Economic and demographic change: the case of New York City

Analysis of industrial and demographic dynamics of New York City at once mirrors and anticipates events in other parts of the Nation; key are the sharp loss of manufacturing jobs, the rise in knowledge-based jobs, and the increased role of women and minorities in the labor force

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Since World War II, the United States has witnessed economic and social changes that seem to presage unique problems to be solved and opportunities to be seized as the Nation enters a new century.

In the economic arena, the country enjoyed robust growth during the 1950's and 1960's. The 1970's, however, ushered in two decades characterized by uncertainty, with periods of recession or stagnation alternating with years of respectable, even robust, economic performance. Many factors contributed to the bumpy ride experienced by the Nation over the past quarter-century, including energy shortages, stiff competition in international markets, and the declining relative importance of manufacturing in the economy.

New demographic and social developments accompanied these economic changes. During the mid-1960's, legislation at the national level paved the way for the political and economic empowerment of the country's ethnic minorities. The 1970's saw married women and mothers of young children entering the labor force in unprecedented numbers, creating demand for new types of social support organizations. During the same decade, the leading edge of the postwar baby boom entered their prime working years, and now are headed for retirement. The fact that birth cohorts following the baby-boomers are much smaller has important implications for the Nation's human resource base and for the future of old-age and medical entitlement programs. Finally, immigration to this country took on a different cast in recent decades, shifting from Eurocentric to larger shares of political refugees and of other groups from so-called Third World or developing areas. While these new residents represent a potentially rich source of labor and entrepreneurial talent, they also pose a challenge to the country's traditional mechanisms for absorbing new citizens. This is especially true of the Nation's schools, which must supply American mores in addition to English proficiency and basic educational skills.

This article examines the effects of postwar socioeconomic changes on the city of New York. One of the world's great urban centers, New York is in some ways a microcosm of the Nation as a whole. In other ways, it is unique in its traditional role of financial, business, and professional services powerhouse, a world cultural and social leader, and a crossroads for the exchange of information and the interaction of diverse population groups. A study of the city's recent economic experiences and demographic changes identifies issues critical to economic growth, many also important nationally.

Today's New York

In June 1987, the 25-member Commission on the Year 2000, composed of leaders from New York City's business, labor, academic, and government

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communities, issued the results of a 2-year research project in a report entitled *New York Ascendant*. The study highlighted "... the exuberance of a re-energized city..." and addressed a number of specific issues affecting the longer term economic outlook. Five years later, the "ascendant New York" seems part of a distant past. The city has been undergoing a painful and wrenching transition from the growth years of the 1980's. Today's reality is decline and extensive restructuring of key sectors, the addressing of new problems, and the reposing of old issues, which now are more difficult to deal with in a more constrained economic environment.

The outlook is clouded by uncertainty in a new era of restructuring and downsizing in many of the activities that make up New York's advanced service economy; by increasing competitive pressures at home and abroad; and by longstanding concerns regarding the development of human resources. A review of labor market dynamics, shifting industrial and occupational patterns, and the interaction of these changes with the human side of the economy in the post-World War II period—with particular emphasis on the past quarter-century—can provide a basis for defining some important issues and identifying the challenges facing the city in coming years.

