

## Structural changes in Manhattan's post-9/11 economy

*Since the terrorist attacks of September 11, 2001, Manhattan's "global economy" has seen its employment diminish while its role as a wage generator has increased; high wages in the global sector may be driving demand in the local sector*

Michael L. Dolfman,  
Solidelle F. Wasser,  
and  
Kevin Skelly

**B**usiness cycle ebbs and flows are common features of the U.S. economy. In Manhattan, where there is a concentration of finance, information, and professional services industries, the economic downturn of 2001 started earlier and lasted longer than it did in other parts of the country.<sup>1</sup>

The national economic downturn that hit Manhattan hard in early 2001 was exacerbated by the terrorist attack on the World Trade Center on September 11. As this article will show, the economic decline, lasting from 2001 until 2004, was unique in its contribution to a fundamental shift in Manhattan's economy.

In previous decades, job creation in Manhattan's "global sector" was the economic engine driving the borough's entire economy. Today, as a result of the 2001 downturn, high wages generated by global-sector industries emerge as a new determinant of Manhattan's economy.

### The Manhattan economy

With approximately 1.8 million private-sector jobs, or about 61 percent of New York City's total job base, and an average annual wage exceeding \$92,000 in 2005,<sup>2</sup> Manhattan is the driving force of the city's and the New York regional economy. While modern-day business is the focus of Manhattan, along with many historical attractions,

the borough also has numerous vibrant neighborhoods, each with a unique mix of restaurants, shops, and living accommodations.

The short-term effects of the 9/11 attack on the Manhattan and New York City economies were examined in a previous article.<sup>3</sup> Here, attention will be directed at how Manhattan has fared following the economic decline that gripped the borough immediately after September 11.

In order to assess Manhattan's recovery from the events of 2001, it is essential to understand first that Manhattan's labor market economy is unique. With the prominence of its financial sector and other advanced industries, as well as its focus on international finance, global markets, and transnational enterprises, Manhattan has contributed to the development of a new conception of what global economics implies. In effect, the borough has become a world center for the servicing and financing of international trade, for investment, and for headquarters operations.<sup>4</sup>

However, the rise in importance of these sectors not only has driven the New York regional economy, but also has changed the nature of Manhattan itself. Specifically, the changes have deepened a duality in the borough's economic structure. By virtue of its location, industry, labor markets, and population, Manhattan (though

Michael L. Dolfman is Regional Commissioner, New York regional office, Bureau of Labor Statistics; Solidelle F. Wasser is a senior economist, and Kevin Skelly is an economist, also in the New York regional office.

only a county<sup>5</sup>) has become nothing less than a “global city”—a city characterized by a notable number of highly paid workers who exert significant effects on the consumption patterns in the neighborhoods, city, and region in which they work and live.

Having soaring incomes and little time, those global-city workers who live in Manhattan demand and pay for high levels of personal consumer services provided by other workers. Thus, Manhattan—the “global city”—is really two interdependent components, one composed of highly paid workers who focus their activities on international pursuits and another, locally based, that provides services and commodities to the “globally focused” workers and Manhattan’s other workers, residents, and visitors.

To assess how Manhattan has recovered from the terrorist attacks and economic downturn of 2001, it is essential not only to examine changes in both aspects of the borough’s economy, but also to gain insights into the interrelationship between these two components—that is, how expansion or contraction in the global sector influences developments in the local sector. Although conceptually independent, each sector is unable to support itself; therefore, both must be assessed as an integrated entity.

## Global and local industries

To understand the interrelationship between Manhattan’s global and local economies, it is necessary to define the industries they comprise. Table 1 provides a measure of economic diversification within Manhattan’s economy, compared with that of other core counties of major cities throughout the Nation. The figures shown are based on the relative employment concentrations of specific North American Industry Classification System (NAICS) industrial sectors. The table describes which regional economies have greater shares of specific industries, compared with those industries’ shares at the national level. As the high location quotients in the table show, Manhattan has a concentration of jobs that is proportionally higher than the U.S. average in several advanced service industries: finance and insurance; information; professional, scientific, and technical services; management of companies; and real estate and leasing sectors. This employment concentration is evidence of Manhattan’s robust global sector, because jobs in these industries are more numerous than what is needed to service the local economy.

With high concentrations of employment in these global industries, it is possible to appreciate why they are global and also to understand why Manhattan has become a national and world leader in such services:<sup>6</sup> the rise in importance of the global industries has come to dominate the economic base of Manhattan and to drive the entire New York regional economy.

## Methodology

The analysis that follows focuses on Manhattan’s economy, with a special emphasis on the influence of the global sector. Attention will be directed toward answering the question “How have structural changes in that sector affected overall economic performance in Manhattan?” Throughout, the article tests the assumption that the global sector is the foremost cause of regional economic growth and the engine which drives the local economy. Does this assumption hold true during economic booms as well as economic declines? Does it still apply after the latest economic downturn?

In order to gauge how changes in the global sector have influenced the Manhattan economy—particularly its recovery after 2001—a 15-year analytic framework, the period 1990–2004,<sup>7</sup> will be used. An understanding of trends over that timeframe provides both a firm basis for assessing Manhattan’s post-2001 recovery and a conceptual foundation for interpreting the results of the analysis.

The article employs the following analytic approach:

1. A 15-year overview of Manhattan’s economy outlines general trends in employment, in total wages, and in average weekly wages. The data are then partitioned to track the individual 15-year performances of industries in the global and local sectors.
2. Recognizing that two downturns and a period of expansion have defined the Manhattan economy during the 15-year period under study, the article examines the impact of each individual business cycle in detail. Particular attention is directed toward assessing not only the performance of the global economy in general, but also that of the specific sectors—and their separate components—which make up the global economy.
3. To understand better the relationship between the global and local economies at various points in time, economic-base analytic techniques—that is, base multipliers—are employed. The base multiplier is a statistical tool used in this analysis to quantify the relationship between the global and local sectors. The base multipliers presented are related to the ratios of the global sector’s employment and total wages in the first quarter of each year to total employment and total wages in the county and period examined. These ratios are then used to compare patterns of change between periods in order to address the structural dynamics of the changes involved. The analysis does not seek to make long-

**Table 1. Location quotients of major cities**

Industry	New York (New York County)	Chicago (Cook County)	Atlanta (Fulton County)	Miami (Dade County)	Houston (Harris County)	San Francisco (San Francisco County)	Boston (Suffolk County)	Los Angeles (Los Angeles County)	Dallas (Dallas County)	Philadelphia (Philadelphia County)
Agriculture, forestry, fishing .....	0.00	0.02	( <sup>1</sup> )	1.04	0.08	0.08	0.01	.21	0.03	( <sup>1</sup> )
Mining .....	.00	.08	( <sup>1</sup> )	.11	8.15	.01	.01	.22	1.00	( <sup>1</sup> )
Construction .....	.26	.68	.52	.79	1.31	.62	.40	.63	.92	.33
Manufacturing .....	.20	.90	.43	.46	.78	.22	.24	1.05	.86	.47
Wholesale trade .....	.88	1.00	1.29	1.56	1.28	.55	.39	1.19	1.58	.63
Retail trade .....	.52	.80	.65	1.00	.85	.72	.46	.84	.79	.67
Transportation and warehousing .....	( <sup>1</sup> )	1.47	1.84	( <sup>1</sup> )	1.43	( <sup>1</sup> )	.99	1.11	1.25	1.06
Information .....	2.53	1.00	2.73	1.12	.74	1.56	1.14	2.17	1.64	.90
Finance and insurance .....	2.91	1.44	1.45	1.01	.85	1.98	2.67	.86	1.51	1.39
Real estate and rental leasing .....	2.18	1.14	1.52	1.39	1.37	1.38	1.25	1.15	1.51	.91
Professional, scientific, and technical services .....	2.29	1.37	1.77	1.14	1.36	2.14	1.77	1.11	1.35	1.37
Management .....	1.81	1.29	1.64	.57	.44	2.04	1.06	1.32	.69	1.13
Administrative and support services .....	1.02	1.10	1.36	1.15	1.22	.93	1.05	1.00	1.32	.74
Educational services .....	2.19	1.59	.98	1.13	.84	1.56	3.12	1.28	.68	5.31
Healthcare and social assistance .....	.86	1.01	.69	.99	.79	.71	1.61	.83	.69	1.76
Arts, entertainment, and recreation .....	1.58	.89	.97	.84	.74	1.49	.96	1.15	.65	1.01
Accommodation and food services .....	.81	.87	1.05	1.04	.90	1.42	.92	.89	.89	.87
Other services, except public administration .....	1.17	1.09	.80	1.08	.91	1.85	1.03	1.61	.80	1.11

<sup>1</sup> Data not available.

NOTE: The location quotient of a city with respect to an industry is that city's

share of the industry, compared with that industry's share of the national economy.

SOURCE: BLS QCEW Program, 2004 annual averages, private ownership.

term predictions using the base multipliers, but rather focuses on the extent to which the labor market realities in a particular year in Manhattan have tracked the predictions of the base multipliers.<sup>8</sup>

- An analytic framework critically examines how the Manhattan economy—particularly those components which have powered the global economy—has fared during the 15-year period studied and assesses how the Manhattan economy of 2004 has changed over those 15 years.
- The framework developed is used to analyze and describe the Manhattan economy of the first quarter of 2005 and to assess the overall recovery of the borough's economy.

### The Manhattan economy over 15 years

To quantify the significance of the global sector on Manhattan's economic structure and performance, tables 2 and 3 and charts 1 and 2 provide a 15-year summary (from 1990 to 2004) of first quarter employment, total wages (exclusive of benefits), and average weekly wages of Manhattan workers.

In the aggregate, during the 15-year period, the Manhattan economy lost 102,973 jobs, or 5.7 percent of its 1990 job base. Despite these job losses, total wages in Manhattan increased

by \$28.5 billion, a gain of 143.1 percent, while the average weekly wage increased 157.8 percent, from \$846 to \$2,181. (The increase in the real average weekly wage, discounting inflation, was 73.0 percent.)

A comparison with the overall American economy during this same 15-year period reveals a different pattern: nationwide, the economy gained 16 million jobs, for an increase of 19.1 percent; at 106.0 percent, total wage growth was lower than in Manhattan, and the average weekly U.S. wage increased 73.0 percent (15.0 percent after accounting for inflation), to \$756.

### Global and local sectors

During the 15 years studied, Manhattan's global sector lost 87,403 jobs, or 10.2 percent of its 1990 job base. Still, total wages increased \$24.4 billion (184.3 percent), while the average weekly sector wage rose 216.6 percent, to \$3,764.<sup>9</sup> (Real wages increased 112.6 percent.)

Unlike the situation in Manhattan, global-sector industries' employment grew by 25.9 percent nationally, total wages increased by 164.7 percent, and average weekly wages increased by 110.1 percent, to \$1,315. (Real wages rose 44.2 percent.)

Changes in Manhattan's local sector were less striking. Job losses totaled 15,569 (only 1.6 percent of the 1990 job base), while total wages increased \$4.1 billion (61.6 percent) and the average sector wage increased 64.2 percent (10.2 percent discounting inflation), to \$885.

