow work at least 40 hours weekly, up from a minimum of 30 hours today.

Many critics of the Bush/Cheney administration charge that an equally harsh approach to working people has been evident throughout the fall and spring. Widespread public sympathy for a 13-week extension of unemployment benefits to the growing numbers still jobless beyond the usual half-year limit was stymied by the administration's long insistence on making any such aid contingent on approval of a new income tax cut tilted heavily toward the wealthy and large corporations. The huge $1.3 trillion tax cut passed earlier in the year will, as it is phased in, give almost 60% of its benefits to the top 10% of tax payers and more than one third to the richest 1%, but only 15% to the bottom 60% of taxpayers. It was undeniably the main reason why the long-term federal budget surpluses of the last few years have suddenly evaporated. As with that first tax plan, the new one was defended by Republicans as an economic "stimulus package." The White House, having just granted the $15 billion airline bailout (but no relief for their laid-off employees), followed up with a $100 billion tax bill that offered 4 times more in tax breaks (most for wealthy individuals and corporations) than in aid to working families. Moreover, it would have cut health coverage for poor children by slashing $11 billion from the State Children Health Insurance Program (S-CHIP). Only after Congressional resistance drove the president to accept a smaller (though still regressive) $43 billion corporate tax cut, did he finally agree in March to sign into law a benefits extension for the long-term unemployed – over 6 months after Sept. 11, and just as the recession was fading.

The president's budget for the coming fiscal year calls for nearly $2 trillion of new programs and tax breaks over the coming decade, including a huge $38.3 billion increase in military spending next year alone. Though every item was justified as essential for the so-called "war on terrorism," *Business Week* noted that at most one-third could be war-related and derided it as "Big Spending Wrapped in a Flag."[9] The cost of all these questionable weapons systems and tax breaks for the wealthy will be very high: sharp cuts in a wide array of valuable social, employment and environmental programs. It will, for example, slash several job training programs for youth and laid-off workers. "Youth Opportunity Grants" to the poorest communities are to be cut from the current $225 million per year all the way down to a paltry $45 million. The administration's own projections of several years of renewed budget deficits leave little doubt that his planned tax cuts require raiding the Social Security trust fund to cover the exploding deficit. Even with the spectacle of thousands of Enron employees losing their pensions in the oil giant's collapse (the largest bankruptcy in U.S. history) the Bush Administration forged ahead with plans to partially privatize Social Security, replacing guaranteed benefits with uninsured individual accounts like those held by the Enron employees.

Likewise, the Bush/Cheney administration has often appeared reluctant to provide vitally needed federal aid to New York since the destruction of the twin towers. The $20 billion in federal relief funds initially promised by the president stirred hope for a rapid recovery. But much of that will be consumed by the costly efforts to remove the massive tangle of fallen buildings, to replace the subway and PATH stations and other infrastructure, and to prepare the land for whatever new structures are to come. In fact, by the end of December, only about $3 billion in federal aid had actually been spent, solely for covering costs of rescue and recovery at the twin towers site. A Democratic proposal to provide an immediate $17 billion in emergency aid to New York was killed in the U.S. Senate on Dec. 7th by Republicans, backed by the president's veto threat. By year's end, Congressional Republicans succeeded in limiting additional aid to the city to $8.2 billion. Most of the aid was earmarked for persons disabled and displaced by the attacks, for compensation to hospitals responding to the emergency, and for grants and loans to small businesses.

When Bush failed to include any additional aid to the city in his formal budget proposal early this year, New York lawmakers began to publicly question when, if at all, he would make good on his September aid pledge. The response of the White House budget director, Mitchell Daniels Jr., on Feb. 4th was twofold: first, to deplore their "money-grubbing game," and then to reveal his plan to count some $5 billion from a federal compensation fund for the attack's victims against the $20 billion pledge. As word quickly spread and angry reactions mounted to these remarks, the White House rushed to reassure the public that Daniels' views were his alone, and that all promised funds were forthcoming. A Within a few weeks, the president held a public ceremony surrounded by the New York Congressional delegation to formally confirm a commitment of $21 billion in federal aid to the city. The major aid components include:

- $10.7 billion already budgeted;
- $2.7 billion in FEMA reimbursement for cleanup at the twin towers site;
- $1.8 billion for subway and PATH rebuilding;
- $0.17 billion for road repair;
- $0.75 billion in reimbursement for utility costs to ConEd and Verizon; plus
- $5 billion to establish a "Liberty Zone" program of tax credits to retain existing businesses and attract new ones to Lower Manhattan.

As Americans struggled to understand the World Trade Center tragedy of September 11th, the porous state of privatized airport security received overdue national attention. Just 5 months earlier, a federal study commission headed by former U.S. Senator Warren Ruddman, released a major report warning that weak domestic security precautions placed the country at risk of serious terrorist attacks. And the year before, another study by the U.S. General Accounting Office (the investigative arm of Congress) harshly criticized the inferior pay and training of American airport security personnel compared with their European counterparts. The GAO found that U.S. airline companies typically used competitive bidding to find the lowest-cost private security firms. Most security personnel lack high school diplomas, get only a few hours of training, are paid little more than minimum wage, and have been on the job less than 6 months. In sharp contrast, Western European countries treat airport security as a law enforcement matter requiring extensive training of personnel and average pay of about $15 per hour plus benefits.

Writing a few days after the September tragedy, MIT economist Paul Krugman argued that it was, in part, self-inflicted:

> "A crucial but unglamorous piece of our public infrastructure has been allowed to fray to the point of collapse – partly because we have relied on the private sector to do the public sector's job, partly because public agencies have been starved of resources by politicians busily posturing against 'big government.' Don't be surprised if we have left ourselves as vulnerable to attack by microbes as we were to an attack by terrorists, and for exactly the same reasons…If we continue to nickel-and-dime crucial public services, we may find – as we did last week – that we have nickel-and-dimed ourselves to death."[10]

Unfortunately, the airline industry's first priority was not to apologize for years of cut-rate airport security and of resistance to efforts to tighten that security. Rather, it rushed to pressure Congress for a huge bailout. Claiming that cuts in air travel the week of the attack were forcing them to make 100,000 layoffs, the major airline corporations sought billions of taxpayer-financed grants and loans, plus government protection from liability claims. Critics noted that, even before Sept. 11, the airlines expected to lose $2 billion for the year and marginal lines like Midway had already declared bankruptcy. But the Bush Administration quickly backed the bailout, though Congressional Democrats demanded at least some strings be attached to such an historic piece of corporate welfare.[11] In the end, Congress approved a controversial package of $5 billion in direct grants plus up to $15 billion in government-guaranteed loans. The huge handouts came with only 2 strings: (1) high-paid airline executives agreed to a 1-year freeze on salary increases as well as a ceiling on severance pay (equal to no more than 2 years salary), and (2) the government will receive airline equity in the form of warrants, stock, or stock options in return for its loan guarantees. A 4-person panel, chaired by Alan Greenspan, was authorized to decide how much to lend each airline.