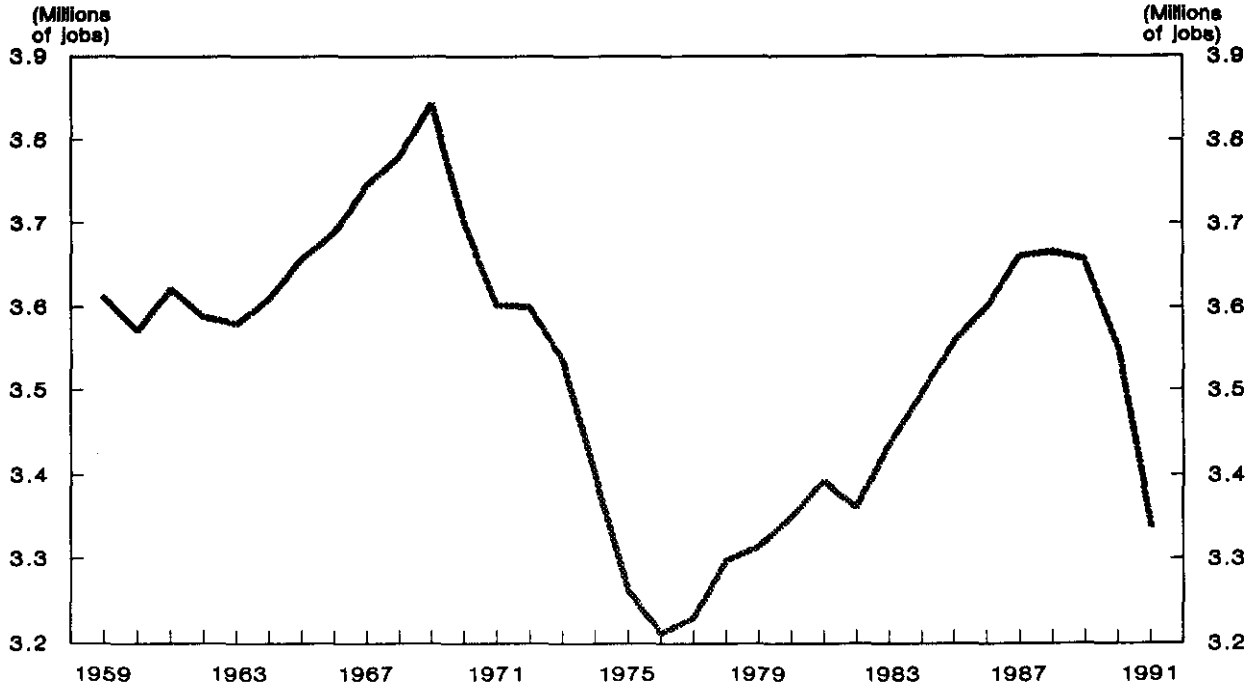
The historical context

The recent economic history of New York City is one of volatility, of abrupt and surprising swings. After substantial growth in the late 1960's, the economy plunged into freefall in the early and mid-1970's, with the onset of the economic crisis of that period—aggravated by the 1973–74 oil embargo and the recession of 1973–75. From the end of 1969 through 1976, the only direction was down, with more than 600,000 jobs lost, a sixth of the city's employment base. The decline was pervasive, with few industries going against the tide. (See chart 1.)

During this period, many observers seemed to give up on New York, having decided that the only course for the future was to manage decline or, at best, maintain stability. In the latter half of the seventies, however, the economy of New York demonstrated a new and unheralded vitality. There were 11 years of remarkable, vigorous growth. Between the end of 1976 and 1987, the city *added* more than 400,000 jobs.

The expansion made it an economy with a new look, as structural changes transformed the job scene. While there were massive employment losses in manufacturing, and New York's once magnificent port languished, there was major

Chart 1. Payroll employment trends, New York City, 1959–91



NOTE: Data relate to December of each year.

growth in services, finance, and construction. Although job increases in the local public sector were large, reflecting the restoration of services and jobs cut during the earlier financial crisis, over four-fifths of the 1976–87 job growth was in the private sector, as compared with two-thirds in the late 1960's.

Then, in 1988, job growth came to a virtual halt. This was followed by a major downturn beginning in early 1989—the national recession began 15 months later—with job losses extending to every major industrial sector of the economy. The downturn has been very different from an ordinary recession. It thus is of major concern for a variety of immediate policy reasons, and is a key ingredient in considering the direction in which the city is headed.

The new decline

A review of job developments provides some insights for assessing the extent and industrial characteristics of the downturn. The sheer dimension of the job losses points up the overriding fact that New York City's recent experience does not reflect an ordinary, run-of-the-mill downturn. This time, the contraction preceded the onset of national recession by 15 months, a lead time unprecedented in the four decades of available data. It ranks high in terms of duration and severity, with more than a third of a million jobs lost since the April 1989 employment peak. When developments during the economically turbulent 1970's are excluded, the 10-percent job decline is the largest on record for the city. The toll has been huge—for practical purposes, the gains of that remarkable 1976–87 comeback have been erased. Employment outside government stands at roughly the same level as its 1976 low point.

Perhaps the most striking feature of the city's recent downturn is its industrial composition. In most recessions, the pattern of job loss, while not invariable, demonstrates a high degree of consistency. Manufacturing traditionally has been hardest hit, generally accounting for a major share of job loss. Even during the unusually long and severe contraction of the early and mid-1970's, when effects were felt among a wide array of industries, manufacturing accounted for nearly half of the job losses. The contraction of the early 1990's marks a major departure from this pattern. While there is accelerating job loss in manufacturing, it accounts for only a *fifth* of the city's job decline. (See chart 2.)

In four decades, New York City has never before experienced a contraction that has taken such a toll on its service-producing sector. The jobs cutback has approached 100,000 in wholesale and retail trade, accounting for 28 percent of total net job loss in the downturn. Declines in finance, insurance, and real estate and in construction have been massive, contributing 14 percent and 10 percent of net job loss. The services industries, which historically have held up well during earlier New York City employment contractions, accounted for 18 percent of the decline in the current downturn, not very different from the 20-percent share attributable to manufacturing industries. It is notable that job losses in finance, insurance, and real estate and in the services industries, combined, accounted for nearly a third of the decline this time. By contrast, over the protracted downturn of the 1970's, job declines in these industries were only 10 percent of the overall loss.

Employment cutbacks in government comprise only a minor share of losses in the current downturn. The public sector loss since April 1989 comes to 20,000 jobs, with most occurring in 1991. This drop, around 3 percent, compares with an 11-percent decline for the rest of the economy.

Key features of the present situation are rapid, accelerating industrial change and a new wave of organizational restructuring, often involving downsizing. The changes are driven by a scramble for competitive position in a national and international economic environment characterized by new products, processes, markets, organizations, and technology. Obviously, such conditions constitute a stiff test of the city's adaptability. But, it is a test with which New York City has much experience, because innovation and restructuring have been major themes of the city's economic development.