**Table 2. Total Manhattan private employment and wages, first quarter, 1990 and 2004**

Industry	Employment		Wages		
	Average	Percent	Total	Percent	Average weekly
<b>1990</b>					
Total .....	1,810,920	100.0	\$19,915,863,831	100.0	\$846
Construction .....	37,758	2.1	414,014,202	2.1	843
Manufacturing .....	117,013	6.5	796,762,623	4.0	524
Wholesale trade .....	113,082	6.2	1,291,708,554	6.5	879
Retail trade .....	126,858	7.0	806,270,038	4.0	489
Information .....	139,338	7.7	2,090,291,662	10.5	1,154
Finance and insurance .....	373,428	20.6	6,881,044,535	34.6	1,417
Real estate .....	71,684	4.0	619,760,134	3.1	665
Professional, scientific, and technical .....	229,656	12.7	2,815,387,662	14.1	943
Management .....	41,913	2.3	822,815,337	4.1	1,510
Administrative and support .....	140,626	7.8	855,323,758	4.3	468
Educational services .....	57,045	3.2	349,259,043	1.8	471
Healthcare and social assistance .....	139,762	7.7	989,446,159	5.0	545
Arts, entertainment, and recreation .....	36,545	2.0	276,404,604	1.4	582
Accommodation and food services .....	110,027	6.1	457,117,222	2.3	320
Other services .....	76,186	4.2	450,258,298	2.3	455
<b>2004</b>					
Total .....	1,707,947	100.0	48,416,427,606	100.0	2,181
Construction .....	27,878	1.6	467,803,515	1.0	1,291
Manufacturing .....	45,866	2.7	686,990,305	1.4	1,152
Wholesale trade .....	80,198	4.7	1,603,067,528	3.3	1,538
Retail trade .....	122,191	7.2	1,176,452,914	2.4	741
Information .....	126,037	7.4	3,484,674,099	7.2	2,127
Finance and insurance .....	274,435	16.1	24,476,080,725	50.6	6,861
Real estate .....	72,512	4.2	1,102,064,720	2.3	1,169
Professional, scientific, and technical .....	245,860	14.4	5,720,937,946	11.8	1,790
Management .....	49,771	2.9	2,824,838,237	5.8	4,366
Administrative and support .....	129,517	7.6	1,424,237,667	2.9	846
Educational services .....	76,304	4.5	845,335,900	1.7	852
Healthcare and social assistance .....	193,887	11.4	2,151,564,674	4.4	854
Arts, entertainment, and recreation .....	47,419	2.8	660,495,046	1.4	1,071
Accommodation and food services .....	135,444	7.9	942,967,086	1.9	536
Other services .....	80,629	4.7	848,917,244	1.8	810

NOTE: Detailed entries may not sum to totals due to rounding.

SOURCE: BLS QCEW Program.

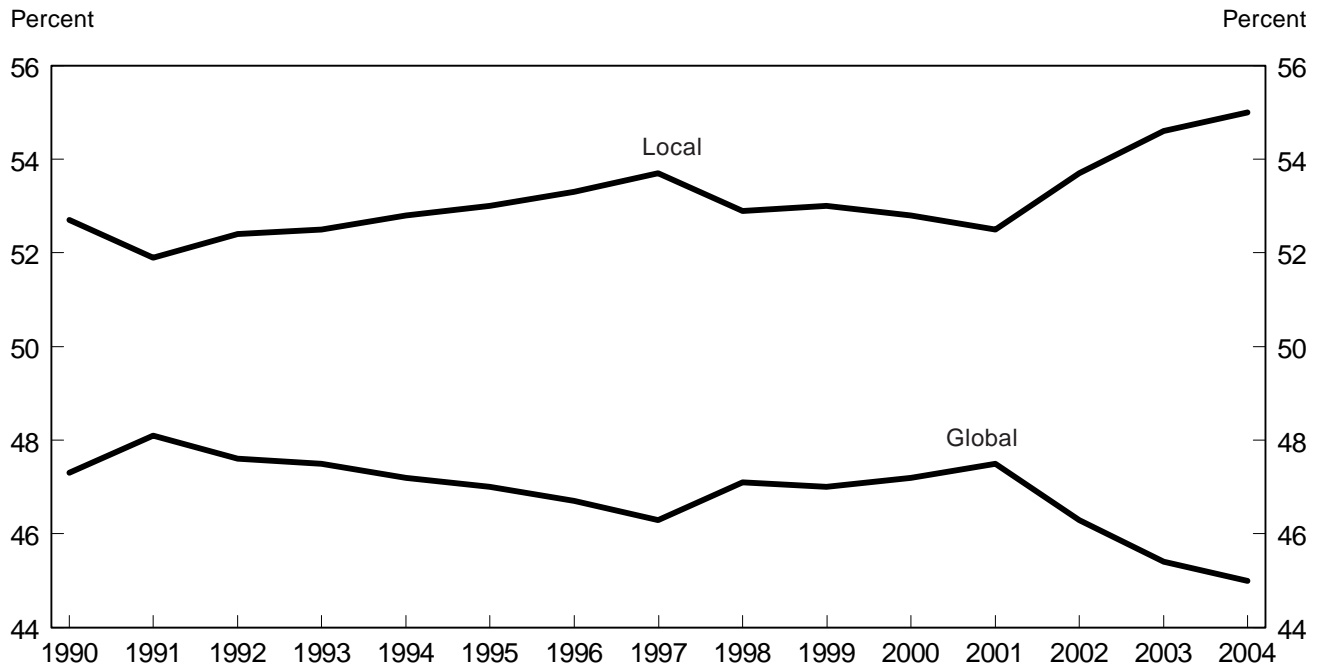
**Table 3. Manhattan global industries employment and wages, first quarter, 1990 and 2004**

Industry	Employment		Wages		
	Average	Percent	Total	Percent	Average weekly
<b>1990</b>					
Total .....	856,018	100.0	\$13,229,299,330	100.0	\$1,189
Finance and insurance .....	373,428	43.6	6,881,044,535	52.0	1,417
Professional, scientific, and technical .....	229,656	26.8	2,815,387,662	21.3	943
Information .....	139,338	16.3	2,090,291,662	15.8	1,154
Management .....	41,913	4.9	822,815,337	6.2	1,510
Real estate .....	71,684	8.4	619,760,134	4.7	665
<b>2004</b>					
Total .....	768,615	100.0	37,608,595,727	100.0	3,764
Finance and insurance .....	274,435	35.7	24,476,080,725	65.1	6,861
Professional, scientific, and technical .....	245,860	32.0	5,720,937,946	15.2	1,790
Information .....	126,037	16.4	3,484,674,099	9.3	2,127
Management .....	49,771	6.5	2,824,838,237	7.5	4,366
Real estate .....	72,512	9.4	1,102,064,720	2.9	1,169

NOTE: Detailed entries may not sum to totals due to rounding.

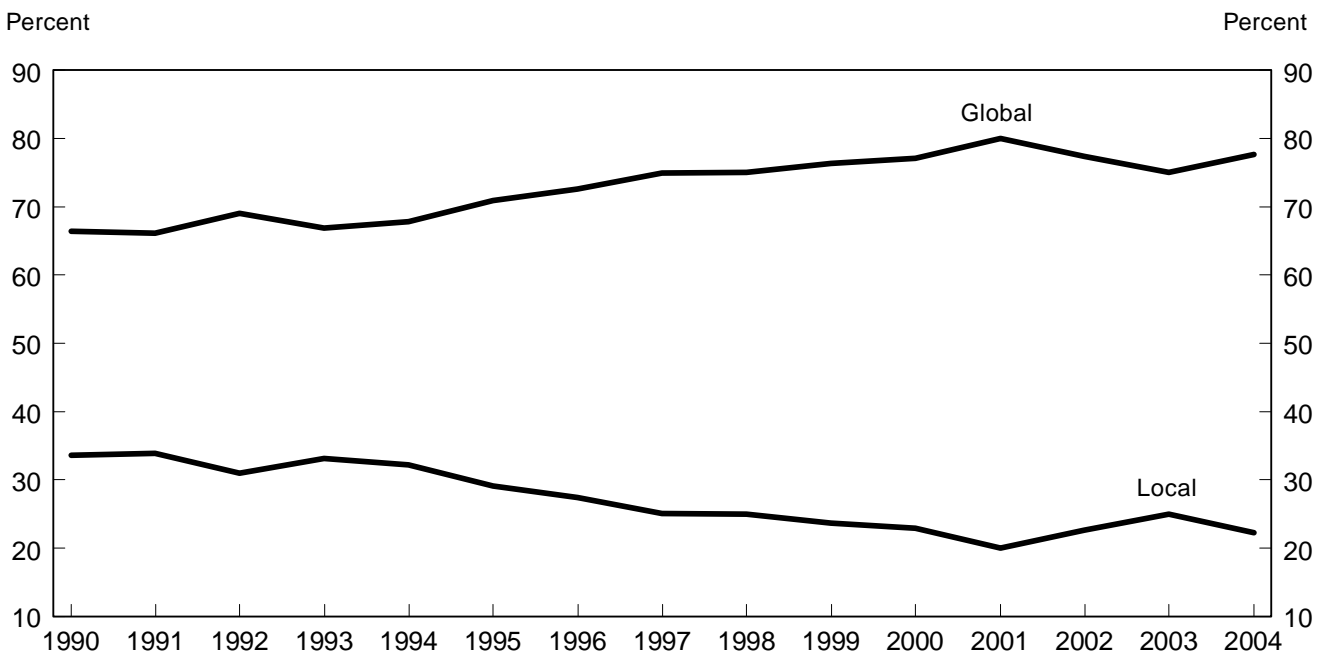
SOURCE: BLS QCEW Program.

**Chart 1. Percent of employment in the global and local sectors, Manhattan, first quarter, 1990–2004**



SOURCE: BLS QCEW Program.

**Chart 2. Percent of wages in the global and local sectors, Manhattan, first quarter, 1990–2004**



SOURCE: BLS QCEW Program.

**Table 4.** Total Manhattan private employment and wages, first quarter, 2001 and 2004

Industry	Employment		Wages		
	Average	Percent	Total	Percent	Average weekly
<b>2001</b>					
Total .....	1,885,692	100.0	\$53,118,702,973	100.0	\$2,167
Construction .....	35,579	1.9	589,751,963	1.1	1,275
Manufacturing .....	63,970	3.4	782,347,651	1.5	941
Wholesale trade .....	88,996	4.7	1,637,581,248	3.1	1,415
Retail trade .....	131,332	7.0	1,161,136,044	2.2	680
Information .....	161,490	8.6	3,813,144,810	7.2	1,816
Finance and insurance .....	331,300	17.6	28,759,821,427	54.1	6,678
Real estate .....	74,920	4.0	1,123,941,016	2.1	1,154
Professional, scientific, and technical .....	281,757	14.9	6,183,477,512	11.6	1,688
Management .....	45,325	2.4	2,638,368,816	5.0	4,478
Administrative and support .....	153,167	8.1	1,584,845,255	3.0	796
Educational services .....	70,989	3.8	717,057,945	1.3	777
Healthcare and social assistance .....	181,255	9.6	1,809,707,141	3.4	768
Arts, entertainment, and recreation .....	45,711	2.4	604,795,849	1.1	1,018
Accommodation and food services .....	137,419	7.3	948,001,225	1.8	531
Other services .....	82,481	4.4	764,725,071	1.4	713
<b>2004</b>					
Total .....	1,707,947	100.0	48,416,427,606	100.0	2,181
Construction .....	27,878	1.6	467,803,515	1.0	1,291
Manufacturing .....	45,866	2.7	686,990,305	1.4	1,152
Wholesale trade .....	80,198	4.7	1,603,067,528	3.3	1,538
Retail trade .....	122,191	7.2	1,176,452,914	2.4	741
Information .....	126,037	7.4	3,484,674,099	7.2	2,127
Finance and insurance .....	274,435	16.1	24,476,080,725	50.6	6,861
Real estate .....	72,512	4.2	1,102,064,720	2.3	1,169
Professional, scientific, and technical .....	245,860	14.4	5,720,937,946	11.8	1,790
Management .....	49,771	2.9	2,824,838,237	5.8	4,366
Administrative and support .....	129,517	7.6	1,424,237,667	2.9	846
Educational services .....	76,304	4.5	845,335,900	1.7	852
Healthcare and social assistance .....	193,887	11.4	2,151,564,674	4.4	854
Arts, entertainment, and recreation .....	47,419	2.8	660,495,046	1.4	1,071
Accommodation and food services .....	135,444	7.9	942,967,086	1.9	536
Other services .....	80,629	4.7	848,917,244	1.8	810

NOTE: Detailed entries may not sum to totals due to rounding.

SOURCE: BLS QCEW Program.

Nationally, employment in those industries characterized as local-sector industries in Manhattan grew by 17.6 percent, total wages increased by 85.1 percent, and average weekly wages rose by 57.5 percent, to \$622. (Real wages increased 8.0 percent.)

