New York City
Rebuilding a Future-Focused Economy

Overview

Major shifts are expected in how New Yorkers work in the postpandemic economy—remotely or in the office. But the COVID-19 pandemic has also dramatically accelerated a shift in the sectoral landscape of New York City and the industries in which New Yorkers will work. Restoring the city’s economic dynamism and creating a postpandemic, locally prosperous, and globally competitive economy will hinge on leveraging the city’s growth sectors and ensuring that New Yorkers have the skills they need to rebuild a thriving, future-focused NYC economy.

The city lost almost 900,000 jobs during the initial months of the pandemic and had recovered just over half of those jobs by June 2021. Many of these job losses are in sectors that had seen relative weakness prior to the pandemic, including the city’s historically important finance & insurance and real estate sectors. The recovery in NYC has so far been an unbalanced one, lagging behind other major US city centers.

Much of NYC’s ongoing economic recovery has been concentrated in health care, life sciences, and the growing tech industry, sectors that were strengthening prior to the pandemic. Indeed, tech jobs were already driving much of the employment growth in NYC before the pandemic. And while office and residential buildings emptied out during the crisis, Big Tech companies—including Amazon, Apple, Facebook, and Google—have increasingly moved in, expanding their office and warehouse spaces and accelerating hiring.
NYC is the world’s financial capital and a pacesetter for cities globally. To ensure it remains a vital, dynamic, leading global commercial center and a magnet for world-class aspirations and innovation, policymakers and NYC’s business leaders must promote and invest in strategies that play to the city’s sectoral strengths—particularly in health care and technology—while supporting sectors more negatively affected by the pandemic, including the financial sector, NYC’s signature global brand. This is an opportune time for new thinking as business, education, and political leaders refocus on creating jobs; developing and attracting a highly skilled workforce; and luring residents, workers, and tourists back to ensure the future primacy of the city.

This Solutions Brief provides a sectoral analysis of COVID-19’s impact on the NYC economy and the trends the pandemic has accelerated or changed. It lays out sector-based recommendations for how business and public policy leaders can respond to structural, societal, and economic changes to fast-forward NYC as a model city for the postpandemic economy. The brief spotlights the health care and technology sectors—two industrial strongholds that can play a vital role in reviving the city’s economy and in providing equal opportunity for all New Yorkers. Future analysis will focus on industries hit hard during the pandemic—finance & insurance, real estate, and leisure & hospitality—which have been historically vital to NYC’s economy and remain an important part of its return as a global economic powerhouse.

**Insights for what’s ahead**

**RECOMMENDATIONS**

The rising demand for innovative health services and solutions amid the COVID-19 crisis and the growing integration of technology into people’s lives as they work, learn, shop, and socialize has led to a much faster recovery in NYC’s health care and technology sectors than in others. To revitalize the city’s economy and develop it to be both future ready and a leading global powerhouse in an advanced, postpandemic, global economy, policymakers and business leaders should leverage the accelerated growth trends in these sectors. Suggested pathways to economic revitalization include:

1. **Invest in a life sciences ecosystem and promote NYC as a bioinnovation hub.**
   Policymakers, business leaders, and academics should leverage the momentum of the pandemic response and partner to expand the city’s research capabilities, drive innovation, and commercialize innovative ideas that can generate new firms and job opportunities. Public-private partnerships should develop biotech incubation support centers for burgeoning start-ups, incentivize companies whose research is homespun to remain local, and address supply chain challenges that can slow advances in the industry.

2. **Establish a world-class and equitable public health delivery system.**
   Policymakers and business leaders should leverage NYC’s top-ranked hospitals and research centers, as well as its telehealth capabilities, to strengthen its nationally competitive health care system to
serve more people across the country while ensuring quality health care for all New Yorkers. Public-private partnerships should be created to promote cutting-edge medical research and improve delivery by 1) investing in health infrastructure; 2) attracting and developing top medical workers across the caregiver spectrum who represent the communities they serve; and 3) promoting the expansion of 5G to improve care, facilitate medical innovations, and expand reach to traditionally underserved communities.