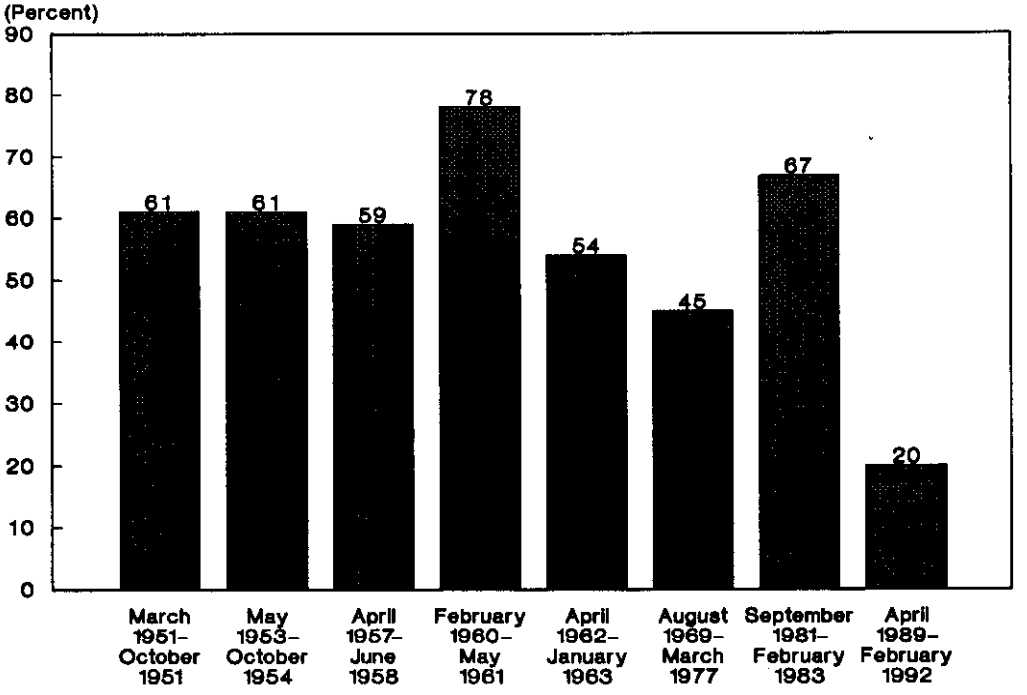
The longer term

A comparison between 1960 and 1991 of New York City's 10 largest private sector industries (in terms of employment) provides some interesting insights into the longer term transformation of the city's economy. The top 10 industries, combined, employ about 1.5 million workers, accounting for 55 percent of the city's private sector jobs. This represents an increase from 47 percent in 1960, and suggests that the industrial base today is somewhat less diverse than in the 1960's.

Table 1 shows major changes in composition, size, and relative importance of the top 10 industries. Four of the leading industries of yesteryear no longer make the list, including apparel manufacturing and printing and publishing, as well as insurance carriers and special trades construction. In fact, by 1991, *no* manufacturing industry placed among the top 10 private sector employers in New York.

In 1960, the leading industry in terms of employment was wholesale trade, which includes a substantial component of blue-collar occupations.

Chart 2. **Job losses in manufacturing as a percent of job loss in all declining industry divisions during periods of contraction, New York City, 1951-92**



NOTE: Data are seasonally adjusted.

That industry now ranks number three, but with 100,000 fewer jobs. Industries that operate on a largely nonprofit basis have become much more important. The number one industry in New York City today in terms of employment is health services, with more than a quarter of a million jobs. (Health services ranked ninth in 1960, with just under 100,000 jobs.) Social services, now with as many jobs as Wall Street, is a newcomer to the top 10, as are private educational services, with nearly 100,000 jobs.

A second leading group among the top 10 comprises finance, business, and management services. Business services, with 120,000 jobs in 1960, rose in the ranking from fifth place to number two by 1991, with more than 200,000 jobs. Banking, despite recent declines, today ranks as New York's fourth largest industry, with 166,000 jobs, 65,000 more than in 1960. Despite a shakeout on Wall Street over the past 5 years, the security and commodity brokers and exchanges industry today ranks fifth in the number of jobs—129,000, as against just under 50,000 in 1960. The industry shares its ranking with social services, an industry that did not appear in the 1960 list at all. Engineering and management services, including accounting, research and development, consulting, and public relations, is the fourth newcomer to the top 10.

Structural changes over the past quarter-century are exemplified in the employment levels of three major industrial sectors. New York's manufacturing industries, with 857,000 jobs in 1966, now have only 300,000, a loss of 65 percent. Retail trade has 100,000 fewer jobs than the 466,000 posted in 1966. On the other hand, the complex of finance, business, management, and professional services, with employment of 696,000, has nearly a quarter million more jobs now than 25 years ago, despite recent declines.

A closer look at these three industries provides added perspective on the momentum of change. *Manufacturing*, in many respects, has been New York's forgotten economic sector. Over the past 25 years, the decline in manufacturing employment in the city has been almost nonstop. In 1966, 23 percent of New York's job base was in manufacturing. Today that figure is 9 percent. Losses have been widespread, affecting virtually all manufacturing industries, and total employment in the sector stands at its lowest point since World War II.

Since 1966, a number of the city's manufacturing industries have suffered job losses of 70 percent or more. These include paper and allied prod-

ucts; fabricated metals; stone, clay, and glass products; furniture and fixtures; food and kindred products; electrical and electronic equipment, and instruments and related products; industrial machinery; leather and leather products; and primary metals. Employment in apparel manufacturing shrank from 231,000 in 1966 to 84,000 currently, a drop of 64 percent, and about two-thirds of the jobs were lost in textile mill products; rubber and miscellaneous plastics products; transportation equipment; and miscellaneous manufacturing, which produces such items as office and art supplies, jewelry, and toys and sporting goods.