In assessing the 15-year trend, the influence of the global sector on the overall Manhattan economy becomes apparent: 84.9 percent of all jobs lost and 85.5 percent of all wages gained were in that sector.

## Business cycles

Although an examination of the beginning and end of the 15-year period under study provides insights into the Manhattan economy, it does not focus adequate attention on the economic fluctuations and disruptions that occurred *during* that period—specifically, the effects of two economic declines and an economic expansion. From 1990 to 1993, Manhattan's economy contracted; from 1993 to 2001, the economy expand-

ed; and beginning in 2001 and continuing to the end of the 15-year timeframe in 2004, the economy entered another decline.<sup>10</sup> Manhattan's economic response to each of these three business cycles was different.

The analysis begins with the 2001–04 downturn in order to identify the fact that structural change, the focus of the article, did occur. The change is specified by contrasting the 2001–04 period (see table 4) with the earlier downturn that occurred between 1990 and 1993. The expansionary period from 1993 to 2001 is then examined to determine whether the recently emerging recovery in Manhattan differs in its characteristics from that following 1993.

## Manhattan's downturns

*The latest downturn, 2001–04: the determinant of structural change.* By the dawn of the 21st century, the economic

**Table 5.** Manhattan global industries employment and wages, first quarter, 2001 and 2004

Industry	Employment		Wages		
	Average	Percent	Total	Percent	Average weekly
<b>2001</b>					
Total .....	894,792	100.0	\$42,518,753,581	100.0	\$3,655
Finance and insurance .....	331,300	37.0	28,759,821,427	67.6	6,678
Professional, scientific, and technical .....	281,757	31.5	6,183,477,512	14.5	1,688
Information .....	161,490	18.0	3,813,144,810	9.0	1,816
Management .....	45,325	5.1	2,638,368,816	6.2	4,478
Real estate .....	74,920	8.4	1,123,941,016	2.6	1,154
<b>2004</b>					
Total .....	768,615	100.0	37,608,595,727	100.0	3,764
Finance and insurance .....	274,435	35.7	24,476,080,725	65.1	6,861
Professional, scientific, and technical .....	245,860	32.0	5,720,937,946	15.2	1,790
Information .....	126,037	16.4	3,484,674,099	9.3	2,127
Management .....	49,771	6.5	2,824,838,237	7.5	4,366
Real estate .....	72,512	9.4	1,102,064,720	2.9	1,169

NOTE: Detailed entries may not sum to totals due to rounding.

SOURCE: BLS QCEW Program.

expansion that had defined much of the 1990s began to falter. A recession enveloped Manhattan and the Nation when the tech-stock bubble burst on Wall Street at the beginning of 2001. This event was followed by the attacks on the World Trade Towers on September 11, a spate of corporate scandals, and a drop in overall consumer confidence throughout the country, all of which had a detrimental effect on the Manhattan economy.

During this economic downturn, the Manhattan economy lost 177,745 jobs, or 9.4 percent of its 2001 private-sector job base. Total wages decreased 8.9 percent, or \$4.7 billion, while the average weekly wage increased 0.7 percent, from 2001 to 2004.

In Manhattan, the 2001 resident unemployment rate of 5.0 percent increased to 7.9 percent in 2002, decreased to 7.5 percent in 2003, and decreased further to 7.1 percent in 2004.<sup>11</sup> It remained above the Nation's average rate despite the fact that the number of payroll jobs in the borough exceeded the number of local residents.

During the 2001–04 downturn, all lost wages were in global-sector industries. The global sector lost \$4.9 billion in total wages (104 percent of all lost wages), while the local sector had a net gain of \$0.21 billion in total wages, somewhat mitigating the overall economic effect of the downturn. (Some local-sector industries did lose wages.) Average weekly wages in the global sector increased 3.0 percent, to \$3,764, while average weekly wages in the local sector rose 7.5 percent, to \$885. (All wages are nominal unless otherwise specified.)

In 2004, the average first-quarter weekly wage in the local sector was just 23.5 percent of that in the global sector. (This

differential was influenced by the spike effect of bonuses; see note 9.)

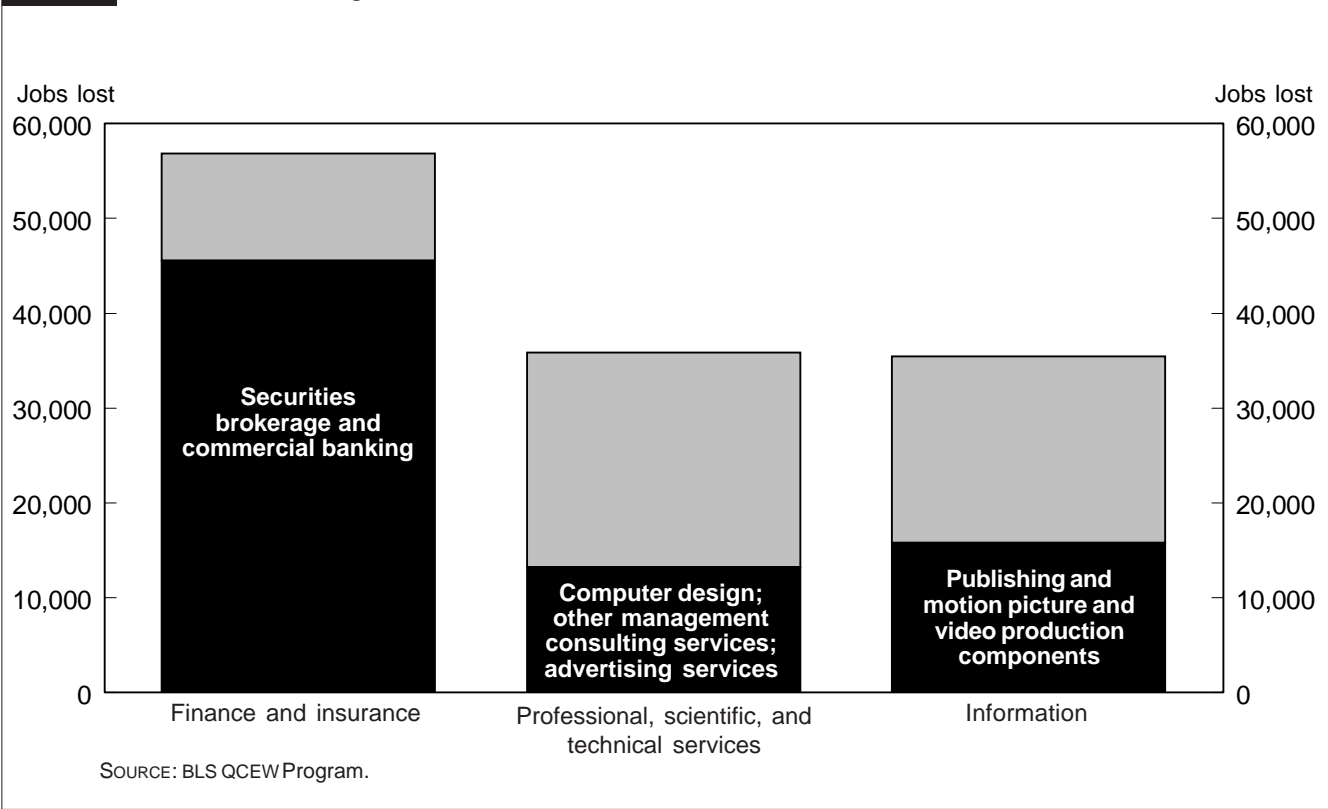
*The global sector, 2001–04.* With the global sector accounting for more than 70 percent of all lost jobs from 2001 to 2004, the effect of the economic decline was focused principally on Manhattan's role as a global city and thus had consequences felt throughout the world economy.

Table 5 shows that 101.6 percent of all lost global-economy jobs were associated with three sectors: finance and insurance; professional, scientific, and technical services; and information. Job gains were recorded in the management of companies, as indicated by an increase from 1.6 to 1.8 in the Manhattan location quotient for that industry between 2001 and 2004. Real estate also improved, with its Manhattan location quotient moving from 2.1 to 2.2 over the same period.

The overall financial impact of the job losses on the Manhattan economy was significant. With 2004 first-quarter average weekly wages of \$6,861 in finance and insurance (see note 9), \$1,790 in professional, scientific, and technical services, and \$2,127 in information, these highly paid segments of the Manhattan workforce bore the brunt of the decline. In examining each of these sectors in detail, it is possible to gain a clearer perspective of the economic and structural effect of the downturn. (See chart 3.)

*1. Finance and insurance.* Job losses in the finance and insurance sector accounted for 45.1 percent of all global-sector job losses. Two components—securities brokerage and commercial banking—accounted for 80.0 percent of all lost jobs in finance and insurance.

**Chart 3. Job losses in the global sector, Manhattan, first quarter, 2001–04**



**2. Professional, scientific, and technical services.** Job losses in the professional, scientific, and technical services sector accounted for 28.4 percent of all global-economy job losses. Negative economic effects felt in finance and insurance often spill over into the professional, scientific, and technical sector. These effects were clearly present in the 2001–04 downturn, most notably in computer systems design components (possibly compounded by the aftermath of preparing for Y2K), other management consulting services, and advertising services.

**3. Information.** Job losses in information represented 28.1 percent of all lost global-sector jobs. Both publishing components and the motion picture and video production component were particularly affected by the economic downturn.

**The 1990–93 downturn.** During the 1990–93 downturn (see table 6), job losses were shared equally by the global and local sectors. The shock that precipitated the downturn can be traced to the 1987 stock market crash, which sent waves throughout the financial world and led to a downsizing in the securities industry. During the early 1990s, a national economic downturn and widespread downsizing in the corporate realm had significant effects on both the Nation’s and Manhattan’s economic structure.

The 1990–93 business downturn saw the Manhattan

economy lose 221,775 jobs, or 12.2 percent of its 1990 job base. By contrast, in the later recession, the job loss was 177,745, or 9.4 percent of the borough’s 2001 job base. Total wages during the 1990–93 period decreased by about \$759 million, or 3.8 percent, while the average weekly wage increased by 9.6 percent, to \$927. In Manhattan, the 1990 resident unemployment rate of 6.0 percent increased to 7.7 percent in 1991, increased further to 9.5 percent in 1992, and declined slightly to 9.0 percent in 1993. (See note 11.)

In 1990, 47.3 percent of all Manhattan jobs were in the global sector. During the 3 years of economic stagnation, this sector lost 100,801 jobs (45.5 percent of all jobs lost), or 11.8 percent of its job base. In 1993, despite the job losses, the global sector still represented 47.5 percent of all Manhattan private-sector jobs.

The local sector, which accounted for 52.7 percent of Manhattan jobs in 1990, lost 12.7 percent of its job base (120,975 jobs) during the 3-year downturn. Nonetheless, the sector still accounted for 52.5 percent of all Manhattan private-sector jobs in 1993.