While most airlines responded to Terror Tuesday with immediate layoffs and pay cuts, Southwest Airlines was a notable exception. For 30 years, the heavily unionized, debt-free company has adhered successfully to a "no-layoff" strategy. And Chairman Herb Kelleher and top management delayed new plane orders and headquarters renovations in order to avoid sacrificing employee. Even *Business Week* saw merit in Southwest's response: "It's not altruism at work. Rather, executives at no-layoff companies argue that maintaining their ranks even in terrible times breeds fierce loyalty, higher productivity, and the innovation needed to enable them to snap back once the economy recovers."[12]

Airline security legislation finally passed only after prolonged efforts by most Congressional Republicans to resist any federalization of airport security screeners. In the compromise law that passed in November, a new agency, the Transportation Security Administration, was created within the U.S. Dept. of Transportation to provide federal supervision of airport safety. The new law promised to demand higher qualifications and skills and U.S. citizenship of all screeners, in return for better wages and benefits. The 28,000 current screeners are allowed to keep their jobs until November 2002, when they must reapply for their jobs and pass the new federal hiring rules. But the new agency stunned many travelers by announcing in late December that it would not even require that airport screeners be high school graduates. Despite widespread criticism that one-quarter of current screeners lack a high school degree, the agency claimed that the new law's flexibility in hiring criteria allowed it to accept a year of comparable work experience in lieu if a high school degree. The decision was defended by the private security industry but attacked by many critics, including the national flight attendants' union, as threatening to simply recycle the many untrained screeners whose weak skills were the main reason the public and Congress sought a new law.

New Fiscal Crisis, Old Solutions

New York's efforts to cope with the current recession have been made even more difficult by the city and state government's huge budget deficits. Despite the past few years of annual surpluses, each face a deficit of about $5 billion in the coming fiscal year, on top of accumulated unpaid debts of $42 billion for the city and $38 billion for the state. They now rank as by far the biggest public debtors in the country, except for the federal government. These debts require each to set aside about $4 billion annually in debt service, funds thus unavailable for schools, health care, police and other needs.

How were the city and state allowed to fall so deeply in debt? After a lengthy investigation, the *New York Times* explained:[13]

> "Mr. Bloomberg's predecessor, Rudolph W. Giuliani, and Governore George E. Pataki, both Republicans, took office in the last decade as fiscal conservatives, promising to bring discipline to what they characterized as spendthrift governments. Both increased spending sharply after their first few years in office, and cut taxes simultaneously, as did governments around the country. The state built up significant reserves for the first time in generations. The two also presided over enormous borrowing, approved by legislators Democrat and Republican, even as many cities and states around the country instead used the boom to tame their debts. State debt has risen by about one-third, or $10 billion, since Mr. Pataki took office 7 years ago; the city's debt rose by more than half, or about $15 billion, in Mr. Giuliani's 8 years."

In his February budget address, Mayor Bloomberg proposed to balance the 2002-2003 city budget with service cuts of 5 – 20% in almost every agency, a steep $1.42 hike in the city's cigarette tax, an additional $1.74 billion in borrowed funds, and $500 million in concessions from municipal labor unions. His cuts include:

- $354 million less in school spending;
- $79 million less for day care from Children's Services;
- $56 million less in recycling and street cleanups;
- $39 million less for libraries;
- $10.5 million less for the elderly, by eliminating their weekend meals, closing 7 senior centers, and canceling 4 new ones;
- $10 million less for the Fire Dept.;
- $6 million less for homeless support services; and
- $2 million loess for legal aid for people fighting eviction from their homes.

The only explicit union concessions demanded in the mayor's budget involved doubling (to 10 years) the period over which the city will be allowed to phase in cost-of-living-adjustments (COLA) to the pension benefits of retired municipal workers. Bloomberg claimed that this change would not lower the total benefits received by retirees. Since the COLA clause was the result of a state law passed in 2000, any such change requires state approval. In his initial February proposal, he left unspecified where the bulk of his expected $500 million in labor savings would be extracted. As spring began and hopes faded for substantial federal or state aid, the mayor threatened possible job reductions as well as deeper service cuts.

According to a detailed analysis of the Bloomberg proposals by the New York City Independent Budget Office (IBO), his delayed COLA phase-in could actually be more costly to the city in the long run.[14] The city's contributions will have to rise by an estimated $120 million to compensate for lower payments initially. IBO also projects that, if the mayor wins approval for his proposals, additional borrowing of $1.74 billion will drive up the city's annual debt payments to $5.2 billion by 2006 – 19 cents of every dollar!

Bloomberg's "cut and borrow" budget approach differed dramatically from the more balanced recommendations of the New York City Council. In presenting the council's counter-proposals on April 8th, Council Speaker Gifford Miller argued that schooling had to be the city's top priority and should be spared any funding cuts. Instead, the council proposed to meet school construction and staffing needs with a new "education tax." This would be a surcharge on the city's personal income tax, that would each year cost about an extra $7 in taxes for those earning under $40,000, an extra $267 for those in the $100 – 150,000 range, and over $14,000 extra for millionaires. With the nearly $400 million it would generate each year, the city could cover the finance costs of new school bond issues of up to $1 billion. The council also proposed a $65 million property tax surcharge on absentee landlords. And it backed restoration of the commuter tax, which could produce about $500 million per year for the city. To the mayor's dismissive claims that such taxes would scare away high-income New Yorkers, the Council Speaker Miller responded that deteriorating public services, poor quality schooling and undereducated youth would be far more damaging to the city's long-run health and attractiveness as a place to live and work.