Manufacturing job losses have been particularly steep over the past decade, with an acceleration in the last 4 years. By 1991, the toll was 184,000, nearly two-fifths of the factory jobs based in the city in 1980. The comparable estimate of manufacturing job loss for the Nation as a whole was just under a tenth. The number of manufacturing establishments in the city also has steeply declined—from 19,000 in 1980 to 13,000. From 1988 to 1991 alone, the net loss comes to 1,500 establishments.

Stemming the tide of manufacturing job losses may now be more urgent than in earlier years, when such declines were more than offset by record gains in nonmanufacturing industries. A continuation of decline at the 1980's rate would spell a loss of another 100,000 jobs during the 1990's. These losses would further reduce employment opportunities in industries that play an important role in providing entry-level blue-collar jobs, many with upward mobility potential.

It is often forgotten that New York City has few peers among U.S. cities as a manufacturing center. Even at the end of 1991, only the Los Angeles–Long Beach, Chicago, Detroit, and Philadelphia areas had more manufacturing jobs.

In *retailing*, the longer term pattern in the city generally has been one of decline. Retail industries lost nearly 80,000 jobs from the late 1960's through 1979, a consequence of both economic problems and population loss. From the 1980 to 1988, there was a moderate upturn, with an increase of about 30,000 jobs. But that growth has been more than erased by the steep cutbacks since.

The picture of the 1990's has some characteristics in common with earlier periods of job loss, reflecting the effects of broader economic decline and the competition that city retailers are getting from suburban malls. In other ways, however, it is very different, as restructuring and new technology affect many types of retail operations. The recent employment decline would indicate some shrinkage in part-time job opportunities, a development of special significance for women and younger workers.

Virtually every retail industry in the city today has fewer jobs than it did a quarter-century ago. But by far the largest job losses have come in department stores, historically a showcase of New York's cosmopolitan culture. Employment in the city's department stores posted its highpoint of 70,000 in 1969, and then trended steadily downward during the 1970's, for a loss of 12,000 jobs. The decline accelerated in the 1980's, with employment falling by more than 30 percent between 1979 and 1989. In 1990–91, another 7,000 jobs were lost.

Finance, business, management, legal, and financial services are key components of the city's export-oriented job base, and the concentrations of these activities in New York are awesome. In 1990, this complex accounted for more than three-quarters of a million jobs, almost 2–1/2 times as many as did manufacturing. With its array of security firms, banks, investment companies, and law firms and its advertising, accounting, management consultant, and public relations agencies, this sector of the New York economy is closely identified with Wall Street and Madison Avenue. But it also

Table 1. **Largest private sector industries in terms of employment, New York City, 1960 and 1991**

[Employment in thousands]

1960			1991		
Rank	Industry	Employment	Rank	Industry	Employment
1	Wholesale trade	315	1	Health services	268
2	Apparel manufacturing	268	2	Business services	219
3	Printing and publishing	127	3	Wholesale trade	201
4	Eating and drinking places	125	4	Banking and other credit	166
5	Business services	120	5	Security and commodity brokers	129
6	Real estate	104	5	Social services	129
7	Insurance carriers	102	7	Eating and drinking places	119
8	Banking and other credit	101	8	Educational services	97
9	Health services	97	9	Real estate	96
10	Construction, special trades	88	10	Engineering and management services	91

includes such activities as maintenance, protective, leasing, and computer services.

This industry group has been a major source of job growth over the past 25 years. Even after declines during the past several years, its employment is nearly two-thirds higher than it was a quarter-century ago. After expanding by more than 100,000 jobs in the late 1960's, the finance, business, and professional services showed considerable resilience in New York City's economic crisis of the early and mid-1970's. While these industries lost ground to the extent of 50,000 jobs, this was a decline of about 10 percent, as against a 17-percent loss in the rest of the city's job base.

Subsequently, the complex of financial, business, and management and professional services led New York's resurgence. From 1975 through 1988, it added 300,000 jobs. While its component industries had 22 percent of the private sector jobs outside manufacturing in 1975, they accounted for 66 percent of the employment growth over the following 13 years. Growth slowed in 1988, and then a downtrend began. In the past several years, the cutbacks have amounted to about 100,000 jobs, with major losses on Wall Street and in banking. In 1991, declines in business services were significant, as recession and restructuring took their toll.

New York's historic strengths in these industries are under challenge from other financial and business services centers at home and abroad. In many segments of this sector, the challenge has spurred a thorough and ongoing reassessment of products, processes, and organizational structures and a sorting out of locational needs—all designed to respond to new opportunities inherent in computer and telecommunications technology, the requirements of new market configurations, and other heightened pressures characteristic of a global, round-the-clock marketplace.

These industries are much more important to the city's industry structure than they are nationally, and strong projected economic growth at the national level suggests a positive outlook for them, but only if New York can maintain its leadership position and build on its potential. In terms of future growth, BLS national projections based on the moderate, or middle, alternative of three paths of employment growth show this complex of industries expanding rapidly in the 1990's, at about double the overall growth rate of the economy. Their projected increase of 4.8 million jobs is expected to account for 20 percent of the net national increase in employment.