3 **Expand and improve a tech skills–building ecosystem for an inclusive workforce, starting in K-12 and extending through postsecondary education.** Policymakers and business and education leaders should collaborate to grow and diversify talent pipelines that include support of underrepresented or otherwise vulnerable groups, such as those economically undermined by COVID-19, by partnering with 1) high schools to provide teenagers opportunities to gain workplace skills for academic credit; and 2) community colleges and private training providers to develop stackable, short-term training opportunities that provide market-ready skills.

4 **Promote and invest in NYC as an inclusive regional tech hub.** Ensuring that NYC’s economy comes back even stronger than before relies on bolstering the city’s tech sector. Policymakers and business leaders should leverage NYC’s potential to catch up with Silicon Valley and other top tech hubs, while advancing economic inclusion, by 1) creating start-up supports that provide more equitable access to capital and markets; and 2) focusing on investing in areas within the five boroughs that have traditionally been left behind during past economic revivals.

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**Impact of COVID-19 on NYC’s Economy and Industry**

Understanding how the pandemic has affected New Yorkers and the industry landscape will help policymakers and business leaders develop targeted strategies for fortifying the city’s historical sectoral strengths and better leveraging new ones to reinvigorate the postpandemic economy. Three important factors will influence the direction of public policy and business investment:

1. **NYC is not recovering as quickly as the NY metro area or other major US cities.**

NYC, and consequently its economy, was hit especially hard by the pandemic. In April 2020, at the height of the COVID-19 lockdowns, the New York metropolitan area, including parts of New Jersey and Pennsylvania, lost 20 percent of total employment—over 2 million jobs—the steepest job losses among other large metro areas (Chart 1). By June 2020, unemployment in the New York metro area was 16.2 percent, and in the five counties, or boroughs, that constitute NYC, it was at 18.7 percent—past the 11.2 percent national average (Chart 2).
The metro area’s recovery has also lagged compared to other parts of the country (Chart 1), and NYC has fared worse than the metro area as a whole. In June 2021, while unemployment dropped to 6.1 percent nationally and to 8.0 percent in the NY metro area, it was still in double digits in NYC (10.1 percent). The economic disparities exposed by COVID-19 have also slowed the recovery within certain parts of the city. At 13.7 percent, for example, unemployment in the Bronx remains significantly more elevated compared to prepandemic levels than unemployment in other NYC boroughs (Chart 2).
2. Health- and tech-related industries in NYC are recovering faster than the city’s traditional financial and cultural strongholds.

Disparities in the overall economic impact of COVID-19, and in the ongoing recovery, also appear at the industry level. While employment in the health care and information & computer services industries initially fell more than in finance & insurance and real estate, rising demand for innovative health services and solutions amid the COVID-19 crisis and the growing integration of technology into people’s lives as they work, learn, shop, and socialize has led to a much faster recovery in these sectors. By June 2021, employment in information & computer services was only 3 percent below that in February 2020, and in health care, it had already surpassed prepandemic levels. In contrast, the employment recovery in NYC’s finance & insurance and real estate sectors has completely stalled (Chart 3).

Employment in NYC’s restaurants, bars, hotels, and arts and entertainment venues took by far the largest hit—initially falling by nearly two-thirds overall—and has taken the
longest to recover as consumers have only gradually reemerged with caution from their pandemic vigilance. By June 2021, employment in the leisure & hospitality sector was still about a third below pre-COVID-19 levels.

3. Even prior to COVID-19, the finance & insurance and real estate sectors were a drag on the city’s economic growth, while health- and tech-related industries were gaining momentum.

The sectoral recovery in NYC is largely influenced by growth trends that predate the pandemic. Growth in the information and health care sectors was robust in the years leading up to the COVID-19 crisis, while the finance & insurance and real estate industries saw several years of low growth or economic losses (Chart 4).