Differences, however, were apparent in the effect of the economic decline on total wages and average weekly wages. Although the global sector represented less than 50 percent of all Manhattan jobs, the sector accounted for 53.4 percent (\$405 million) of the decline in total wages—obviously the effect of the



**Table 6.** Total Manhattan private employment and wages, first quarter, 1990 and 1993

Industry	Employment		Wages		
	Average	Percent	Total	Percent	Average weekly
<b>1990</b>					
Total .....	1,810,920	100.0	\$19,915,863,831	100.0	\$846
Construction .....	37,758	2.1	414,014,202	2.1	843
Manufacturing .....	117,013	6.5	796,762,623	4.0	524
Wholesale trade .....	113,082	6.2	1,291,708,554	6.5	879
Retail trade .....	126,858	7.0	806,270,038	4.0	489
Information .....	139,338	7.7	2,090,291,662	10.5	1,154
Finance and insurance .....	373,428	20.6	6,881,044,535	34.6	1,417
Real estate .....	71,684	4.0	619,760,134	3.1	665
Professional, scientific, and technical .....	229,656	12.7	2,815,387,662	14.1	943
Management .....	41,913	2.3	822,815,337	4.1	1,510
Administrative and support .....	140,626	7.8	855,323,758	4.3	468
Educational services .....	57,045	3.2	349,259,043	1.8	471
Healthcare and social assistance .....	139,762	7.7	989,446,159	5.0	545
Arts, entertainment, and recreation .....	36,545	2.0	276,404,604	1.4	582
Accommodation and food services .....	110,027	6.1	457,117,222	2.3	320
Other services .....	76,186	4.2	450,258,298	2.3	455
<b>1993</b>					
Total .....	1,589,145	100.0	19,156,615,318	100.0	927
Construction .....	24,763	1.6	281,933,333	1.5	876
Manufacturing .....	94,973	6.0	677,696,484	3.5	549
Wholesale trade .....	94,859	6.0	1,164,466,514	6.1	944
Retail trade .....	105,447	6.6	664,143,086	3.5	484
Information .....	126,057	7.9	1,653,959,555	8.6	1,009
Finance and insurance .....	320,523	20.2	7,043,145,847	36.8	1,690
Real estate .....	66,249	4.2	562,769,347	2.9	653
Professional, scientific, and technical .....	202,418	12.7	2,726,502,787	14.2	1,036
Management .....	39,969	2.5	837,517,659	4.4	1,612
Administrative and support .....	110,151	6.9	783,141,326	4.1	547
Educational services .....	53,638	3.4	390,169,651	2.0	560
Healthcare and social assistance .....	150,202	9.5	1,195,787,684	6.2	612
Arts, entertainment, and recreation .....	31,024	2.0	268,855,200	1.4	667
Accommodation and food services .....	98,658	6.2	448,594,538	2.3	350
Other services .....	70,212	4.4	457,932,307	2.4	502

NOTE: Detailed entries may not sum to totals due to rounding.

SOURCE: BLS QCEW Program.

higher average weekly wages earned by global-economy workers. (Total wages in the sector declined by 3.1 percent; average weekly wages increased by 9.8 percent, to \$1,306.)

In the local-economy sector, total wages declined by 5.3 percent (\$354 million) and accounted for 46.6 percent of the total loss in wages. Average weekly wages, by contrast, increased by 8.3 percent to \$584, but were just 44.7 percent of the global-sector average weekly wage.

*The global economy, 1990–93.* Although the 1990–93 recession produced job losses in both the global and local economies, its effect on the global economy was concentrated in the same three sectors it would be concentrated in during 2001–04.

As can be seen in table 7, more than 90 percent of all global-economy job losses occurred in three sectors: finance and insurance, 52.5 percent; professional, scientific, and technical

services, 27.0 percent; and information, 13.2 percent. These lost jobs represented 42.1 percent of all the jobs lost in Manhattan during the 1990–93 downturn. With 1993 first-quarter average weekly wages of \$1,690 in finance and insurance, \$1,036 in professional, scientific, and technical services, and \$1,009 in information, the financial impact of the job losses in these sectors was notable.

*1. Finance and insurance.* Within the finance and insurance sector, the most deeply affected components were commercial banking, savings institutions, credit intermediation, securities brokerage, and investment banking. The commercial banking component lost 28.9 percent of its job base (20,144 jobs), while savings institutions lost 47.2 percent (2,271 jobs.) In spite of these job losses, average weekly wages in commercial banking rose 23.5 percent, to \$1,413, while average weekly wages

**Table 7.** Manhattan global industries employment and wages, first quarter, 1990 and 1993

Industry	Employment		Wages		
	Average	Percent	Total	Percent	Average weekly
<b>1990</b>					
Total .....	856,018	100.0	\$13,229,299,330	100.0	\$1,189
Finance and insurance .....	373,428	43.6	6,881,044,535	52.0	1,417
Professional, scientific, and technical .....	229,656	26.8	2,815,387,662	21.3	943
Information .....	139,338	16.3	2,090,291,662	15.8	1,154
Management .....	41,913	4.9	822,815,337	6.2	1,510
Real estate .....	71,684	8.4	619,760,134	4.7	665
<b>1993</b>					
Total .....	755,218	100.0	12,823,895,195	100.0	1,306
Finance and insurance .....	320,523	42.4	7,043,145,847	54.9	1,690
Professional, scientific, and technical .....	202,418	26.8	2,726,502,787	21.3	1,036
Information .....	126,057	16.7	1,653,959,555	12.9	1,009
Management .....	39,969	5.3	837,517,659	6.5	1,612
Real estate .....	66,249	8.8	562,769,347	4.4	653

NOTE: Detailed entries may not sum to totals due to rounding.

SOURCE: BLS QCEW Program.

in savings institutions increased 22.5 percent, to \$653.

Of the 52,905 jobs lost in finance and insurance between 1990 and 1993, 42.4 percent (22,415) were in commercial banking and savings institutions alone.

*2. Professional, scientific, and technical services.* Wall Street is a voracious user of legal, accounting, consulting, and other services. As the downturn befell Wall Street, its effect was felt directly throughout the entire professional, scientific, and technical services sector. Particularly affected were the legal, accounting, marketing, human resource, engineering, architectural, and marketing research components, which together represented 71.1 percent of all lost jobs in the sector.

*3. Information.* Within the information sector, the publishing components and the wired telecommunications component together accounted for more than 90 percent of job losses.

### How do the two downturns differ?

With a vastly superior capacity for generating profits than that of traditional economic sectors, the global economy has produced a sharp polarization within Manhattan. As mentioned earlier, the global sector is distinguished from the local sector by the preponderance of high wage earners in the former, compared with workers employed in the latter. However, no matter how disparate this division may be, neither sector can exist independently of the other.

Of interest is how their relationship can be quantified. Specifically, during the 1990–93 and 2001–04 downturns, what effect did a lost job in the global sector exert on jobs in the local economy? And what effect did a dollar in lost global economy wages exert on wages in the local sector?

The following tabulation provides the base multipliers for jobs and wages in the global economy for 1990–93 and offers insights into the interrelationship between the two sectors:

Year	Employment	Wages
1990 .....	2.1	1.5
1991 .....	2.1	1.5
1992 .....	2.1	1.4
1993 .....	2.1	1.5

As the next subsection shows, the base multipliers give estimates as to how jobs and total wages in the local sector would be affected by explicit changes in employment and pay in the global sector. Simply stated, they help answer the question, What effect would one lost job and one lost dollar in wages in the global economy exert on the local economy?

*1990–93 downturn base multipliers.* With an employment base multiplier of 2.1 during the 1990–93 decline, every lost job in the global sector would result in the loss of 1.1 jobs in the local sector. In addition, with a wage base multiplier of 1.5, every dollar in lost global-sector wages would result in the loss of 50 cents in local-economy wages.

**Table 8.** Changes in the local sector, first quarter, 1990 and 1993

Industry	Employment		Change, 1990-93		Average weekly wages	
	1990	1993	Number	Percent	1990	1993
Total .....	954,902	833,927	-120,975	-12.7	\$539	\$584
Construction .....	37,758	24,763	-12,994	-34.4	843	876
Manufacturing .....	117,013	94,973	-22,040	-18.8	524	549
Wholesale trade .....	113,082	94,859	-18,223	-16.1	879	944
Retail trade .....	126,858	105,447	-21,411	-16.9	489	484
Administrative and support .....	140,626	110,151	-30,475	-21.7	468	547
Educational services .....	57,045	53,638	-3,407	-6.0	471	560
Healthcare and social assistance .....	139,762	150,202	10,440	7.5	545	612
Arts, entertainment, and recreation .....	36,545	31,024	-5,521	-15.1	582	667
Accommodation and food services .....	110,027	98,658	-11,369	-10.3	320	350
Other services .....	76,186	70,212	-5,975	-7.8	455	502

NOTE: Detailed entries may not sum to totals due to rounding.

SOURCE: BLS QCEW Program.

The actual situation indicates that the relationship was basically correct; that is, 100,801 jobs were lost in the global economy, resulting in a loss of 120,975 local-economy jobs (a ratio of 1:1.2).

A different story, however, emerges when the relationship involving total lost wages is considered. The base multipliers estimate that, during the 1990-93 downturn, every dollar in lost global-sector wages would result in a loss of 50 cents in local-economy wages. In actuality, a loss of \$405,404,135 in the export sector and \$353,844,378 in lost local-economy wages indicates that every lost dollar in global-economy wages yielded a loss of 87 cents in local-economy wages.

Table 8 helps explain this discrepancy. As can be seen, the construction sector lost 34.4 percent of its job base, and wholesale trade lost 16.1 percent of its job base, during the economic decline. With 1993 average weekly wages in construction 50.0 percent higher, and in wholesale trade 61.6 percent higher, than the average local-sector wage, the total dollar loss was greater than the figure predicted by the base multiplier.

*2001-04 downturn base multipliers.* The following tabulation provides the base multipliers for jobs and wages in the global economy for 2001-04 and, like the previous tabulation, offers insights into the interrelationship between the global and local sectors:

Year	Employment	Wages
2001 .....	2.1	1.2
2002 .....	2.2	1.3
2003 .....	2.2	1.3
2004 .....	2.2	1.3

With an employment base multiplier of 2.2 in 2004, it would have been expected that for every global-sector job lost during

the 2001-04 period of decline, there would be a loss of 1.2 local-sector jobs. In addition, with a wage base multiplier of 1.3, the expectation would be that for every dollar lost in global-sector wages, there would be a loss of 30 cents in local-economy wages.

In actuality, however, these relationships do not hold. First, for every global-economy job lost, only 0.4 of a local-economy job was lost, not the expected 1.2 jobs. Second, as regards lost wages, the relationship breaks down completely: the global economy lost \$4.9 billion, while total local-economy wages increased by \$0.21 billion.

The effect of the 2001-04 downturn was markedly different in terms of jobs, compared with the previous downturn. Unlike the situation in the 1990-93 decline, in which job losses and gains were shared proportionally by the global and local sectors, job losses between 2001 and 2004 were mainly in the global sector: of the 177,745 jobs that were lost, 71.0 percent (126,177 jobs) were global-sector jobs.

### The 1993-2001 economic expansion

Turning to the pattern of recovery within the Manhattan economy during the 1993-2001 expansion provides additional insight into the changes that would follow. Did the recovery influence both the global and local sectors, as the 1990-93 downturn did? Or did the recovery influence just the global sector, as occurred during the 2001-04 downturn? In order to understand fully the economic effects of the 1993-2001 expansion on Manhattan, it is important first to consider the events that drove the growth.

In 1994, the Internet came to the public's attention, and with it arose a speculative frenzy in Internet-related stocks and enterprises. This dot-com boom, with its growth-overprofits philosophy, led to both a soaring stock market and a bubble in technology-focused stocks. In addition, a period of

low interest rates and significant job growth helped fuel the economic expansion.

As table 9 shows, during the 1993–2001 expansion the Manhattan economy gained 296,547 jobs, more than erasing the 221,775 jobs lost during the 1990–93 decline. Total wages, \$53.1 billion in 2001, increased by 177.3 percent, with average first-quarter weekly wages growing by 133.8 percent, to \$2,167. As the following tabulation indicates, this increase in job growth had the effect of lowering the unemployment rate in Manhattan from the high levels recorded in the early 1990s:

Year	Unemployment rate	
	Manhattan	United States
1993 .....	9.0	7.4
1994 .....	8.4	6.8
1995 .....	6.7	5.7
1996 .....	7.6	5.8
1997 .....	8.2	5.5
1998 .....	7.3	5.0
1999 .....	5.9	4.4
2000 .....	5.4	4.3
2001 .....	5.0	4.5

Like the 1990–93 downturn, the expansion saw payroll changes shared almost equally between the global and local economies. During the 1993–2001 growth cycle, 47.1 percent of all job gains (compared with 45.5 percent of the job losses during the earlier recession) occurred in the global economy, while 52.9 percent of the gains (compared with 54.5 percent of the losses during the downturn) were associated with the local economy.