Occupational change

Over the past 25 years, New York's vast industrial restructuring has dramatically changed the jobs people hold and the work they do, substantially reshaping the city's occupational profile. An economy with increasing concentrations of employment in knowledge- and information-oriented industries tends to generate more professional, managerial, and technical jobs, and fewer blue-collar positions. Because of changes in the Federal Government's occupational classification system, historically comparable data for New York are limited. However, trends can be traced back to the early 1970's in the national data.

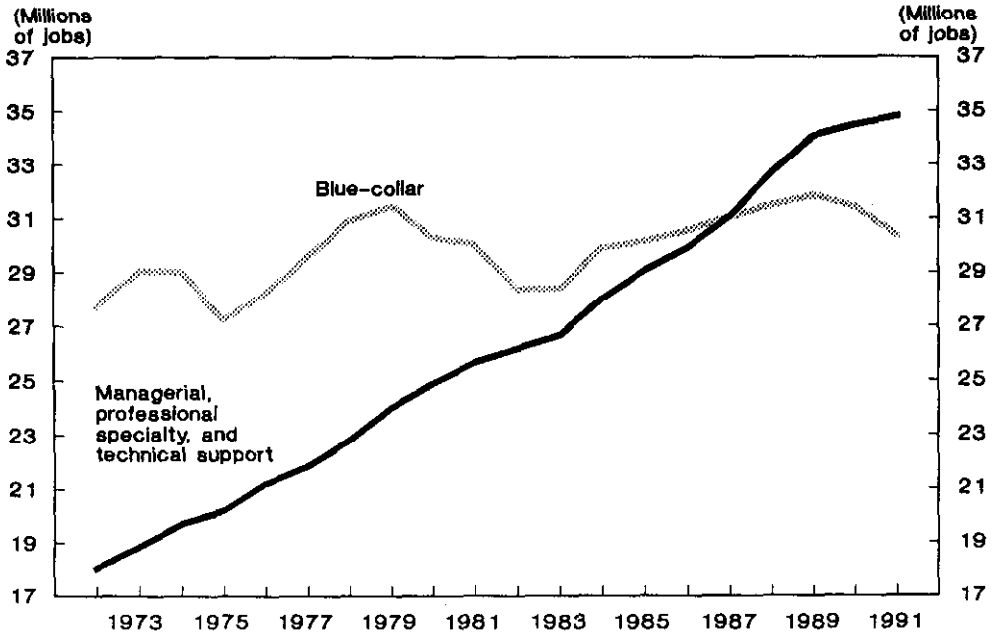
At the national level in 1972, employment in blue-collar occupations—comprising precision production, craft, and repair workers and operators, fabricators, and laborers—outnumbered managerial, professional specialty, and technical and related support workers by 10 million. By the end of the 1970's, the differential was 7.5 million. Before the end of the 1980's, the relationship was reversed: by 1989, the number of managerial, professional, and technical workers nationally exceeded the number of blue-collar workers by 2 million, and by 1991, the difference was 4.5 million. (See chart 3.) These figures mark a historic turn, the end of an era that began in the early days of the century when manual workers succeeded farmworkers as the Nation's largest occupational group. Now, blue-collar preeminence has given way to the quintessential workers of the new economy, reflecting structural change and the resulting shifts in occupational demand—the effects of advances in technology.

Occupational data available for New York City indicate similar developments. Comparable data for 1983–90 show increases in the managerial, professional specialty, and technical support fields accounting for about 70 percent of the net growth in the number of employed New York City residents. Such occupations today comprise 1 in 3 New Yorkers employed.

In New York, growth in these occupations has been unusually strong, given that the city's total employment has increased at a slower pace than that of the Nation as a whole. The growth in managerial, professional, and technical support fields nationally over the 7-year period was 30 percent, compared with 33 percent in New York City. For all other occupations, the national growth rate was 12 percent and that for the city, 5 percent.

Analysis of these occupational developments brings us to a discussion of the interaction between the economic performance and the forces shaping the demographic composition of the work force. The managerial, professional, and technical fields are diverse, but with an important commonality: the prime skill required is the ability to adapt to change—in short, to learn.

Chart 3. **Employment in managerial, professional, and technical support occupations and blue-collar jobs, United States, 1972-91**



NOTE: Blue-collar jobs comprise precision production, craft, and repair occupations and operators, fabricators, and laborers.

Demographic dynamics

Women in the labor market. Women have become increasingly important in the New York City economy, reflecting changing job options and firmer attachments to the labor market, as well as the shift to a more service-oriented economy. Data available since 1967 indicate that the number of employed adult women aged 20 and older grew by 180,000 through 1991, while the number of adult men employed *fell* by more than 200,000.

Men were far more affected by the massive job cutbacks of the 1970's than were women, because men had a greater representation in many blue-collar industries particularly hard hit during the years of economic crisis. Furthermore, men's employment growth in the 1980's substantially lagged behind that of women. Between 1969 and 1979, the number of employed adult male residents of the city fell by 18 percent, as compared to a 3-percent decline for women. Between 1979 and 1991, the percentage increase for men was only half the 14-percent rise among women.

Women today comprise 45 percent of the city's employed adults, up from 39 percent 24 years ago. More important, data available for all working women aged 16 and older indicate strong movement into New York's major growth fields—the professional, managerial, and technical jobs. These jobs are more demanding, but are also, on the whole, better paying than other broadly defined occupations. Between 1983 and 1990, the number of women in these occupations increased by 140,000, a 41-percent rise, compared with a 26-percent increase for men.