Weakness in financial activities leading up to the pandemic was partially due to an environment of low interest rates reducing bank profitability and lowering employment levels. After peaking in August 2019, employment in finance & insurance began to decline, likely driven by the growing use of financial technology, jobs relocating to lower-cost areas, and strong job growth in nonfinancial industries, such as health care and

Chart 3
The information and health care industries are recovering faster than finance & insurance and real estate; leisure & hospitality remains hardest hit
Change in New York City employment by industry, February 2020 = 100

technology. By Q4 2019, earnings of the country’s six largest banks had declined 4.3 percent on an annual basis.²

In real estate, the commercial vacancy rate in Manhattan has been on an upward trend since Q1 2018, rising from 8.8 percent that quarter to 18.3 percent in Q2 2021.³ Further, total residential sales in Manhattan, Brooklyn, and Queens fell by about 9 percent in 2018 and 5 percent in 2019 prior to the pandemic.

COVID-19 accelerated these trends. Tech jobs were already driving much of the employment growth in NYC before the pandemic. And while office and residential buildings emptied out throughout the city during the crisis, Big Tech companies—including Amazon, Apple, Facebook, and Google—have increasingly moved in, expanding their office and warehouse spaces and accelerating hiring.
Recommendations for Revitalizing NYC Industry

The rising demand for health services and solutions amid the pandemic and the growing integration of technology into people’s lives has led to a much faster recovery in NYC’s health care and technology sectors than in other sectors. To revitalize the city’s economy and develop it to be both future ready and a leading global powerhouse in an advanced, postpandemic, global economy, policymakers and business leaders should leverage the accelerated growth trends in these sectors. The financing for these initiatives should come from a variety of private and public sources, including venture capital investments, business investments, already appropriated stimulus and relief dollars, and the federal public monies that are expected to be included in an infrastructure bill. Suggested pathways to economic revitalization include:

Invest in a life sciences ecosystem and promote NYC as a bioinnovation hub

The life sciences sector was already on a strong growth path in NYC well before the pandemic, largely due to public-private partnerships that began spearheading the development of a world-class life sciences industry. In 2015 and 2016, the city partnered with the New York City Economic Development Corporation to craft a long-term development program, LifeSci NYC, to bolster NYC’s life sciences industry. In June 2021, city government officials doubled the initial investment in the program to $1 billion over the next 10 years.

The surge in both public and private funding combined with a postpandemic sense of urgency has unlocked a market opportunity that, with reinvigorated collaboration and supports, can launch NYC to become an epicenter of life science activity in the country.

To that end, policymakers and business leaders should foster public-private partnerships that strengthen NYC’s health care innovation infrastructure. Together, they can advance and commercialize promising biotechnology and biopharmaceutical innovations by:

- **Developing biotech incubation support centers** that connect researchers with labs, hospitals, and private industry and provide guidance on attracting private and federal sources of funding, such as National Institutes of Health grants, that allow them to leapfrog financial barriers to realizing the next start-up idea;

- **Incentivizing companies whose research is developed at local universities and research hospitals to remain in the city**, rather than relocating to competing biotech centers, by building out more laboratory space, including affordable incubator space for start-ups, and fast-tracking intellectual property (IP) protection for city-based research institutions; and

- **Addressing supply chain challenges born out of the pandemic** that can hinder research and manufacturing of new products.

The pandemic has accelerated the need to invest in research and development of the life sciences and pharmaceutical industries. With access to capital, research hospitals, top-tier universities, and a diverse talent pool, the city has all the ingredients to become a bioinnovation hub that can invent, test, fund, and deliver state-of-the-art diagnostics, therapeutics, vaccines, and improvements in health care services.
Establish a world-class and equitable public health delivery system

COVID-19 accelerated the need for state-of-the-art patient care centers and exposed the inequities of NYC’s health care delivery system. With business leaders across a wide swath of industries and world-renowned medical centers, NYC has the potential both to offer world-class care and to serve as a model of equity in addressing health care disparities.