On Long Island, Nassau County's long-running budget crisis was handed over in January from County Executive Thomas Gulotta, the Republican leader largely responsible for it, to his newly elected successor, Democrat Thomas Suozzi. Gulotta's last major act in early December was to approve a 9% increase in the county portion of the property tax, the minimum needed to prevent the state oversight board from seizing control of the county's mismanaged finances. Suozzi denounced the tax hike as too little too late, leaving him with a continuing budget mess to clean up. His choice was to cut the county work force by 1200, impose a 19.4% property tax hike, and demand millions in pay concessions from public sector unions. In doing so, Suozzi rejected a popular proposal to close the deficit with a new county income tax set at 1% on annual incomes above $150,000 and at 2% above $200,000. According to the Fiscal Policy Institute:

> "The property tax has repeatedly been demonstrated to be regressive because it does not take into account the ability to pay. This situation is even worse in Nassau County because of its seriously flawed system of property assessments. A reassessment

process is now well underway, but the new assessment roll will not be made final until April 15, 2003 and will not be used in setting county tax bills until 2004. The closing of the budget gap that Suozzi proposes to accomplish in 2003 through service cuts and property tax increases would much more appropriately be accomplished through a low-rate surcharge on the state income tax."[15]

Nassau County's 4300 public hospital and nursing home workers were threatened with over 400 layoffs under a budget adopted on Dec. 17 by the county's quasi-public health care agency. The agency, Nassau Health Care Corporation, claimed that the only way to avert staff and service cuts and looming bankruptcy was for the workers at its Nassau University Medical Center, Holly Patterson Nursing Home, and 7 health centers to make major wage and benefit concessions. But critics charged the agency and hospital administrators had failed to maintain a competitive level of quality health care or to aggressively seek additional state and federal aid. The county's former health commissioner, Dr. Kathleen Gaffney, testified at the tumultuous December meeting that services had already been reduced to an unacceptable level of care and that the hospital was burdened with high-paid political appointees. CSEA Local 830 leader Tony Giustino responded to the board's demand for union concessions by attacking the board's past failures to join union lobbying efforts for more aid from Albany and by calling on its leaders to: "Honor your contracts, and go out there and do a better job."[16]

Labor's Responses

September 11 saw an extraordinary and immediate outpouring of volunteers, many of them union building trades workers, for rescue and recovery efforts. New York area Sheetmetal Workers and Laborers Union locals were among those active around the clock in the dangerous and demanding work of cutting through the massive wreckage in search of survivors. Tens of thousands of unionized public sector workers succeeded in restoring basic services quickly. Many other union members devoted countless hours and resources to fundraising and other forms of assistance to victims' families and to the many displaced workers.

But, less than 6 weeks after the WTC attack, labor bitterness over Washington's inaction on behalf of workers was driven home in a *Washington Post* opinion piece by national AFL-CIO President John Sweeney:

> "For the past month, everybody in America has been a worker wannabe. Hard hats, sleeveless T-shirts and ball caps emblazoned with "FDNY" and "NYPD" are hot sellers with adults. Construction worker, police officer, firefighter and pilot gear are our children's Halloween costumes of choice. Respect for government workers is up and postal workers are finally getting some overdue appreciation for their everyday heroism. The painful irony is that the homage our nation pays is just lip service. While we've been singing the praises of workers, Congress is about the business of severing their lifelines. Working men and women are the front-line victims of the terrorist attacks. Many of them lost their lives at the World Trade Center, the Pentagon, in the planes that crashed and now in postal facilities. More than 500,000 are losing their jobs in the aftermath, nearly 150,000 in the aviation industry and 120,000 in the hospitality and tourism industries alone. Aftershocks are thrusting ferociously through steel, auto and other manufacturing plants, the bankruptcy of Bethlehem Steel a cruel indicator. On the home front, Congress first responded to the attacks by rushing a $15 billion airline company bailout. But despite a heavy push for $2.5 billion in extended unemployment benefits, job training and health care for the aviation workers whose livelihoods were obliterated, the bailout bill provided exactly nothing for them.[17]

In sharp contrast to the slow and politicized government responses to the September attacks and the recession, the AFL-CIO developed a worker-centered "Blueprint for Economic Recovery." Its proposals included: extended unemployment benefits coverage of more unemployed workers; federal aid to preserve health insurance for the jobless; improved access to job training and retraining; a hike in the federal minimum wage; increased transfers to the worst-hit state and local governments; tax rebates for low- and moderate-income families; and a program of new investments in domestic security needs and in rebuilding roads, bridges and schools.[18]

In early December, over 1000 officials from dozens of unions met at the AFL-CIO national convention in Las Vegas to remember the 631 union members known to have died in the WTC attacks, and then to map strategies for rebuilding labor's ranks. Under a convention theme of "America's Workers: Heroes Every Day," the convention honored New York City as one of 14 new "Union Cities." The recognition was based on the efforts of the New York City Central Labor Council and its member unions to revitalize local organizing efforts and to develop a Labor in the Pulpits program involving more than 800 clergy. In addition, the award praised the CLC's Labor Support Center, a round-the-clock operation providing services, support and referrals to working people since Sept. 11.

The AFL-CIO also dramatically raised its commitment to the city with its decision to invest a stunning $750 million of its pensions funds in commercial and housing developments for low- and moderate-income families. The bold step was announced on January 17th by federation President John Sweeney, as he and Mayor Bloomberg opened the new headquarters of the New York City Central Labor Council (CLC) near Union Square. In response, the mayor said: "In the fiscal crisis of the 1970s, labor's pension fund investment helped New York through some of its darkest hours. Today, with the city facing financial hardship once again, our friends in the house of labor have come through."[19] One-third of the new funds are earmarked for mortgage loans for municipal and other union workers; another third will be spent building or rehabilitating rental housing, and the remainder will be invested in commercial real estate. In addition to helping increase the meager stock of affordable housing, the initiative is also designed to reduce job loss for unionized construction workers.