Significant differences, however, were recorded in growth in total wages, a pattern also noted during the 1990–93 economic decline. In this regard, of the \$34.0 billion increase in total wages registered from 1993 to 2001, 87.4 percent (\$29.7 billion) was generated by increases in global-economy jobs. Average weekly wages in that sector increased 179.9 percent, to \$3,655. The corresponding increase in local-sector average weekly wages was 40.9 percent, to \$823. Indeed, average local sector wages were just 22.5 percent of average weekly first-quarter wages in the global sector, further emphasizing the dual nature of Manhattan’s economy.

*The global economy, 1993–2001.* Unlike the 1990–93 downturn, in which the finance and insurance industry suffered more than 50 percent of all global-sector job losses, the 1993–2001 job expansion recorded little job growth for that industry—just 10,777 jobs, or 3.4 percent, of all global-sector job gains. Two-thirds of global-economy job growth (82.2 percent) occurred in two sectors: professional, scientific, and technical services; and information. Table 10 shows Manhattan’s global-sector employment and wages for 1993 and 2001.

Despite the relatively insignificant job growth within

finance and insurance, a notable volatility took place among the components making up the sector. Although overall sector growth was slight, employment shifts were recorded by specific categories.

*1. Finance and insurance.* The soaring stock market of the 1990s stimulated employment growth in the securities brokerage component, which registered a job increase of 26,806, or 34.9 percent. In addition, during the expansion average first-quarter weekly wages increased 324.0 percent, to \$10,820 (see note 9), the highest first-quarter pay of any individual component in the entire Manhattan economy.

Job growth and significant increases in average weekly wages were associated with almost every component linked with securities, commodity contracts, and other financial instruments and activities. For example, employment increased 55.8 percent (4,637 jobs) in portfolio management, while average weekly wages increased 190.7 percent, to \$5,674. A similar pattern was recorded in investment advice, in which employment increased 78.1 percent (5,285 jobs) and weekly wages increased 254.2 percent, to \$7,718.

However, job losses persisted in the commercial banking and savings institutions components. During the expansion, commercial banking lost an additional 14.2 percent (7,059 jobs) of its job base, while employment in savings institutions decreased an additional 59.8 percent (1,520 jobs). Average weekly wages increased 172.8 percent, to \$3,855, in commercial banking and 156.7 percent, to \$1,676, in the savings institutions component. Table 11 gives a breakdown of average employment and average weekly wages in the Manhattan finance and insurance sector for 1993 and 2001.

*2. Professional, scientific, and technical services.* As noted earlier, many of the components that make up this sector were adversely affected by the period of job losses between 1990 and 1993. During the 1993–2001 expansion, however, the sector gained 79,339 jobs—far more than the 27,238 jobs lost during the downturn of the early 1990s. This job gain represented 56.8 percent of all job gains in the global sector. Many components, including offices of lawyers, offices of certified public accountants, advertising agencies, architectural services, and marketing research, experienced job gains. (See table 12.)

*3. Information.* During the 1993–2001 expansion, the information sector gained 35,433 jobs—more than 2.5 times the number of jobs (13,281) lost during the 1990–93 decline. Job gains were recorded in components throughout the sector, but were particularly strong in those associated with the Internet, undoubtedly an effect of the dot-com bubble. The Internet service provider industry gained 6,223 jobs, while Internet publishing and broadcasting added 3,529 jobs, over

**Table 9. Total Manhattan private employment and wages, first quarter, 1993 and 2001**

Industry	Employment		Wages		
	Average	Percent	Total	Percent	Average weekly
<b>1993</b>					
Total .....	1,589,145	100.0	\$19,156,615,318	100.0	\$927
Construction .....	24,763	1.6	281,933,333	1.5	876
Manufacturing .....	94,973	6.0	677,696,484	3.5	549
Wholesale trade .....	94,859	6.0	1,164,466,514	6.1	944
Retail trade .....	105,447	6.6	664,143,086	3.5	484
Information .....	126,057	7.9	1,653,959,555	8.6	1,009
Finance and insurance .....	320,523	20.2	7,043,145,847	36.8	1,690
Real estate .....	66,249	4.2	562,769,347	2.9	653
Professional, scientific, and technical .....	202,418	12.7	2,726,502,787	14.2	1,036
Management .....	39,969	2.5	837,517,659	4.4	1,612
Administrative and support .....	110,151	6.9	783,141,326	4.1	547
Educational services .....	53,638	3.4	390,169,651	2.0	560
Healthcare and social assistance .....	150,202	9.5	1,195,787,684	6.2	612
Arts, entertainment, and recreation .....	31,024	2.0	268,855,200	1.4	667
Accommodation and food services .....	98,658	6.2	448,594,538	2.3	350
Other services .....	70,212	4.4	457,932,307	2.4	502
<b>2001</b>					
Total .....	1,885,692	100.0	53,118,702,973	100.0	2,167
Construction .....	35,579	1.9	589,751,963	1.1	1,275
Manufacturing .....	63,970	3.4	782,347,651	1.5	941
Wholesale trade .....	88,996	4.7	1,637,581,248	3.1	1,415
Retail trade .....	131,332	7.0	1,161,136,044	2.2	680
Information .....	161,490	8.6	3,813,144,810	7.2	1,816
Finance and insurance .....	331,300	17.6	28,759,821,427	54.1	6,678
Real estate .....	74,920	4.0	1,123,941,016	2.1	1,154
Professional, scientific, and technical .....	281,757	14.9	6,183,477,512	11.6	1,688
Management .....	45,325	2.4	2,638,368,816	5.0	4,478
Administrative and support .....	153,167	8.1	1,584,845,255	3.0	796
Educational services .....	70,989	3.8	717,057,945	1.3	777
Healthcare and social assistance .....	181,255	9.6	1,809,707,141	3.4	768
Arts, entertainment, and recreation .....	45,711	2.4	604,795,849	1.1	1,018
Accommodation and food services .....	137,419	7.3	948,001,225	1.8	531
Other services .....	82,481	4.4	764,725,071	1.4	713

NOTE: Detailed entries may not sum to totals due to rounding.

SOURCE: BLS QCEW Program.

**Table 10. Manhattan global industries employment and wages, first quarter, 1993 and 2001**

Industry	Employment		Wages		
	Average	Percent	Total	Percent	Average weekly
<b>1993</b>					
Total .....	755,218	100.0	\$12,823,895,195	100.0	\$1,306
Finance and insurance .....	320,523	42.4	7,043,145,847	54.9	1,690
Professional, scientific, and technical .....	202,418	26.8	2,726,502,787	21.3	1,036
Information .....	126,057	16.7	1,653,959,555	12.9	1,009
Management .....	39,969	5.3	837,517,659	6.5	1,612
Real estate .....	66,249	8.8	562,769,347	4.4	653
<b>2001</b>					
Total .....	894,792	100.0	42,518,753,581	100.0	3,655
Finance and insurance .....	331,300	37.0	28,759,821,427	67.6	6,678
Professional, scientific, and technical .....	281,757	31.5	6,183,477,512	14.5	1,688
Information .....	161,490	18.0	3,813,144,810	9.0	1,816
Management .....	45,325	5.1	2,638,368,816	6.2	4,478
Real estate .....	74,920	8.4	1,123,941,016	2.6	1,154

NOTE: Detailed entries may not sum to totals due to rounding.

SOURCE: BLS QCEW Program.

**Table 11. Manhattan finance and insurance detailed industries employment and wages, first quarter, 1993 and 2001**

Industry	Average employment		Numeric change	Percent change	Average weekly wage		Numeric change	Percent change
	1993	2001			1993	2001		
Commercial banking .....	49,573	42,514	-7,059	-14.2	\$1,413	\$3,855	\$2,442	172.8
Savings institutions .....	2,541	1,020	-1,520	-59.8	653	1,676	1,023	156.7
Credit unions .....	453	515	62	13.7	465	812	347	74.6
Other depository intermediation .....	454	412	-42	-9.2	793	1,483	690	87.0
Real estate credit .....	575	907	332	57.7	1,916	7,067	5,151	268.8
International trade financing .....	6,449	3,724	-2,725	-42.3	1,415	5,521	4,106	290.2
All other nondepository credit intermediation .....	4,337	3,793	-543	-12.5	1,229	2,994	1,765	143.6
Mortgage and nonmortgage loan brokers .....	499	904	406	81.4	1,636	3,016	1,380	84.4
Financial transactions processing, reserve, and clearinghouse activities .....	585	1,378	793	135.6	1,177	2,269	1,092	92.8
Other activities related to credit intermediation .....	5,880	4,417	-1,463	-24.9	1,210	3,251	2,041	168.7
Investment banking and securities dealing .....	33,319	39,292	5,973	17.9	2,642	9,860	7,218	273.2
Securities brokerage .....	76,802	103,608	26,806	34.9	2,552	10,820	8,268	324.0
Commodity contracts dealing .....	1,546	1,199	-347	-22.4	1,607	7,456	5,849	364.0
Commodity contracts brokerage .....	2,324	2,427	102	4.4	1,016	2,911	1,895	186.5
Securities and commodity exchanges .....	2,862	3,301	439	15.3	1,279	4,008	2,729	213.4
Miscellaneous intermediation .....	2,051	3,282	1,231	60.0	1,934	3,916	1,982	102.5
Portfolio management .....	8,311	12,948	4,637	55.8	1,952	5,674	3,722	190.7
Investment advice .....	6,769	12,054	5,285	78.1	2,179	7,718	5,539	254.2
Trust, fiduciary, and custody activities .....	5,280	6,275	995	18.8	1,021	3,048	2,027	198.5
Miscellaneous financial investment activities .....	4,405	6,601	2,196	49.8	1,332	3,669	2,337	175.5
Direct life insurance carriers .....	17,101	13,858	-3,243	-19.0	1,052	3,567	2,515	239.1
Direct health and medical insurance carriers .....	8,603	6,963	-1,641	-19.1	663	1,088	425	64.1
Direct property and casualty insurance carriers .....	12,155	8,919	-3,237	-26.6	1,002	2,063	1,061	105.9
Reinsurance carriers .....	2,044	2,274	230	11.3	1,193	4,939	3,746	314.0
Insurance agencies and brokerages .....	12,964	13,607	642	5.0	1,032	2,369	1,337	129.6
Claims adjusting .....	1,464	1,961	496	33.9	756	1,372	616	81.5
Third-party administration of insurance and pension funds .....	3,949	2,358	-1,590	-40.3	1,044	1,401	357	34.2
All other insurance-related activities .....	3,078	2,805	-273	-8.9	1,173	7,863	6,690	570.3
Health and welfare funds .....	1,492	2,142	650	43.6	548	782	234	42.7
Open-end investment funds .....	18	142	123	672.7	2,435	10,384	7,949	326.4
Other financial vehicles .....	169	162	-7	-4.2	1,281	4,283	3,002	234.3

SOURCE: BLS QCEW Program.

the expansion years. (See table 13.)

*1993–2001 recovery base multipliers.* The following tabulation lists the base employment and total-wages multipliers for Manhattan's global sector for the 1993–2001 period:

Year	Employment	Total wages
1993 .....	2.1	1.5
1994 .....	2.1	1.5
1995 .....	2.1	1.4
1996 .....	2.1	1.3
1997 .....	2.1	1.3
1998 .....	2.1	1.3
1999 .....	2.1	1.3
2000 .....	2.1	1.3
2001 .....	2.1	1.2

With a base multiplier of 2.1 for employment, it would have

been expected that for every new job created in the global sector, there would be 1.1 jobs created in the local sector. In addition, with an average base multiplier of 1.34 for total wages, for every dollar gained in global-sector wages, there would be a gain of 34 cents in local-economy wages.

Real-world outcomes indicate that the relationship held for employment during 1993–2001: 139,574 new jobs were created in the global sector and 156,973 in the local sector (a ratio of 1 to 1.1). However, the relationship did not hold for wages: with a gain in wages of \$29.7 billion in the global sector, compared with \$4.3 billion in the local sector, every dollar of new wages in the global sector led to an increase of 14 cents in the local economy, not the expected 34 cents.