Just over a third of all employed women in New York (35 percent) held such jobs in 1990, a slightly higher proportion than among the city's working men. Although not at the same pace across the board, women have moved vigorously into those occupations that are key to the city's present economy and to its future development. Women, and workplace issues of concern to women, will unquestionably continue to be in the forefront of developments in the New York economy as we look down the road.

The minority perspective. A second major demographic development involves the role of minorities in the New York economy. Table 2 presents an overview of key changes in New York's population between 1950 and the present, a period of demographic transformation perhaps even more dramatic than the industrial and employment changes previously explored. While the trends must be interpreted carefully because of signifi-

cant data gaps for the Hispanic population, they portray some broad developments reasonably well.

In 1950, right after World War II, the city's minority population—blacks, Asians, and other racial minorities, and persons of Hispanic origin—was estimated at more than a million, already a significant presence. But the white non-Hispanic population, estimated at 6.8 million, accounted for 85 percent of New York's inhabitants. Data for the subsequent 40 years suggest that there has been a net outflow of more than half the white non-Hispanic population, or some 3.5 million persons.

This shift was accompanied by an increase among the diverse minority populations of the city, which, in the aggregate, more than tripled in size to over 4 million. Thus, the racial and ethnic makeup of today's New York is the product of population movements of major magnitude—the outflow of a well established, largely middle-class white population and the massive inflow of minorities, many not well equipped to move immediately into the economic mainstream. These shifts, of overwhelming scale and complexity, are generating myriad challenges to New York City's effective performance as a great world economic center.

Over the last decade, while the city's total population increased by 3.5 percent, or about a quarter million, its black population grew by 9 percent, or about 150,000. The population of Asian and other racial minorities rose by 75 percent, more than 200,000, to total more than half a million. The largest increase, about 375,000, was among persons of Hispanic origin. This rise of 27 percent brought the total Hispanic population to nearly 1.8 million, just short of 1 in every 4 New Yorkers. Over the same period, the numbers of white non-Hispanics continued to fall. There are now a half million, or 14 percent, fewer white non-Hispanics in New York than there were 10 years ago, although the outflow during the 1980's was a lot slower than in the 1970's, when the decline was 26 percent of the total—some 1.5 million persons.

Table 2. **Race-ethnic distribution of the New York City population, 1950 and 1990**

[In thousands]

Race and Hispanic origin	Population		Change, 1950–90
	1950	1990	
Total	7,892	7,323	-569
White non-Hispanic	6,781	3,163	-3,618
Minorities	1,111	4,160	3,049
Black	734	1,847	1,113
Asian and other races	27	529	502
Hispanic origin	350	1,784	1,434

NOTE: Because data for Hispanics were not available from the 1950 Decennial Census, other data sources were used to estimate the Hispanic population for that year. Estimates for persons of Hispanic origin should therefore be interpreted with caution.

SOURCE: U.S. Bureau of the Census.

These population shifts have substantially reshaped the New York City labor force. Today, minorities actually account for the majority of the city's workers, a situation that brings new opportunities, but also major challenges. Of particular concern is the minority presence in the key growth jobs of New York's economy.

From 1983 to 1990, the number of black workers in managerial, professional, and technical jobs increased 34 percent, compared with an 11-percent increase in all other occupations combined, suggesting improvement in the adaptation of black workers to key developments in the New York job market. The increase in the numbers of blacks employed in these jobs accounted for 43 percent of the 100,000 rise in the number of the city's employed blacks. But there are some telling shortfalls.

Minority workers continue to experience substantially higher unemployment rates and lower employment-to-population ratios. Despite progress, they still lag in obtaining the better jobs, the higher level jobs, the key growth jobs of the New York economy. It is estimated that, in 1990, 44 percent of employed white non-Hispanics were in managerial, professional, and technical jobs, as against 22 percent of black non-Hispanics and only 17 percent of Hispanic workers. As a result, the direction of the New York City economy and the occupational profile of the rapidly growing minority work force are substantially out of alignment.

Another area of concern is the staffing of clerical jobs. New York City has long been the "office" capital of the Nation, with major concentrations of clerical jobs. Today, some 600,000 New Yorkers are employed in clerical work, which traditionally goes with middle-class status and some potential for upward mobility. Minorities are the majority among New York clerical workers. However, the number of clerical jobs has fallen in recent years, as more, and more routine, clerical work is taken over by new computer-telecommunication technology and "back office" operations were moved out of the city to lower cost locations. Clerical work, a traditional source of opportunity for minorities, now must be viewed as a vulnerable spot in the New York economy.

There are two other significant concerns, one old, one new. First, Hispanic workers still are disproportionately employed in declining manufac-

turing industries. In 1990, the 100,000 Hispanic workers on manufacturing payrolls comprised 17 percent of the city's employed Hispanics, a substantially higher ratio than the 10-percent figure for non-Hispanics. Further, a large proportion of Hispanic workers hold semiskilled operative, assembly, and inspector jobs, which have shown significant employment declines in recent years.

A second, new concern involves government jobs, a major growth field for New York during the 1980's. In 1990, 1 in every 4 employed black New Yorkers held a job in government, as did 15 percent of employed Hispanics. In the new economic and fiscal environment of constraint and cutbacks, these jobs no longer enjoy their traditional aura of security against job loss and the potential for upward mobility.