NYC is already home to some of the world’s most renowned and highly ranked hospitals and research centers. To prepare for the next health crisis, the city has begun expanding its health care delivery through investments in infrastructure. Between 2020 and 2023, the New York Building Congress anticipates total spending on construction for the health care sector to increase by 38 percent, exceeding $9.4 billion during that period.

Policymakers and business leaders should continue to strengthen NYC’s health care infrastructure, improve and grow delivery systems, and address the disparities that contributed to inequitable pandemic outcomes by:

• Attracting top medical talent to the city to provide high-quality care and develop cutting-edge research by expanding national research grants and investing in health infrastructure, including hospital facilities, technology and equipment, and staff;

• Growing and diversifying talent pipelines to include underrepresented or economically vulnerable groups, such as workers economically undermined by COVID-19. Health care organizations should partner with community colleges and career and technical education providers, beginning as early as high school, to develop highly skilled frontline health care workers representative of the communities they serve, by establishing, for example, internship and apprenticeship programs for occupations such as medical assistants and technicians, nurses, and community health workers and promoting greater participation among people of color;

• Promoting the expansion of 5G to facilitate medical innovations, including in emergency care, care and training tools powered by augmented and virtual reality, and telehealth technologies that expand care options, especially for underserved communities; and

• Investing in research programs that examine health-related challenges that disproportionately affect underserved communities and increasing supports to providers in these areas by partnering with trusted community-based organizations, such as schools and churches, to expand outreach and education about care options.

The inequities of health care delivery were exposed during the pandemic, when Black and Latino people bore the city’s highest burden. The lack of accessibility to care and disinformation about the vaccine, along with social determinants of health care outcomes such as unemployment and systemic racism, have contributed to traditionally underserved communities being hit hardest throughout the course of the pandemic.⁴
Looking ahead, the urgent need to address these disparities and provide more personalized and preventive care, especially for marginalized communities, will drive NYC innovation in health care research and delivery. For example, Northwell Health, one of the city’s leading health care providers, has long recognized the need to combat the effect of socioeconomic inequities on health outcomes, establishing its Center for Equity of Care in 2010. During the pandemic, the organization worked closely with local leaders in traditionally underserved communities to increase COVID-19 testing and vaccination rates in those areas, including through education campaigns and by increasing the diversity of their own health care employees to combat vaccine hesitancy and mistrust.

Applying the lessons learned from the pandemic, coupled with ongoing investments in medical research and infrastructure, will keep NYC on the map as a hub and model for advanced and equitable patient care.

**Expand and improve a tech skills–building ecosystem for an inclusive workforce**

Business leaders have an interest in ensuring that high schools, community colleges, and other training programs provide learners with skills the job market values. As in other cities, women and Black and Latino people in NYC have historically had less opportunity to learn advanced digital skills and fewer networking opportunities in the tech field and are therefore underrepresented in the city’s tech sector. Policymakers and business leaders should collaborate to develop a comprehensive strategy for preparing, upskilling, and reskilling a tech-ready workforce by:

- **Partnering with high schools to provide young people with opportunities to gain workplace and tech skills for academic credit** (e.g., internships and apprenticeships); and

- **Partnering with community colleges and private training providers to 1) design curricula and learn-as-you-earn training programs** (e.g., internships and apprenticeships) that deliver both the tech skill sets and the experience employers need, and draw in workers who would otherwise be excluded because of their financial circumstances; and 2) **develop stackable, short-term training opportunities**, such as tech boot camps, that culminate in alternative credentials or certifications that provide an alternative gateway into the tech field.

The Pathways in Technology Early College High School (P-TECH) model, for example, originally designed as a partnership between IBM, the New York City Department of Education, and City University of New York (CUNY), offers academically at-risk students entering high school a structured path to a tuition-free associate’s degree in STEM. The P-TECH curriculum includes dual college and career readiness foci. In addition to early college elements, it offers specific labor market–aligned skills and some form of work-based opportunity, such as workplace visits, job shadowing, or internships.