An examination of job growth in the local-economy sector from 1993 to 2001 reveals that more than 50 percent of all new jobs were in just two sectors: (1) administrative and support (27.4 percent of new jobs) and (2) accommodation and food services (24.7 percent of new jobs). Average 2001 weekly

**Table 12.** Manhattan professional, scientific, and technical services detailed industries employment and wages, first quarter, 1993 and 2001

Industry	Average employment		Numeric change	Percent change	Average weekly wage		Numeric change	Percent change
	1993	2001			1993	2001		
Offices of lawyers .....	63,439	71,315	7,876	12.4	\$1,051	\$1,745	694	66.0
Title abstract and settlement offices .....	511	394	-118	-23.0	1,079	1,212	133	12.3
All other legal services .....	1,497	1,309	-188	-12.5	564	989	425	75.4
Offices of certified public accountants .....	14,490	19,337	4,847	33.5	875	1,318	443	50.6
Tax preparation services .....	964	770	-194	-20.1	619	474	-145	-23.4
Payroll services .....	4,112	3,937	-175	-4.3	1,092	1,121	29	2.7
Other accounting services .....	7,662	9,156	1,495	19.5	1,029	1,719	690	67.1
Architectural services .....	5,772	10,327	4,554	78.9	788	1,103	315	40.0
Landscape architectural services .....	123	273	150	122.2	624	1,298	674	108.0
Engineering services .....	8,626	7,480	-1,146	-13.3	932	1,334	402	43.1
Drafting services .....	572	628	56	9.8	679	1,312	633	93.2
Surveying and mapping services .....	115	103	-12	-10.4	780	1,486	706	90.5
Testing laboratories .....	371	192	-179	-48.3	652	886	234	35.9
Interior design services .....	1,507	2,358	851	56.4	806	1,046	240	29.8
Industrial design services .....	365	372	7	1.9	916	1,348	432	47.2
Graphic design services .....	3,968	6,627	2,659	67.0	822	1,202	380	46.2
Other specialized design services .....	1,161	1,922	760	65.5	890	1,114	224	25.2
Custom computer programming services .....	4,693	19,437	14,744	314.2	1,420	1,862	442	31.1
Computer systems design services .....	4,663	15,086	10,423	223.5	1,186	1,743	557	47.0
Computer facilities management services .....	5,107	4,338	-769	-15.1	1,353	2,368	1015	75.0
Other computer-related services .....	1,353	3,640	2,287	169.0	1,084	1,676	592	54.6
Administrative management and general management consulting services .....	5,746	12,297	6,551	114.0	1,615	2,138	523	32.4
Human resource and executive search consulting services .....	3,431	6,755	3,324	96.9	1,203	2,496	1293	107.5
Marketing consulting services .....	1,615	2,585	970	60.0	1,053	1,496	443	42.1
Process physical distribution and logistics consulting services .....	516	579	62	12.1	1,194	1,559	365	30.6
Other management consulting services .....	1,277	2,741	1,464	114.6	995	1,863	868	87.2
Environmental consulting services .....	341	624	282	82.7	748	907	159	21.3
Other scientific and technical consulting services .....	500	805	305	60.9	1,389	1,332	-57	-4.1
Research and development in the physical, engineering, and life sciences .....	4,266	4,943	677	15.9	682	1,070	388	56.9
Research and development in the social sciences and humanities .....	6,930	6,616	-313	-4.5	606	838	232	38.3
Advertising agencies .....	25,915	36,163	10,248	39.5	1,206	2,133	927	76.9
Public relations agencies .....	5,263	9,308	4,045	76.9	1,017	1,638	621	61.1
Media buying agencies .....	987	1,738	751	76.1	1,019	1,707	688	67.5
Media representatives .....	4,782	4,861	79	1.7	1,103	2,234	1131	102.5
Display advertising .....	571	809	238	41.7	978	1,702	724	74.0
Direct mail advertising .....	1,587	1,479	-108	-6.8	854	1,301	447	52.3
Advertising material distribution .....	169	344	175	104.0	801	590	-211	-26.3
Other services related to advertising .....	750	800	50	6.7	799	1,403	604	75.6
Marketing research and public opinion polling .....	3,433	4,394	961	28.0	952	1,742	790	83.0
Photography studios, portrait .....	274	388	114	41.7	598	815	217	36.3
Commercial photography .....	1,540	1,759	219	14.2	839	1,147	308	36.7
Translation and interpretation services .....	166	626	460	277.9	603	860	257	42.6
Veterinary services .....	730	1,214	484	66.3	531	647	116	21.8
All other professional, scientific, and technical services .....	377	878	501	133.0	740	1,092	352	47.6

SOURCE: BLS QCEW Program.

wages were \$796 in the former and \$531 in the latter. Average 2001 weekly wages for the entire local-economy sector were \$823.

## Analytical discussion

The Manhattan economy has been subject to the effects of two periods of economic contraction and a relatively longer

period of expansion over a 15-year timeframe. For example, from 1990 to 2004, Manhattan lost 102,973 private-sector jobs, or 5.7 percent of its employment base, with 84.9 percent (87,403) of the jobs coming from the global sector. As noted throughout this article, these global-sector jobs have made Manhattan unique, and their loss has placed strains on the economic fabric not only of Manhattan, but also of the entire regional economy.

**Table 13. Manhattan information sector detailed industries employment and wages, first quarter, 1993 and 2001**

Industry	Average employment		Numeric change	Percent change	Average weekly wage		Numeric change	Percent change
	1993	2001			1993	2001		
Newspaper publishers .....	8,891	8,067	-825	-9.3	\$1,107	\$1,927	820	74.1
Periodical publishers .....	25,090	31,267	6,177	24.6	1,174	2,461	1,287	109.6
Book publishers .....	12,982	13,445	463	3.6	838	1,393	555	66.2
Directory and mailing list publishers .....	1,543	1,349	-194	-12.6	862	1,107	245	28.4
Software publishers .....	1,046	2,461	1,415	135.3	1,554	1,929	375	24.1
Motion picture and video production .....	17,718	24,293	6,575	37.1	798	1,728	930	116.5
Motion picture and video distribution .....	940	975	35	3.8	1,652	2,393	741	44.9
Television production and other postproduction services .....	1,733	2,164	431	24.9	965	1,460	495	51.3
Other motion picture and video industries .....	637	886	249	39.1	706	1,099	393	55.7
Record production .....	86	452	366	425.6	597	1,685	1,088	182.2
Integrated record production/distribution .....	2,155	2,396	241	11.2	1,282	3,459	2,177	169.8
Music publishers .....	539	630	91	16.8	943	1,666	723	76.7
Sound-recording studios .....	614	738	124	20.1	659	913	254	38.5
Other sound-recording industries .....	201	219	18	9.0	1,116	1,802	686	61.5
Radio networks .....	819	815	-4	-5	1,173	1,570	397	33.8
Radio stations .....	970	1,177	207	21.4	977	2,824	1,847	189.0
Television broadcasting .....	16,040	15,950	-90	-6	1,130	1,733	603	53.4
Cable and other subscription programming .....	4,028	5,297	1,269	31.5	1,157	2,210	1,053	91.0
Internet publishing and broadcasting .....	457	3,986	3,529	772.2	1,049	1,620	571	54.4
Wired telecommunications carriers .....	17,538	18,941	1,403	8.0	1,092	1,529	437	40.0
Cellular and other wireless telecommunications .....	282	519	238	84.4	711	1,263	552	77.6
Telecommunications resellers .....	510	2,564	2,054	402.7	939	1,428	489	52.1
Cable and other program distribution .....	653	943	290	44.4	813	1,567	754	92.7
Internet service providers .....	550	6,773	6,223	1131.5	1,164	1,862	698	60.0
Data processing, hosting, and related services .....	2,738	6,157	3,419	124.9	716	1,523	807	112.7
News syndicates .....	1,501	1,435	-65	-4.4	1,109	2,038	929	83.8
Libraries and archives .....	2,844	3,142	297	10.5	445	564	119	26.7
All other information services .....	390	675	285	73.0	653	1,101	448	68.6

SOURCE: BLS QCEW Program.

Of the three periods examined, the 2001–04 decline is the pivotal one. With its focus on the global sector (126,177 global-sector jobs were lost during the 3-year period), this recession disrupted the economic base of Manhattan, altered its character, and accelerated trends that had been developing for years. Whereas the economic expansion of the mid- to late 1990s more than made up for the job losses of the early 1990s downturn, a similar economic rebound in employment has not yet occurred.

In the past decade, the vitality of Manhattan was dependent in large measure on the vigor of its global economy. Job growth there stimulated and influenced job creation throughout the entire local sector. This relationship, however, appeared to dissipate at the beginning of the 21st century.

Today, the global economy is still the driving force in the regional economy. But it is the high wages associated with global-sector industries that constitute the new economic dynamic. These elevated salaries, not new global-sector jobs, appear to be stimulating the development of new employment opportunities in the local sector, as well as mitigating overall local-sector job losses.

Highly paid global-economy workers, with limited time,

**Table 14. Employment location quotients, selected Manhattan industries, first quarter, 2001 and 2004**

Industry	2001	2004
Women's and children's clothing merchant wholesalers .....	16.72	19.05
Jewelry merchant wholesalers .....	15.11	16.95
Agents and managers for public figures .....	11.05	11.68
Jewelry, except costume, manufacturing .....	10.69	11.23
Women's cut-and-sew apparel manufacturing .....	8.01	10.25
Jewelry and silverware manufacturing .....	9.08	9.75
Theater companies and dinner theaters .....	7.03	8.16
Men's and boys' clothing merchant wholesalers .....	5.67	6.51
Grantmaking foundations .....	5.76	6.22
Art dealers .....	4.28	5.13
Luggage and leather goods stores .....	3.28	4.66
Camera and photographic supplies stores .....	3.23	4.51
Museums .....	3.69	3.95
Children's and infants' clothing stores .....	1.77	2.94
Musical groups and artists .....	2.54	2.93
Social advocacy organizations .....	2.35	2.49
Jewelry stores .....	2.06	2.29
Other clothing stores .....	1.19	1.31

SOURCE: BLS QCEW Program.



**Table 15. Average weekly wages, finance and insurance sector, Manhattan, first quarter, 2001 and 2004**

Industry	2001	2004	Percent increase
Direct property and casualty insurance carriers .....	\$2,063	\$3,444	66.9
Direct health and medical insurance carriers .....	1,088	1,748	60.7
Reinsurance carriers .....	4,939	6,914	40.0
Commodity contracts brokerage .....	2,911	3,823	31.3
Portfolio management .....	5,674	7,353	29.6
Commodity contracts dealing .....	7,456	9,461	26.9
Savings institutions .....	1,676	2,119	26.4
Miscellaneous financial investment activities .....	3,669	4,636	26.4
Other activities related to credit intermediation .....	3,251	4,056	24.8
All other insurance-related activities .....	7,863	9,810	24.8
Financial transactions processing, reserve, and clearinghouse activities ..	2,269	2,826	24.5
Miscellaneous intermediation .....	3,916	4,856	24.0
International trade financing .....	5,521	6,567	18.9
Health and welfare funds .....	782	916	17.1
Securities brokerage .....	10,820	11,863	9.6

SOURCE: BLS QCEW Program.

demand high levels of personal and consumer services from local-economy workers, and those demands translate into new local-sector jobs or a realignment of existing jobs. Table 14 documents some of the effects of these changes.

High wages in Manhattan appear to be stimulating job growth and employment shifts into areas that contribute to higher living standards or demand labor-intensive services. Although the local sector lost jobs during the 2001–04 downturn (51,568 jobs, or 5.2 percent of its job base), these losses were significantly less than the 120,975 (12.7 percent of the local sector’s job base) experienced during the 1990–93 downturn.

As noted earlier, three global sectors—finance and insurance; professional, scientific, and technical services; and information—have been the drivers of the Manhattan economy, providing the high-paying jobs, contributing substantially to the borough’s wealth, influencing job creation, and mitigating job loss in the local economy. Together, they bore the brunt of the 2001–04 job loss, although their separate reactions to that downturn were not uniform. An examination of each sector affords insights into structural changes within the Manhattan labor market economy.