UNITE, the country's leading garment workers union, was one of the first to provide staff, resources and fresh ideas to help downtown manufacturers recover. The union forged a coalition with major clothing manufacturers and retailers to mount a new "Made in New York" campaign before the holiday shopping season began. Special tags will be attached to garments made in New York City shops. The campaign is designed to reclaim the many lost orders and jobs that the industry has suffered. At the same time, UNITE has continued building on the gains of the anti-sweatshop movement it has created, together with NYSUT, the NY State Labor-Religion Coalition, and many foreign garment unions. They have targeted major retailers in order to pressure them to end the use of foreign sweatshops to produce their garments. The movement won an important victory on Labor Day, when Gov. Pataki signed a new law that permits New York State school districts to take into consideration whether a contractor's operations are sweat-free in selecting bids for apparel. In November on Long Island, the Northport-East Northport board of education joined Central Islip, Patchogue and Rockville Centre's Catholic schools in making a sweat-free clothing commitment.

SEIU Local 32BJ responded quickly to the mass layoffs of janitors, elevator operators, porters and other building workers after the WTC attacks by winning a pledge from dozens of leading contractors to help assure that the many workers displaced by the attacks would be provided health insurance and supplemental unemployment insurance nearly equal to their gross pay for six months, as well as to give preference in future hiring to workers laid off after the attacks. Then, the union initiated early negotiations for a new contract for its nearly 30,000 workers at the Empire State Building, Rockefeller Center and nearly all Manhattan's other largest commercial buildings. The goal was to help stabilize members' jobs and earnings in a period of unprecedented tumult. The union won a new commercial contract increasing hourly wages an average of 9.5 % over 3 years. For example, by contract's end, a janitor's pay can reach $763.92 per week. Management also agreed to increased pension benefits, and employer-funded health benefits, as well as to contribute $2 million to a new fund to train workers in better security measures for handling mail and responding to threats. Adding the hike in fringe benefits, the contract will guarantee about a 3.8 percent annual increase in total compensation.

In January, the United Federation of Teachers announced its own plans to help revive the downtown economy by moving its headquarters to lower Broadway early next year. Seeking added space for its extensive teacher training sessions, it must first sell its 3 valuable Park Avenue South and East 21st street headquarters buildings to finance the move. For an investment of $65 to $75 million, the union will buy the 37-story 50 Broadway building as well as leasing all 19 floors of 52 Broadway. Mayor Bloomberg, speaking at the news conference where UFT President Randi Weingarten announced the move, praised the decision: "I think the whole city owes the UFT and their members a thank you. It is to the UFT's credit that they are willing to do this."

New York City's 80,000 public school teachers have been without a new contract since Nov. 2000. Last November, the union filed papers with a fact-finding commission and reiterated its request for a 22.7% raise, the amount needed to narrow the pay gap with suburban teachers. Mayor Giuliani angrily attacked the union for allegedly threatening the city budget in its post-9/11 deficit-ridden state. But UFT President Randi Weingarten charged that he was exploiting the twin towers attacks to justify his long-running intransigence over negotiating a new contract, even in 2000 when the city still enjoyed a sizable budget surplus. She argued that the attacks had not changed the fact that better education for the city's children remained a top priority and that only much higher salaries could recruit and retain enough qualified teachers to help close the growing teacher shortage. Finally, in early April, the state fact-finding panel recommended that their pay be increased 15% over 27 months. It reasoned that the teachers deserved at least as much as the 9% hike already won by most municipal workers. And an added 6% was recommended if the union agreed to a 20-minute lengthening of the school day. The panel also addressed the city's need to meet a September 2003 state deadline that all newly hired teachers be certified. A $3100 hiring bonus was proposed which, on top of the basic raise, would lift a new teacher's salary 25%, to $40,000. The UFT immediately endorsed the recommendations as a solid basis for a contract agreement.

Teachers elsewhere in the region have felt compelled to go out on strike over salary and benefits issues. Mass jailings of striking teachers for the first time in the country since 1978 drew national attention to Middletown, New Jersey. Protesting a hostile school board's efforts to sharply hike school employees' health insurance payments, about 1000 teachers, secretaries, nurses and school social workers struck on Nov. 29. When the strikers defied Superior Court Judge Clarkson Fisher's back-to-work order, he immediately began daily contempt-of-court hearings that sent hundreds to jail in handcuffs. As the strike continued, Judge Fisher lengthened the jail sentences to 2 weeks. Teachers blamed the dispute on a hostile school board's efforts to break the union – a charge amplified when the board asked the court to order mass firings of the striking staff. On Dec. 7, union leaders ended the strike without a new contract, but with a pledge of a court-appointed mediator and a promise of no fines against the union or its members for the week-long walkout.

On Nov. 29, lay teachers at 10 Roman Catholic high schools in the city and northern suburbs struck over salary and pension issues, their first strike since 1993. With Cardinal Edward Egan seeking to close a $20 million budget gap, teachers argued that the bottom line was becoming more important to the NY Archdiocese than the quality of schooling. The strike had an immediate impact, with at least half the schools sending students home early. The Lay Faculty Association, the union representing 377 teachers and guidance counselors, sought a 15% salary hike, bonus payments of $1500-$2000 in the contract's second and third years, and a new pension plan financed by member contributions. The teachers' current salary range is only $29,893 to $41,745 (depending on experience), and the meager archdiocese pension plan gives a teacher with 25 years of experience a retirement income of just $13,000 per year.[20] After a month-long walkout, the teachers voted to return to work at the start of the January school session. But they held out the possibility of resuming the strike if inadequate progress on a contract was made soon.

At the same time, the larger Federation of Catholic Teachers was also in tough negotiations over a new contract for its 3600 members at several hundred elementary and high schools. The main sticking points were the archdiocese's proposals to move workers to a new health plan requiring higher teacher contributions and to raise pay just 6% over three years. The archdiocese now pays elementary school teachers from $26,712 to $37,010 annually, far below the salary average in public schools in the city, much less in the suburbs. After many members staged a sick-out to protest the archdiocese's stance, a settlement was reached giving the teachers an 11% pay raise.

Private schoolteachers and other workers interested in union protections won a valuable new legal right last fall when a new law was enacted in Albany that grants unions the right to use the "card-check" method for winning recognition as the bargaining agent among non-government workers in New York State who are not covered by federal labor laws. Instead of the formal NLRB election process in which employers often harass and/or fire leading pro-union workers, this will allow union recognition to be granted as soon as a majority of an establishment's eligible employees sign a card in favor of unionization. Roman Catholic schoolteachers and workers at Indian casinos are among those covered by the law.

Rebuilding and Renewal Options

How – and how soon – will the local economy recover? Given the inherent uncertainties of a nation at war, of a continuing threat of urban terrorism and of New York's unique strengths and vulnerabilities, predicting the future is today more difficult than ever.