The likelihood is that, in the future, the role of minorities in labor force growth will be substantially greater in New York than it will be nationally. Indeed, prospects are that minorities will account for an overwhelming share of the net increase in New York's labor force. The city's economy will need them as never before, particularly within the broader demographic context of slower labor force growth.

A key issue here, particularly in view of the trend toward more complex and more demanding jobs, is that substantial numbers of minority workers are not well-positioned to take on the advanced education and training needed for many of the more rapidly expanding occupations. It will be difficult to ensure a quality labor force in New York City without the more rapid and purposeful absorption of minorities into the educational and occupational mainstream. There is thus a pressing need to improve educational outcomes for the city's minority population so that they might compete more successfully in an increasingly knowledge-oriented economy.

Youth employment concerns. The growth prospects of the city and the development of tomorrow's workers are intimately related. New York's economic future will be significantly shaped by success in providing opportunities for work experience to its young people. There are some key economic issues involving the city's youth. An economy with demands for increasing levels of educational attainment is hardly compatible with the 31-percent high school dropout rate revealed in Board of Education data on the known educational outcomes for the class of 1991. Dropouts do not have much of a role in today's economy, and that role is shrinking.

The dropout rate is a key indicator of trouble ahead for the New York City economy. For youngsters, it means obsolescence before they enter the world of work. Dropouts start out with much lower labor force participation rates than do high school graduates, and that lag translates into substantially less labor market activity after their teenage years.

An important problem is lack of jobs, particularly part-time jobs suitable for students. Research indicates that work experience is an important plus for post-high school development, but the stark reality is that only about 17 percent of New York teenagers are employed today, compared with 34 percent a quarter-century ago.

Compared with their peers nationally, far fewer New York youngsters get their introduction to the world of work in their teenage years. (See chart 4.) Whereas 42 percent of the Nation's teenagers were employed in 1991, only 17 percent of the city's teenagers had jobs. In the first half of 1992, the proportion of 16- to 19-year-olds employed in New York City slumped to 12.1 percent, or only 1 in 8.

That 12.1-percent employment-to-population ratio points to perhaps the bleakest aspect of New York City's current economic situation, and casts the longest shadow on its prospects for the years ahead. Many thousands of the city's youngsters do not get to participate in the great learning experience that work provides. This paints a dismal economic picture for young people today, a negative factor in their future and in New York City's.

Youth issues are growing in importance because of the society's fundamental demographics. With the leading edge of the baby-boom generation moving into its 50's in the 1990's, young workers are going to be needed more than in the past, and we will need to equip them to meet the needs of the new economy.

Growth prospects

What lies ahead for New York City? There are major challenges but also some positives in the picture. First, the challenges. Both historical growth patterns and the future path suggested by national trends underscore the movement toward a more advanced service economy, an economy increasingly characterized by rising educational requirements. Youth issues, and more broadly, the development of human resources—improving the quality of the labor force—are becoming even more vitally important. Maintaining a work force qualified to meet the changing needs of the economy is crucial for New York's prospects.

One positive in the human resource picture is foreign immigration. The numbers in from the 1990 Decennial Census confirm that foreign immigration to New York City in the 1980's was massive, close to 1 million. In some respects, this adds to New York's pressures—especially those