*Finance and insurance.* By 2004, this sector dominated the entire global economy, accounting for 65.1 percent of total global-sector wages and representing 35.7 percent of the sector’s jobs. To place these figures in a clearer perspective, in Manhattan the sector’s employment location quotient decreased from 3.34 in 2001 to 2.91 in 2004. However, the location quotient for total wages remained high in 2004, at

39.8, although off its 2001 peak of 44.8. The latter change represented a slight shift within global-sector total wages.

Table 15 points out those sector components experiencing significant wage increases during the 2001–04 economic downturn; table 16 identifies sector jobs with high first-quarter average weekly wages. The latter jobs are in some of the high-paying industries that powered and influenced the local economy from 2001 to 2004.

*Professional, scientific, and technical services.* By 2004, this sector accounted for 32.0 percent of all global-sector jobs, but represented only 15.2 percent of wages. The sector’s employment location quotient decreased slightly between 2001 and 2004, from 2.38 to 2.36, while its location quotient for wages increased markedly, from 1.22 to 1.41.

During the 15-year period examined, the sector was among those with the fastest-growing employment in the global economy. As regards total wages, however, the relative influence of the sector was diminished by the significant wage increases registered by the finance and insurance sector.

Table 17 highlights those sector components experiencing wage increases greater than 10.0 percent during the 2001–04 downturn. Table 18 identifies specific jobs with high first-quarter average weekly wages.

*Information.* By 2004, the information sector represented 16.4 percent of all global-economy jobs (just about equivalent to its 1990 share of 16.3 percent), but only 9.3 percent of sector wages, down from 15.8 percent in 1990. Again, over the 15-year period, wage increases in the finance and insurance sector diminished the relative value of the sector’s financial impact.

Between 2001 and 2004, the sector’s employment location quotient decreased slightly, from 2.17 to 2.14; however, its total wages location quotient increased from 1.10 to 1.17.

**Table 16. Finance and insurance industries with high average weekly wages, Manhattan, first quarter, 2001 and 2004**

Industry	2001	2004	Percent increase
Securities brokerage .....	\$10,820	\$11,863	9.6
All other insurance-related activities .....	7,863	9,810	24.8
Commodity contracts dealing .....	7,456	9,461	26.9
Investment banking and securities dealing .....	9,860	9,439	-4.3
Portfolio management .....	5,674	7,353	29.6
Investment advice .....	7,718	7,128	-7.6
Reinsurance carriers .....	4,939	6,914	40.0
International trade financing .....	5,521	6,567	18.9
Miscellaneous intermediation .....	3,916	4,856	24.0
Miscellaneous financial investment activities .....	3,669	4,636	26.4

SOURCE: BLS QCEW Program.

**Table 17. Average weekly wages in professional and business services, Manhattan, first quarter, 2001 and 2004**

Industry	2001	2004	Percent increase
Payroll services .....	\$1,121	\$1,941	73.1
All other legal services .....	989	1,275	28.9
Media buying agencies .....	1,707	2,188	28.2
Computer facilities management services .....	2,368	2,922	23.4
Administrative management and general management consulting services .....	2,138	2,616	22.4
Veterinary services .....	647	787	21.6
Other specialized design services .....	1,114	1,355	21.6
Other accounting services .....	1,719	2,087	21.4
Marketing consulting services .....	1,496	1,795	20.0
Offices of certified public accountants .....	1,318	1,575	19.5
Research and development in the physical, engineering, and life sciences .....	1,070	1,241	16.0
Engineering services .....	1,334	1,545	15.8
Commercial photography .....	1,147	1,279	11.5
Custom computer programming services .....	1,862	2,072	11.3

SOURCE: BLS QCEW Program.

**Table 18. Professional and business services industries with high average weekly wages, Manhattan, first quarter, 2001 and 2004**

Industry	2001	2004	Percent increase
Computer facilities management services .....	\$2,368	\$2,922	23.4
Administrative management and general management consulting services .....	2,138	2,616	22.4
Media buying agencies .....	1,707	2,188	28.2
Other accounting services .....	1,719	2,087	21.4
Custom computer programming services .....	1,862	2,072	11.3
Media representatives .....	2,234	2,030	-9.1
Human resource and executive search consulting services .....	2,496	2,029	-18.7
Advertising agencies .....	2,133	2,016	-5.5
Payroll services .....	1,121	1,941	73.1
Offices of lawyers .....	1,745	1,849	6.0

SOURCE: BLS QCEW Program.

Table 19 shows information sector components with wage increases greater than 12.0 percent during the 2001–04 downturn. Table 20 lists specific jobs with high first-quarter average weekly wages. Chart 4 shows the employment distribution and the wage distribution in Manhattan’s global sector for 1990 and 2004.

## Effects

Manhattan’s economy is still feeling the influence of the economic downturn of the early 21st century. With job losses totaling 177,745 between 2001 and 2004 alone, the economic decline did more than just reduce employment in the borough: because its effect was felt almost exclusively in the global

sector, it struck at the heart of Manhattan’s economic structure. For example, more than half (57.4 percent) of all job losses in the finance and insurance sector during the 15-year period studied occurred from 2001 to 2004.

Decreases in employment and increases in the average weekly wages of global-sector workers have clearly altered the labor structure of Manhattan’s economy. Whereas 47.3 percent of jobs and 66.4 percent of wages were associated with the global economy in 1990, the percentages had shifted to 45.0 percent and 77.7 percent, respectively, by 2004.

This decreasing job base and increasing average weekly wages have altered the economic relation between the local and global sectors in Manhattan. The impact of global employment growth has diminished; Manhattan’s energy and vigor now are related almost exclusively to the considerable incomes earned by global-sector workers. Whereas in the past

**Table 19. Average weekly wages in information services, Manhattan, first quarter, 2001 and 2004**

Industry	2001	2004	Percent increase
Cable and other subscription programming .....	\$2,210	\$3,478	57.4
Motion picture and video production .....	1,728	2,634	52.4
Data processing, hosting, and related services .....	1,523	2,063	35.5
Book publishers .....	1,393	1,726	23.9
Wired telecommunications carriers .....	1,529	1,888	23.5
Directory and mailing list publishers .....	1,107	1,338	20.9
News syndicates .....	2,038	2,350	15.3
Libraries and archives .....	564	640	13.5
Internet publishing and broadcasting .....	1,620	1,823	12.5
Television broadcasting .....	1,733	1,947	12.3

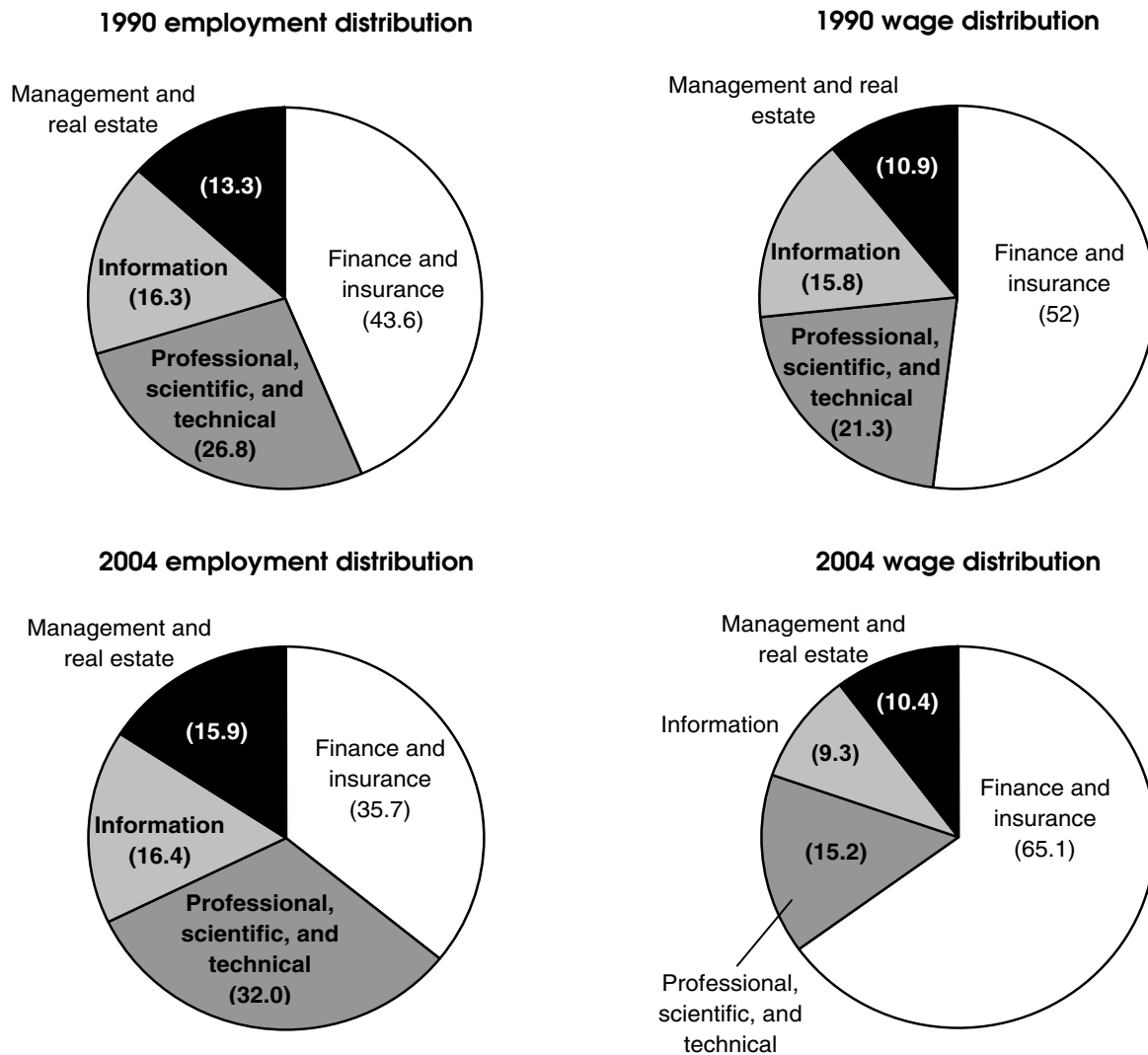
SOURCE: BLS QCEW Program.

**Table 20. Information industries with high wages, Manhattan, first quarter, 2001 and 2004**

Industry	2001	2004	Percent increase
Cable and other subscription programming .....	\$2,210	\$3,478	57.4
Integrated record production/distribution .....	3,459	3,018	-12.7
Motion picture and video production .....	1,728	2,634	52.4
Periodical publishers .....	2,461	2,495	1.4
News syndicates .....	2,038	2,350	15.3
Data processing, hosting, and related services .....	1,523	2,063	35.5
Television broadcasting .....	1,733	1,947	12.3
Software publishers .....	1,929	1,938	.5
Internet service providers .....	1,862	1,889	1.5
Wired telecommunications carriers .....	1,529	1,888	23.5

SOURCE: BLS QCEW Program.

**Chart 4. The global sector in Manhattan, 1990 and 2004**



SOURCE: BLS QCEW Program.

jobs created in the local sector were responsive to new global-sector *jobs*, today new local-economy jobs are perhaps more directly related to increases in global-sector *wages*.

**2005: bottoming out and new beginnings?**

During the first quarter of 2005, the Manhattan economy demonstrated signs of recovery. Comparing first-quarter employment numbers with those recorded in 2004 reveals that Manhattan experienced its first overall job gains since the 2001–04 downturn. Employment increased slightly, a scant 0.1 percent (1,209 jobs). Adding to these positive job numbers

was the fact that total wages increased by 5.9 percent and the average weekly wage increased by 5.8 percent.

Obviously, any single-year increase in employment—especially such a small one—needs to be assessed with caution, because it is certainly not a trend and it may not be indicative of any notable change—just a normal statistical fluctuation. However, it might be an early sign that the decline in employment is bottoming out, or at least decelerating, in Manhattan.