First, it is important to recognize that the city is the heart of an increasingly interdependent regional economy, in which other areas are showing signs of a rebound. Long Island's job growth, though still weaker than a year ago, has been on an upward trend in recent months: some 6600 new jobs were added in February over the same period last year. As higher suburban earnings start to spur renewed spending, the city's stores, theaters, museums and restaurants stand to benefit. Higher suburban incomes may also improve the city's prospects for policy options like a restored commuter tax. A broader national expansion should also benefit New York, but this will by no means be automatic or immediate. The city took years to catch up with the 1990s' boom, so all recovery policies should seek to prevent a long lagged response this time.

Secondly, the potential for a strong revival of Lower Manhattan's economy is great, but it depends upon the speed, effectiveness and fairness with which the billions of dollars in federal disaster relief and rebuilding funds, as well as insurance payments are received and allocated. New York does not make national foreign policy, yet as the country's premier "international city" we are apparently the main target of those who feel victimized by our overseas military and economic might. The city and state should press for the receipt of all promised funds on an advance basis, then move quickly to fully compensate displaced workers and businesses. Long delays will both worsen the uncertainties of businesses and potential investors about the future of downtown and make even more difficult the choices that the Mayor and the City Council must make to deal with large projected deficits.

New York State must also finally begin to provide concrete assistance to the city, which has long sent far more revenue to Albany than it has received back. Mayor Bloomberg's own budget identifies specific state actions since the late '90s that cost the city budget over $1 billion. The most notorious and unnecessary of these was repeal of the city's tax on commuters, lost in a backroom deal two years ago between Gov. Pataki and the state legislature's two maximum leaders: Sheldon Silver and Joseph Bruno. Last October, Albany stripped the city of the annual $114 million in stock transfer payments the state had been providing New York City since the stock transfer tax was ended in the 1970s. The governor's newly announced budget offers no new financial aid to the city, and indicates little flexibility in finding ways to loosen the state's overwhelming veto power over all the city's major tax revenue sources, other than the property tax. According to a new study by the Center for an Urban Future, *Sympathy But No Support*, the state government has a number of large revenue-saving options that could provide aid to the city, including deferring the corporate income tax cut scheduled for 2002-2003, at a savings of over $13 billion.[21]

However, the clear need for compensation to the businesses harmed by this disaster does not imply that we would be best served by new rounds of local government-financed "business retention" deals. Past efforts to offer tax incentives and other government aid to individual favored corporations in order to entice them to stay in or relocate to a specific location have too often been poorly targeted and wasteful, and demanded little accountability. In today's business environment in Lower Manhattan, this approach has even bleaker prospects. The September attacks accelerated business decentralization trends already underway for several years, as many Wall Street firms have decided to move more and more of their staff and operations to Midtown and beyond. These relocations offer more and cheaper space, additional power grids and alternate control centers in the event of future disasters. Many financial services firms still remain committed to

Lower Manhattan, but about 31,000 – nearly one in four – may be “at risk” of leaving, according to the New York City Partnership.[22]

There are grounds to doubt that the latest city and state deliberations on the future of the area will reflect these new realities. In November, the governor and mayor authorized a Lower Manhattan Redevelopment Corporation (as a subsidiary of the existing Empire State Development Corporation) to oversee the area’s repair and redevelopment. The new body’s 11 directors, hand-picked by the Republican mayor and governor, are mostly Wall Street and other big business figures. Chaired by John Whitehead, former chairman of Goldman Sachs and once a Reagan Administration official, the panel includes just one labor leader: Ed Malloy, President of the Building & Construction Trades Council of Greater New York. Despite the massive impact on downtown small business, they were given no voice on the panel.

A new, five-borough strategy for economic development is needed if New York is to benefit from these business trends and to build a stronger, long-term tax base. The rebirth of Lower Manhattan must certainly be an important focus of that strategy. The Lower Manhattan Redevelopment Corporation, the City Council, the Mayor and relevant city agencies, working in cooperation with business, labor and community organizations, need to design and implement policies that will realize its potential to become a vibrant, diverse, mixed-use community of large and small businesses, cultural and governmental institutions, and housing. To channel more business opportunities into the rest of the city, the old firm-specific government retention deals could be replaced by a more promising, low-cost policy that offers broad, industry-wide “sectoral subsidies.” This approach aims to improve the competitiveness of entire industries through groups of client companies building networks within industries and between industries and government. Modest public tax breaks or business assistance services could be designed to attract, retain and renew small- and medium-sized employers that agree to cluster near related firms and to meet high environmental and job quality standards. Promising examples of this approach exist in other regions, and a few can be found in New York City (like the Garment Industry Development Corporation and the Greenpoint Manufacturing & Design Center) and in some Long Island industrial parks. Any such policy must have built in safeguards for maximum transparency and for accountability, so that the only companies receiving government aid are those that actually create decent quality jobs as well as meeting environmental and labor standards. Increased tax revenues from new development spread across the city could then compensate for any reduction of revenues from Lower Manhattan.

Finally, despite the inherent uncertainties of any forecasts today, decades of economic research strongly support one conclusion: the quality of a city’s human and physical capital is of crucial importance to its future growth. Of course, improvements in schooling, health services, and transportation seldom come cheap, so hard choices must be made in planning and implementation to ensure that they are cost-effective. But essential expenditures in these areas deserve priority in considerations over what spending cuts and/or tax hikes are needed to balance the budget. For example, we put the education and future employability of our youth at risk if we delay substantially narrowing the city-suburb gap in our teachers’ pay and in classroom facilities. Yet 2002 began with the city’s teachers still without a contract for over a year, and with the new mayor seeking hundreds of millions in school budget cuts. The city and state government’s actions appeared all the more remarkable just one year after a landmark NY State Supreme Court ruling that New York’s current school financing system is illegal and must be fundamentally overhauled. Judge Leland DeGrasse’s decision last January found that the existing method of funding schools violated the state constitution’s guarantee of a “sound basic education” for all, systematically shortchanged New York City’s “foundering” schools and their largely minority students, and thereby also violated federal civil rights laws. The decision read, in part:

> “From 1994-95 to 1999-2000, New York City has consistently received less total state aid than its percentage share of enrolled students. In those years, New York has approximately 37 percent of the state’s enrolled students and has received a percentage of state aid ranging from 33.98% to 35.65%. This is evidence of disparate impact… The labor needs of the city and state must be balanced with the needs of high school graduates. For example, while the greatest expansion in the local labor market might be composed of low-level service jobs, such jobs frequently do not pay a living wage. A sound basic education would give New York City’s high school graduates the opportunity to move beyond such work.”