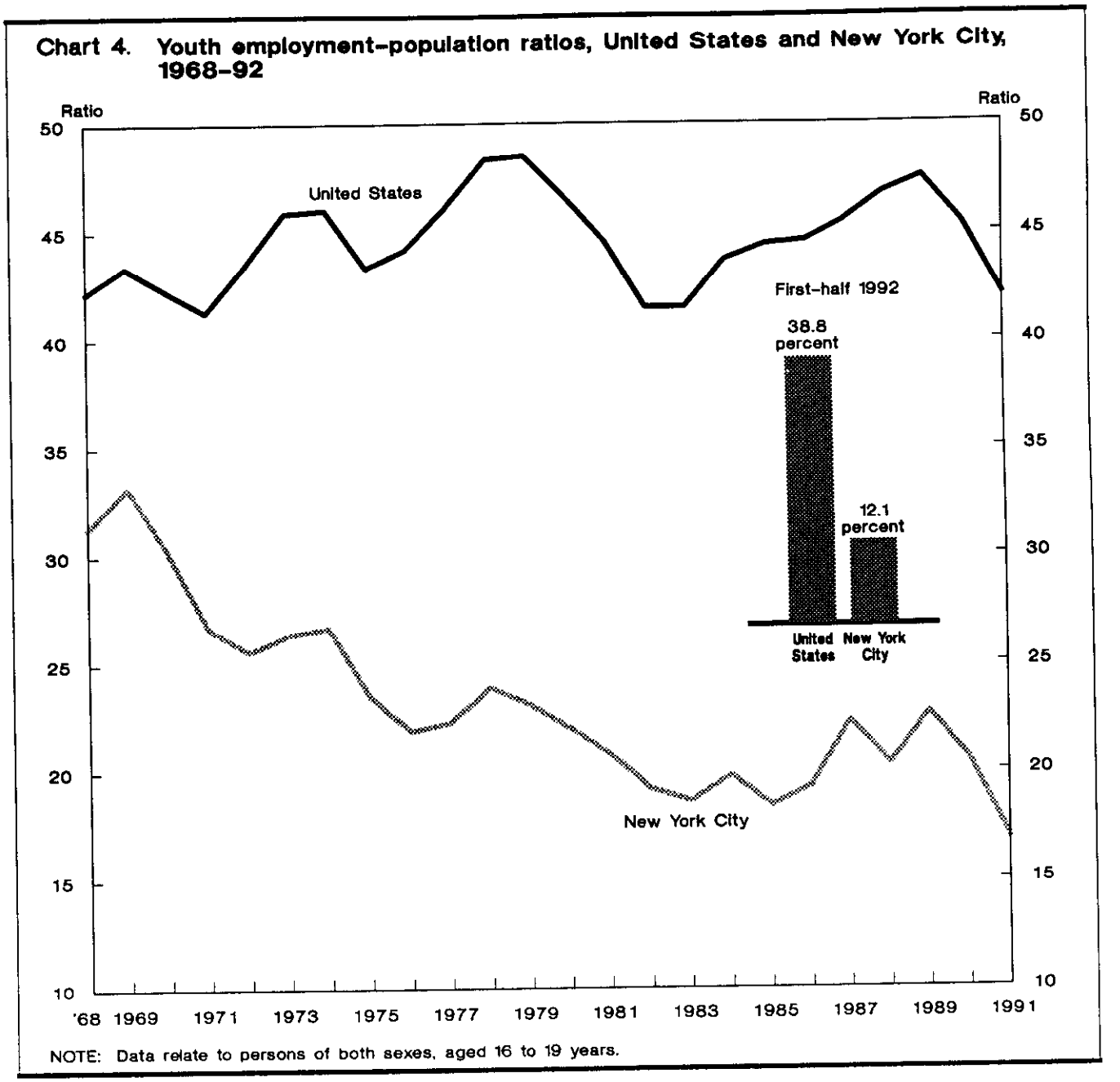


Chart 4. Youth employment-population ratios, United States and New York City, 1968-92

NOTE: Data relate to persons of both sexes, aged 16 to 19 years.

affecting the educational system, which include the teaching of English. However, the new immigrants also are a great potential source of strength for the economy, because they tend to be young, innovative, and entrepreneurial.

Second, while New York has been enduring a period of massive job losses in recent years, some of these very declines are setting the foundations for recovery. Restructuring and downsizing are, in part, a response to a new and more intense national and international competitive environment. How successful New York is in honing its competitive edge, in capitalizing on its advantages of size and brainpower, will be key to its economic performance in coming years.

Most heartening is the fact that New York has a significant concentration of employment in industries projected by BLS to have above-average growth rates nationally through the year 2005. These industries, each with 10,000 jobs or more in the city, include finance; business and professional services; health, education, and social services; repair services; transportation services; retailing; and activities related to tourism, such as hotels and amusement and recreation services.

New York has three-fifths of its private sector jobs in these national growth industries, very much in line with the share of these industries in the national economy. In short, the city is well positioned for growth if it can successfully meet its human resource challenges and foster an environment that is competitive on the national and global scene.

NOTE: A summary of this article was presented at the 25th Annual Institute on Challenges of the Changing Economy of New York City, sponsored by the New York City Council on Economic Education, May 6, 1992. □

APPENDIX: Data sources

The data on payroll employment by industry cited in this article are from the Current Employment Statistics program, and are based on establishment records compiled each month by the Bureau of Labor Statistics, in cooperation with State agencies. The sample survey of establishments is designed to provide industry information on nonagricultural wage and salary employment, average weekly hours of work, average hourly earnings, and average weekly earnings for the Nation, States, and metropolitan areas.

Jobs data by industry discussed for the April 1989–February 1992 period are seasonally adjusted. Seasonal factors used in computing the seasonally adjusted series are derived using the X-11 ARIMA Seasonal Adjustment Method. Over the course of the year, employment levels undergo sharp fluctuations due to such seasonal events as changes in weather, reduced or expanded production, major holidays, and the opening and closing of schools. Because these seasonal events follow more or less regular patterns each year, their influence on statistical trends can be eliminated by adjusting the statistics, permitting direct comparison of the data for different months of the year. Further information on the Current Employment Statistics program is contained in the Explanatory Notes section of *Employment and Earnings*, a monthly publication of the Bureau of Labor Statistics.

The information covering labor force status and occupational developments for the resident civilian noninstitutional population was derived from the Current Population Survey, a nationwide sample survey of households conducted for the Bureau of Labor Statistics by the Bureau of the Census. A more detailed explanation of the Current Population Survey at the national level is included in the Explanatory Notes section of *Employment and Earnings*; subnational data from the survey are described in the appendix of *Geographic Profile of Employment and Unemployment, 1990*, Bulletin 2381 (Bureau of Labor Statistics, June 1991).

The projections of national labor force growth and industry and occupational employment are based on the Bureau of Labor Statistics middle, or moderate, version of three alternative projections for the period 1990–2005, based on a range of assumptions. The projections encompass the future demographic structure of the labor force, economic rate of growth and composition of demand, and industrial and occupational employment. More detailed information is available in the November 1991 issue of the *Monthly Labor Review*.

Information on public high school dropouts in New York City was compiled using data from *The Cohort Report: Four Year Results for the Class of 1991 and Follow-Ups of the Classes of 1988, 1989 and 1990* (New York City Board of Education, Division of Strategic Planning/Research and Development, May 1992).