

The Roller Coaster Transformation of a Creative Economy

by Samuel M. Ehrenhalt

Change has ever been a hallmark of New York; it's very much a work in progress. Washington Irving wrote, a century and a half ago: "A man born in New York City 40 years ago finds nothing, absolutely nothing, of the New York he knows."

Change is New York's great continuity. In that context, a look at the changing patterns of the New York world of work offers some perspective on current concerns. Where New York is going is a story of the future – but also a story of the past.

Looking at the past half century, it's New York – the roller coaster economy. In the fifties we just about keep our heads above water as we contend with a massive exodus to the suburbs. New York has some significant growth in the 60's, then the economy goes into a tailspin. Eight years of huge job losses. The decline, some 600,000 jobs, one in six, is pervasive – few industries escape the deluge.

About when many are ready to throw in the towel, a surprising turnaround begins. New York has 10 years of unexpected, remarkable, vigorous growth. It's an economy with a new look as structural changes transform the job scene. The major losses in manufacturing continue, New York's once magnificent port languishes, but we begin to build again, there is major growth in a wide array of business services, in the health field, in finance.

Then, once again a substantial downturn in the late 80's and early 90's, a slow-starting but ultimately vigorous recovery in the latter 90's, followed by another major decline, again not your ordinary, run-of-the-mill recession, from which New York only begins to emerge about a year ago.

But while the clouds have been lifting there is still a good deal of turbulence. The 9/11 aftershocks weigh heavily on the scene. Only a fraction of the job losses have been made up.

What's going on? New York's economy is strongly reshaped by the ongoing, wrenching process of restructuring impelled by competitive pressures from other parts of the country and other parts of the world, in a national and global economy transformed by new configurations of products, processes, markets, organization and technology.

So New York is not just an economy of ups and downs, but also an economy undergoing fundamental change. We have little more than half the manufacturing jobs we had 10 years ago; that works out to a loss of 100,000 jobs. On the other hand, there are 100,000 more jobs in New York's complex of information, professional, technical and scientific, art and entertainment industries. And we have 150,000 more jobs in education, health and social services.

That huge industrial shift spells major changes in the kinds of work New Yorkers do. Wall Street, Madison Avenue, and Broadway have little work for sewing machine operators or longshoremen. When you look at the direction that work in New York has been moving, there is a strong thrust to professional and technical jobs. But the new jobs, the growth fields, are diverse. They do have a major commonality. The prime skill of the new economy is the ability to adapt to change, in a word, to learn. The education connection is key.

Nearly one third of New Yorkers have a college or graduate degree – a far cry from a half century ago when three out of four had not finished high school. Yet there is more concern, perhaps, than ever about the need to raise the educational achievement of New Yorkers, to improve the quality of the labor force. Because the economic changes we've been looking at add up to a transformation of what it takes to make it. It's education with a difference.

The competencies needed in today's world have been changing across the spectrum of occupations. We're talking here, built on foundations of literacy and math and computation skills, about the practical application of reasoning and thinking and self-management skills involved in today's workaday tasks -- scheduling time, working in teams, serving customers, negotiating, interpreting and communicating, monitoring and correcting performance, applying technology, troubleshooting.

These are the competencies needed for success in today's workplace. The learning begins in the classroom – it comes alive through experience on the job that is in turn the basis for further training. For older workers it often means returning to school, time and again. For youngsters it means work experience to provide an opportunity to learn what work is all about, to gain first-hand know-how in applying classroom knowledge in the workplace.

Education with a new twist. That's a key component of New York's capacity to make its way in the pressure-cooker of an intensely competitive national and world economy. In this framework, dealing with key youth issues and, more broadly, the development of our human resources, improving the quality of our labor force to meet the changing needs of the economy, educating for the future, is crucial for New York's prospects as a great world economic and cultural center.

Dropouts don't have much of a role in the new economy – and it's shrinking. And here we come to a chilling reality: just over half (53.4 percent) of the high school class of 2003 graduated after four years. And that was the best record in 12 years. Only about a third of the graduates received a Regents' diploma. Some students take as long as seven years to make it through high school. That lifts the graduation rate after seven years to 68 percent. So after all is said and done, second-chance programs, GEDs, we're left with a dropout rate of 32 percent. That 32 percent is a key indicator of trouble ahead for the New York City economy. For youngsters it means obsolescence before they start. Dropouts face an uphill battle to gain a foothold in today's economy.

The youth issue is growing in impact as we begin to face a dramatic, new issue looming before us. We're going to need young people more than in the past – we need to equip them far better than in the past to meet the needs of the more complex and demanding job world that is upon us. It also means, for those already in the labor force, a need to update and broaden skills and, for many, help in making up educational shortfalls.

Because, as if the economic changes and the educational challenges we have been focusing on weren't enough, there is a fundamental demographic shift fast coming down the track. When we look at how American workers are distributed by age we find that, in the past year, two-thirds of the increase in the American labor force is among workers 55 years of age and over.

That is a striking, novel development. It's a harbinger of things to come. In the 1980's, all of the growth of the labor force comprised workers ages 25-54. That's a crucial age group. That's when workers hit their stride and move into positions of responsibility. In the 90's, these prime age workers continued to predominate, accounting for 60 percent of labor force growth.

For this decade, in contrast, we face a major shift. It's not young workers. It's not prime age workers. Older workers will be the dominant growth group, 10 million of the 17 million labor force growth the BLS projects to 2012. The baby-boomers, who revolutionized the major institutions of our society since they came on the scene right after World War II, are now in their fifties and moving toward retirement. It will challenge the adaptability of the labor market as we look ahead.

These are some of the key ingredients of the future. Now we turn again, in closing, for some perspective from the past. It's a voice from the past, reporting on the New York scene for over a century, the *New York Herald Tribune*. In the mid-60's, it ran a major two-week-long series on the state of the city.

On the first day it announced its major finding in this headline: "New York City in Crisis" and then spelled it out: "New York, Greatest City in the World – and Everything is Wrong With It." John Lindsay, then in Congress, thought that "New York has lost its will power." Dr. Kenneth Clark, distinguished scholar and activist, said that: "Time is running out for this city."

It's 39 years later. New York has shown, again and again, resilience in adversity, a capacity for renewal, innovation and surprise. It is still very much in there as a great, exciting world city. It has significant concentrations of national growth industries. It has formidable strength in its human resources. It's the creative city.

But while the ingredients are in place, there are few guarantees in today's intensely competitive world. The bottom line: New York is well positioned for growth – *If*. If it can successfully meet its human resource challenges. If it can foster an environment that is competitive on the national and global scene. In today's world, you can't rest on your laurels. The shelf life of competitive advantage is ever shrinking. And a new game is always just getting under way. To stay in the game you need a plenitude of creative juices flowing. That's New York's challenge.

Samuel M. Ehrenhalt was for many years the Commissioner of the New York Regional Office of the U.S. Bureau of Labor Statistics. This is an excerpt from his address at the inaugural Herbert Bienstock Memorial Forum on "Working in New York: Looking Back and Looking Ahead," organized by Dr. Len Rodberg and the Urban Studies Department at Queens College, City University of New York, September 28, 2004. The annual forum and the graduate student fellowships of The Herbert Bienstock Memorial Fund honor Herbert

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