The judge noted that city school teachers are paid 20 to 36% less than teachers in neighboring suburbs. This pay disparity helps account for the fact that 13.7% of New York City teachers are not certified in any of the subjects they teach, compared to just 3.3% in the rest of the state.

The ruling capped an eight-year legal battle led by the Campaign for Fiscal Equity, a coalition of children's advocacy groups. It was hailed by both the President of the United Federation of Teachers and by Schools Chancellor Harold Levy, who called it a "bulletproof" way to improve city schools. But just a week later, Governor George Pataki announced that he intended to appeal the ruling, claiming that he had already nearly eliminated unfair gaps in school aid to New York City, and that future school policy should be left solely to elected officials. The state's appeals could stall resolution of the contentious issue until after the 2002 election, when Gov. Pataki is expected to seek reelection. Should the judge's ruling be upheld, New York will join over two dozen other states required by court orders to improve educational opportunities for the poor by either redistributing existing school funding, drawing funds from elsewhere in the public budget, and/or raising taxes.

New school funding has become even more necessary now that new state requirements demand that every high school student meet the new Regents learning standards in order to graduate. In raising academic standards, the Regents explicitly recognized that more state funding for schools was essential, as well as reforming the inequitable school finance system. However, instead of raising school funding as needed, the governor is proposing to cut it for the second straight year.

A recent Zogby International poll of New York voters reveals strong support for higher funding to support quality education in the state's public schools. By a 2-1 margin, voters say that improving education is more important than holding down taxes. "Nearly 70% of voters favor a minimal income tax increase on incomes over $100,000 to the alternatives currently being proposed by school districts in light of the Governor's proposed budget: layoffs (6.5%); cuts in programs and increases in class sizes (4.5%); property tax increases (8.3%)."

Some much-needed improvements in retraining the unemployed, both youth and adults, can also be achieved by better oversight and administration of already available funds, as in the case of the millions of unspent federal funds available to the city under the Workforce Investment Act. The WIA provides a unique opportunity for cities across the country to expand and update their worker training and job placement systems. But Mayor Giuliani consistently showed far more zeal in cutting welfare rolls than in ensuring that the poor had access to quality training for decent jobs. This has left New York with a single one-stop WIA training/placement center (in Queens) to serve the entire city! Moreover, it has few links to major employers or to local colleges. Additional tens of millions allocated from Washington for the TANF welfare-to-work program have also gone unspent. City Hall's sluggish record needs immediate correction if the city is to avoid losing millions of federal dollars earmarked for worker training and retraining. The more we improve New York's educational, job training, health care and infrastructural systems, the brighter will be our long-term economic and fiscal prospects.

Table 1
Number of Nonfarm Jobs (in thousands) by Place of Work: 2000-2001

	Dec. 2001	Dec. 2000	% CHG
U.S.	132117.0	133234.0	-0.8%
NY State	8679.0	8831.3	-1.7
New York City	3689.0	3821.4	-3.5
Nassau-Suffolk	1255.4	1250.0	0.4

Source: Establishment data (not seasonally adjusted) from NY State Dept. of Labor.
Note that the data reflect regular revisions made by the Dept. of Labor.

Table 2
Civilian Labor Force, Employment & Unemployment:
New York City, Nassau-Suffolk & All U.S., Dec. 2000 – Dec. 2001
(in thousands, not seasonally adjusted)

	Labor Force		Employed		Unemployed		Unemp. Rate	
AREA	Dec. 2001	Dec. 2000	Dec. 2001	Dec. 2000	Dec. 2001	Dec. 2000	Dec. 2001	Dec. 2000
U.S.	141913.0	141319.0	134235.0	136092.0	7678.0	5227.0	5.4%	3.7%
NYC	3507.9	3594.9	3262.0	3355.6	245.9	239.3	7.0	5.2
Brooklyn	978.9	988.1	901.9	927.8	77.0	60.3	7.9	6.1
Bronx	470.8	477.2	431.5	443.9	39.3	33.3	8.4	7.0
Manhattan	850.2	854.1	790.8	813.5	59.4	40.6	7.0	4.8
Queens	1006.7	1016.8	947.5	974.7	59.2	42.1	5.9	4.1
Staten Island	201.2	204.0	190.3	195.7	10.9	8.3	5.4	4.1
Nassau-Suff.	1430.0	1426.0	1376.7	1389.5	53.3	36.5	3.7	2.6
Nassau Co.	721.9	702.1	675.3	681.6	25.4	16.2	3.6	2.3
Suffolk Co.	729.3	728.2	701.4	707.9	27.9	20.3	3.8	2.8

Source: CPS household survey data from NY State Department of Labor, 2001. Note that the data reflect regular revisions made by the Dept. of Labor.

Figure 1
NYC Job Growth by Industry: Dec. 2001 – Dec.2001
(in thousands of jobs, and percent change)