In examining this one-year change in employment (see table 21), it becomes evident that the proportion of employment continues to shift from the global sector. Global-sector em-

**Table 21. Total Manhattan private employment and wages, first quarter, 2004 and 2005**

Industry	Employment		Wages		
	Average	Percent	Total	Percent	Average weekly
<b>2004</b>					
Total .....	1,707,947	100.0	48,416,427,606	100.0	\$2,181
Construction .....	27,878	1.6	467,803,515	1.0	1,291
Manufacturing .....	45,866	2.7	686,990,305	1.4	1,152
Wholesale trade .....	80,198	4.7	1,603,067,528	3.3	1,538
Retail trade .....	122,191	7.2	1,176,452,914	2.4	741
Information .....	126,037	7.4	3,484,674,099	7.2	2,127
Finance and insurance .....	274,435	16.1	24,476,080,725	50.6	6,861
Real estate .....	72,512	4.2	1,102,064,720	2.3	1,169
Professional, scientific, and technical .....	245,860	14.4	5,720,937,946	11.8	1,790
Management .....	49,771	2.9	2,824,838,237	5.8	4,366
Administrative and support .....	129,517	7.6	1,424,237,667	2.9	846
Educational services .....	76,304	4.5	845,335,900	1.7	852
Healthcare and social assistance .....	193,887	11.4	2,151,564,674	4.4	854
Arts, entertainment, and recreation .....	47,419	2.8	660,495,046	1.4	1,071
Accommodation and food services .....	135,444	7.9	942,967,086	1.9	536
Other services .....	80,629	4.7	848,917,244	1.8	810
<b>2005</b>					
Total .....	1,709,156	100.0	51,249,961,087	100.0	\$2,307
Construction .....	27,881	1.6	483,598,352	.9	1,334
Manufacturing .....	39,802	2.3	536,822,762	1.0	1,037
Wholesale trade .....	79,654	4.7	1,664,819,490	3.2	1,608
Retail trade .....	128,135	7.5	1,255,181,725	2.4	754
Information .....	123,310	7.2	3,660,906,126	7.1	2,284
Finance and insurance .....	257,564	15.1	26,118,917,410	51.0	7,801
Real estate .....	74,570	4.4	1,238,353,888	2.4	1,277
Professional, scientific, and technical .....	255,485	14.9	6,365,268,094	12.4	1,916
Management .....	51,146	3.0	2,666,616,265	5.2	4,011
Administrative and support .....	130,299	7.6	1,579,881,824	3.1	933
Educational services .....	75,334	4.4	937,151,905	1.8	957
Healthcare and social assistance .....	196,958	11.5	2,190,264,741	4.3	855
Arts, entertainment, and recreation .....	46,542	2.7	646,060,510	1.3	1,068
Accommodation and food services .....	140,219	8.2	992,428,061	1.9	544
Other services .....	82,257	4.8	913,689,934	1.8	854

NOTE: Detailed entries may not sum to totals due to rounding.

SOURCE: BLS QCEW Program.

ployment dropped from 45.0 percent of Manhattan's total employment in the first quarter of 2004 to 44.6 percent in the same quarter of 2005—even as the wage portion rose from 77.8 percent to 78.1 percent. Table 22 presents employment and wages in Manhattan's global sector for the first quarters of 2004 and 2005.

In contrast to the employment situation, both the global and the local sector generated gains in wages. In the global sector, total wages increased by 6.5 percent, with average weekly wages rising by 7.4 percent; in the local sector, the increases were 3.6 percent and 2.8 percent, respectively.

Within the two economies, there were important differences at the sector level. In the global sector, finance and insurance continued to lose jobs (16,871, or 6.1 percent), while average weekly wages increased 13.7 percent, to \$7,801. In professional, scientific, and technical services, an additional 9,625

jobs (3.9 percent) were created, especially in finance-related legal and accounting services, which saw average weekly wages increase 7.1 percent, to \$1,916. In the information sector, employment decreased by 2.2 percent (2,727 jobs), while average weekly wages increased by 7.4 percent, to \$2,284.

Within the local economy, job gains in four specific sectors—retail trade; healthcare and social assistance; accommodation and food services; and other services—accounted for Manhattan's 2005 employment increase. Retail trade had an increase of 5,944 jobs (4.9 percent), while average weekly wages rose 1.7 percent, to \$754. Healthcare and social assistance generated 3,071 new jobs (1.6 percent), with an increase in average weekly wages of just \$1, to \$855. In the accommodation and food services sector, employment increased 3.5 percent (4,775 jobs), while average weekly wages increased 1.7 percent, to \$544. The "other services" industry group

**Table 22.** Manhattan global industries employment and wages, first quarter, 2004 and 2005

Industry	Employment		Wages		
	Average	Percent	Total	Percent	Average weekly
<b>2004</b>					
Total .....	768,615	100.0	\$37,608,595,727	100.0	\$3,764
Finance and insurance .....	274,435	35.7	24,476,080,725	65.1	6,861
Professional, scientific, and technical .....	245,860	32.0	5,720,937,946	15.2	1,790
Information .....	126,037	16.4	3,484,674,099	9.3	2,127
Management .....	49,771	6.5	2,824,838,237	7.5	4,366
Real estate .....	72,512	9.4	1,102,064,720	2.9	1,169
<b>2005</b>					
Total .....	762,075	100.0	40,050,061,783	100.0	\$4,043
Finance and insurance .....	257,564	33.8	26,118,917,410	65.2	7,801
Professional, scientific, and technical .....	255,485	33.5	6,365,268,094	15.9	1,916
Information .....	123,310	16.2	3,660,906,126	9.1	2,284
Management .....	51,146	6.7	2,666,616,265	6.7	4,011
Real estate .....	74,570	9.8	1,238,353,888	3.1	1,277

NOTE: Detailed entries may not sum to totals due to rounding. SOURCE: BLS QCEW Program.

registered job gains of 2.0 percent (1,628 jobs), while its average weekly wages rose 5.5 percent, to \$854.

It is apparent that, as of 2005, the historical job engine of the Manhattan economy—the global sector—remained in decline. Still, global-sector wages recorded strong growth, and overall employment, at the very least, stopped falling.

GLOBALIZATION HAS CHANGED THE NATURE OF THE MANHATTAN ECONOMY. With its focus on information technologies and with the mobility and liquidity of capital, the world economy needs strategic locations with vast concentrations of resources and infrastructure. During the past 40 years, given its industry mix, Manhattan has developed as such a site.

The emergence of global markets for the services that Manhattan produces, however, has not been without consequences. Instead of having a single, homogeneous structure, Manhattan's economy has bifurcated. On the one side is a global component whose high-paying jobs in finance, professional services, and information, among other sectors, have helped define what globalization implies in the 21st century. On the other side is the necessary component made up of workers who provide services and commodities essential to the well-being of the global city. Each exists independently, but each cannot exist without the other. Given this relationship, the creation of jobs in the global sector over past decades has led to the establishment of new local-economy jobs.

Throughout the past 15 years, two downturns and a period of economic expansion have altered Manhattan's economic structure. It appears that the 2001–04 economic downturn

and the 9/11 terrorist attacks were critical events. Focused almost exclusively on Manhattan's global economy, this pair of events has reduced employment significantly in sectors that had defined 20th-century Manhattan. Mitigating these job losses have been extraordinary increases in wages, particularly in the finance sector.

Whereas in the past, employment levels in the global-economy sector may have been an instrumental element in assessing employment levels in the local economy sector, that may not be the case today. Now, high wage levels, not the number of jobs, may be driving employment in the local sector.

Although it is too early to assess the full implications of the job growth recorded in 2005 (that is, whether it indicates that the economic downturn has abated), a restructuring of Manhattan's economy clearly has taken place. In terms of employment, the global economy has diminished in importance; in terms of wage generation, its value has increased. In assessing new job creation, for now it is important to note that it is centered in the local economy, with its growing source of demand found in the high wages and wealth generated by the global sector. In other words, the rising income in the global sector is what is spurring demand for more labor intensive local-sector jobs.<sup>12</sup> □

## Notes

<sup>1</sup> Data from the Web site [www.nber.org/cycles/cyclesmain.html](http://www.nber.org/cycles/cyclesmain.html) of the National Bureau of Economic Research (NBER) indicate that the national 2001 recession started in March 2001 and ended in November

2001. In New York, it started earlier—in January 2001—and lasted longer. (See Jason Bram, “Identification of the Beginning of the Economic Downturn in New York City,” *Current Issues* (Federal Reserve Bank of New York, February 2003), pp. 2, 3.

<sup>2</sup> Data are from the BLS Quarterly Census of Employment and Wages (QCEW) Program. The wage figure is for total private industry in New York county.

<sup>3</sup> Michael L. Dolfman and Solidelle F. Wasser, “9/11 and the New York City economy: a borough-by-borough analysis,” *Monthly Labor Review*, June 2004, pp. 3–33.

<sup>4</sup> Saskia Sassen, “Cities, Foreign Policy and the Global Economy,” in Margaret E. Crahan and Alberto Vourvoulias-Bush, eds., *The City and the World: New York’s Global Future* (New York, Council on Foreign Relations, 1997), pp. 171–87.

<sup>5</sup> Manhattan is both the Borough of Manhattan and New York County.

<sup>6</sup> In this article, global-sector industries are selected from those industries with location quotients of approximately 2.0 or higher. (Education is considered a local industry because its high location quotient may be related to local demand coming from the global sector.)

<sup>7</sup> The BLS data source used for the analysis is the QCEW. First-quarter data from each year back to 1990 constitute the data set analyzed in this article.

<sup>8</sup> *Economic-base analysis* aims at identifying overall changes in a region’s economy resulting from either positive or negative impacts to a particular segment of that economy. Economic-base analysis rests on the assumption that regional economies can be divided into two general sectors—a basic sector, identified as the global sector in this article, and a nonbasic sector, identified as the local sector—and that the global sector is the engine which drives the regional or local economy.

*Economic-base theory* is used to predict or measure the relative impact of the global sector on the local sector. (That is, for a given region, what are the overall gains or losses in employment or income associated with changes in global sector employment or income?) The measurement of economic impact is assessed by two indicators known as the *economic-base multiplier* and the *economic-base ratio*. The economic-base multiplier calculates the number of local-sector jobs that are, theoretically, created from one additional job in the global

sector. The economic-base ratio is the ratio of employment in the global sector to that in the local sector.

Two quantitative techniques used to measure the interrelationship between the global and local sectors are the location quotients provided by the BLS QCEW program in table 1 and base multipliers. Base multipliers answer the question, What effect do increases or decreases in global-sector jobs or wages have on local-sector jobs or wages? The formula used to measure this effect is

$$\text{Base multiplier} = \frac{\text{total regional employment or wages}}{\text{total global sector employment or wages}}$$

Note that this article does not use economic-base analysis as a predictor of future economic activity in Manhattan. Rather, that analytic tool is used to help explain what already had taken place and to put those changes in a contextual framework.

<sup>9</sup> In Manhattan, average weekly wages tend to be high during the first and fourth quarters, due to bonuses paid in certain industries. This “spike effect” needs to be considered in evaluating first-quarter average weekly wages. In addition, first-quarter wages should not be used as the sole basis for calculating yearly wages.

<sup>10</sup> Nationally, the NBER defines the 1990 recession as having begun in July 1990 and having lasted until March 1991. (See note 1 for the time line for the 2001 recession.) According to the NBER ([www.nber.org/cycles/cyclesmain.html](http://www.nber.org/cycles/cyclesmain.html)),

The NBER does not define a recession in terms of two consecutive quarters of decline in real GDP. Rather, a recession is a significant decline in economic activity spread across the economy, lasting more than a few months, [and] normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales.

The analysis presented in this article uses declines and increases in total employment as a proxy for economic activity and as the basis for determining troughs and peaks of economic downturns and expansions.

<sup>11</sup> Data from the BLS CPS Program.

<sup>12</sup> For further insights, see W. J. Baumol and W. G. Bowen, “On the Performing Arts: The Anatomy of Their Economic Problems,” *American Economic Review*, March 1965, pp. 495–502.