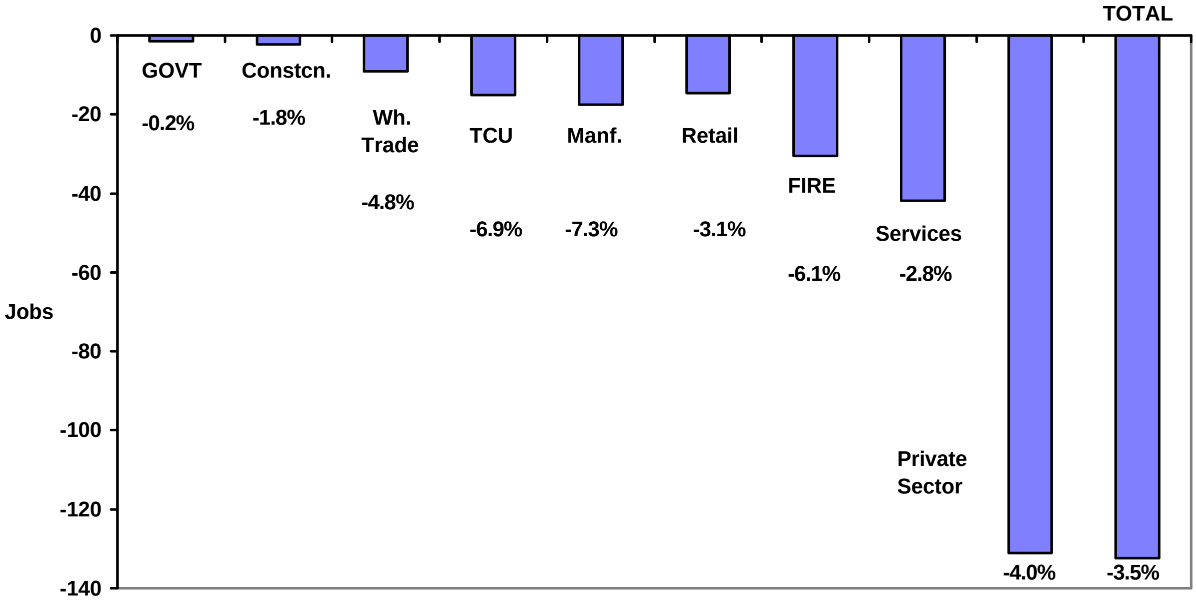
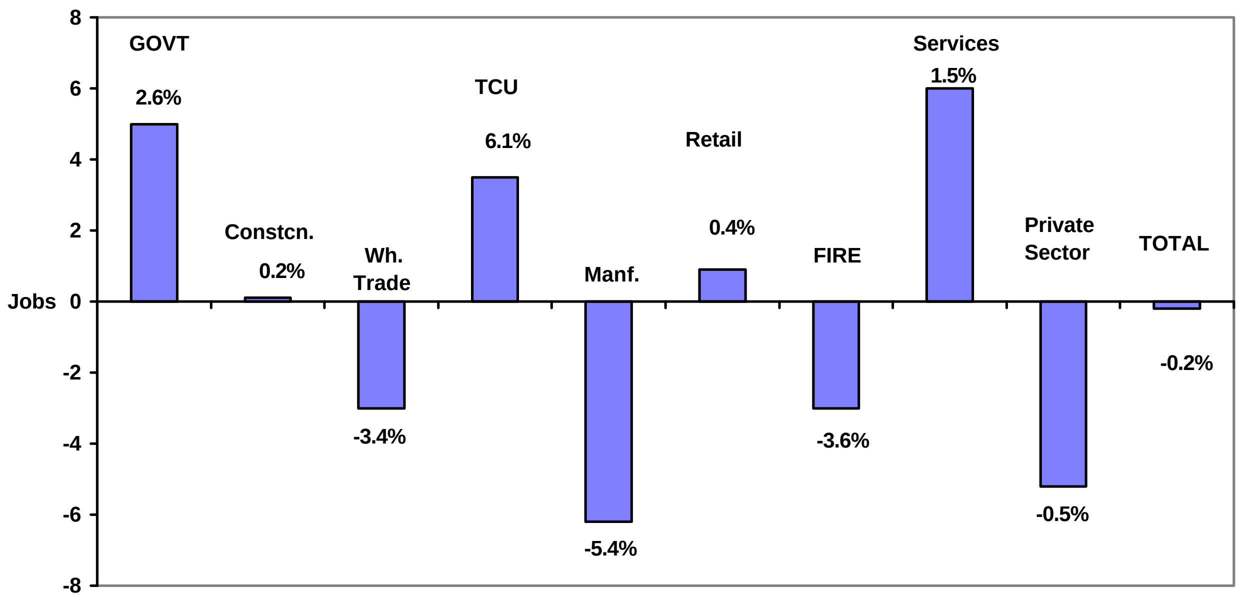


Figure 2
Nassau-Suffolk Job Growth by Industry: Dec. 2000 – Dec. 2001
(in thousands of jobs, and percent change)



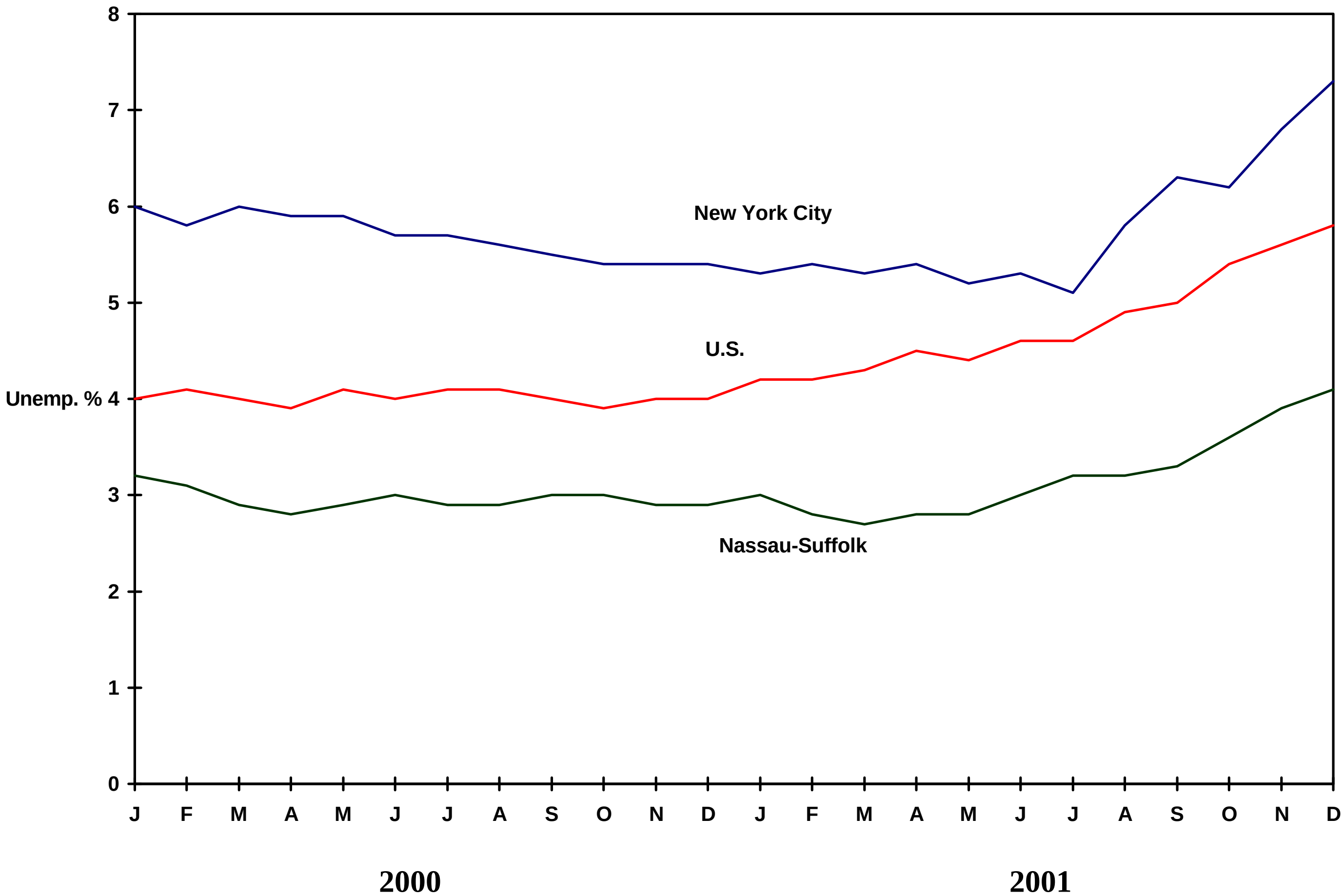
Source: NY State Department of Labor. FIRE = Finance, Insurance, Real Estate; TCU = Transport, Communications, Utilities.
Year-to-year changes, not seasonally adjusted.

Table 3
Unemployment, Employment & Underemployment Rates, by Sex, Age, and Race/Ethnicity: New York City, Nassau-Suffolk, and Other Large U.S. Cities and Suburbs, 2001:IV

Unemployment Rate	All Ages 16 & Up	Males	Females	White, Non-Span	Black, Non-Span	Spanish Origin	Teens, 16-19	Foreign Born
NYC	7.5	7.3	7.7	5.6	10.5	9.9	22.2	7.1
Other Big Cities	7.2	7.2	7.2	4.9	11.7	7.8	20.8	6.9
Nassau/Suffolk	3.4	2.8	4.0	3.1	5.1	5.5	12.5	2.9
Other Suburbs	4.6	4.7	4.4	4.0	7.0	6.2	13.8	5.6
% of Population Employed								
NYC	53.9	61.4	47.4	56.1	51.9	50.3	14.6	57.5
Other Big Cities	61.2	68.2	54.6	64.5	53.7	64.4	33.2	63.8
Nassau/Suffolk.	62.1	68.9	55.2	62.3	61.8	61.6	38.7	60.2
Other Suburbs	65.7	73.1	58.8	65.7	66.5	65.1	41.1	64.2
Underemployment Rate								
NYC	13.0	12.9	13.1	9.5	16.8	16.5	37.7	13.3
Other Big Cities	13.0	13.2	12.8	8.8	18.5	16.3	35.5	14.7
Nassau/Suffolk.	6.8	5.9	7.8	6.2	14.2	7.1	20.1	7.6
Other Suburbs	8.3	8.1	8.4	7.2	11.5	12.6	23.4	11.0

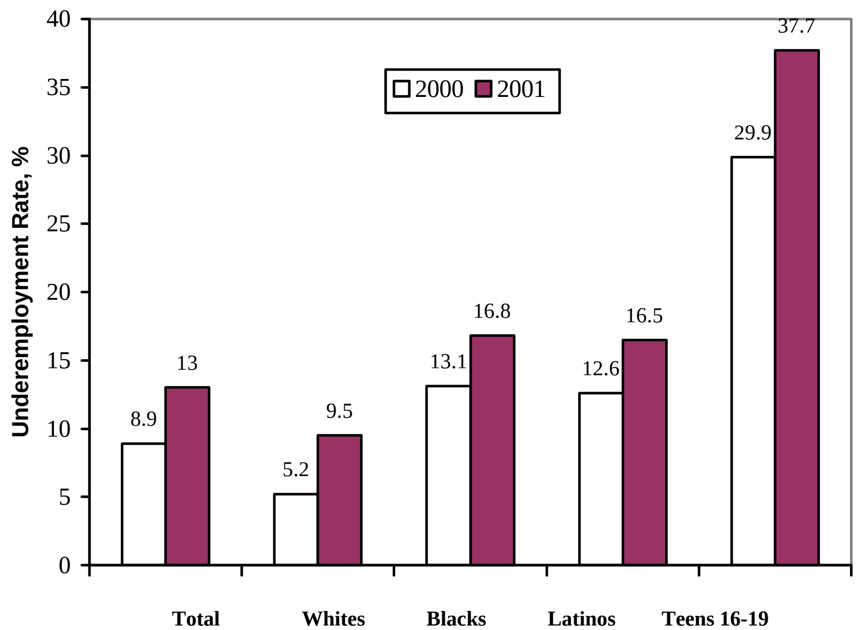
Source: Authors' calculations from Oct. – Dec. 2001 Current Population Survey (not seasonally adjusted. The "underemployment rate" is here measured as the total officially counted as "unemployed," plus those "marginally attached" to the labor force who are discouraged workers plus persons employed part time for economic reasons, expressed as a percent of the sum of the official labor force plus those counted as marginally attached. The "big cities" category consists of the subsample of center city residents in the 20 largest metropolitan areas, excluding New York City. And "other Suburbs" are the suburban regions of all metro areas other than Long Island.

Figure 3
Unemployment Rates in NYC, Long Island, and U.S., 2000-2001
(Monthly, Seasonally Adjusted)



Source: US Bureau of Labor Statistics and NY State Dept. of Labor. Rates seasonally adjusted by *RLR*.

Figure 4
Underemployment Rates of Whites, Blacks, Latinos & Teenagers
In New York City, Fall 2000 – Fall 2001



Source: Authors' calculations from Oct. – Dec. Current Population Surveys in 2000 & 2001 (not seasonally adjusted). For definition of of "underemployment rate," see footnote in previous table.

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NOTES

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[4] Nina Bernstein, "Destroyed Computer Links Leave Thousands of Poor People Without Welfare Benefits," *NY Times* (9/28/01): D3.
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