The New York City Department of Small Business Services and the New York City Economic Development Corporation have partnered with FullStack Academy, a NYC-based tech-training school, to offer financial support to disadvantaged groups hit hardest by the pandemic.
Finally, CEOs from 27 NYC employers, including Accenture, JPMorgan Chase, and the Mount Sinai Health System, created the New York Jobs CEO Council and pledged to hire 100,000 NYC residents from low-income Black, Latino, and Asian communities by 2030. A quarter—25,000—of these jobs are earmarked for CUNY students. With a focus on training for the tech jobs of tomorrow, council employers have partnered with the school to develop new tech-forward classes, provide input to update other parts of the CUNY curriculum, and offer paid internships and apprenticeships in tech and related fields. To better connect the training to employment outcomes, some participating companies no longer require four-year degrees.

Using these programs as models, NYC policymakers and business and education leaders must do more to encourage adoption of promising practices that nurture a diverse and tech-ready workforce. And do so quickly to keep pace with other up-and-coming US innovation centers.

Promote and invest in NYC as an inclusive regional tech hub

Ensuring that NYC’s economy comes back even stronger than before relies on bolstering the city’s tech sector and leveraging NYC’s diverse industry landscape to become one of the country’s leading tech hubs. While digital services jobs have driven the recent tech boom, the rise of tech roles across all sectors of NYC’s economy has accelerated the growth of the biotech and fintech industries, as well as spurred new hybrids, such as proptech and fashion tech.

Black workers are especially underrepresented in the tech sector nationally. Yet NYC boasts a much more diverse workforce than other fast-growing tech hubs in western cities. According to an analysis by The Conference Board, Black workers make up about 16 percent of the workforce in the NY metro area, compared to just 6 percent in San Francisco, 5 percent in Seattle, and 2 percent in San Jose. CUNY, the nation’s largest urban university, is graduating 10,000 students a year with STEM degrees, nearly doubling over the past decade and with major gains for Black, Latino, and women students.

As CEOs increasingly indicate a desire to diversify their ranks, the diversity of the workforce and of the industry landscape in NYC makes it a prime destination for developing a more inclusive regional tech hub that can catalyze economic growth across populations and sectors in the area. To that end, policymakers and business leaders should engage in public-private partnerships that:

- Create start-up supports that provide more equitable access to capital and markets. While NYC investors injected billions into local area start-ups in 2020, nationally only about 3 percent of all venture capital (VC) went to Black founders, and only 2.4 percent to start-ups led by women. Policymakers should partner with banks, VC firms, and nonprofits to provide minority- and women-owned tech start-ups more support and opportunities to access the growth capital they need. The Transparent Collective, for instance, offers a four-day training program to help early-stage, minority start-ups better understand the VC culture, improve their “pitch,” and connect with investors.
• Jointly invest in creating technology innovation centers in areas within the five boroughs that have traditionally been left behind during past economic revivals. The Manhattan core is still the critical hub of the NYC economy. Policymakers should explore “placemaking” strategies that channel tech investments to underserved areas to spread the economic gains of a tech boom to more people in more places. For example, the city’s Relocation and Employment Assistance Program (REAP) provides income tax credits for companies relocating jobs to the four boroughs outside of Manhattan. A recent study found Brooklyn to be the country’s second-fastest-growing tech hub, partially due to such incentives. Yet for this borough to become a ripe technology incubator, the study found that additional public-private coordination is needed to address transit gaps, space constraints, and a lack of tech-training opportunities based in Brooklyn.

Promoting and investing in NYC as an inclusive regional tech hub can be a critical part of the revitalization plan by stimulating the buildup of the tech industry in NYC and attracting diverse entrepreneurs and talent from the region and other parts of the country.

Conclusion

New York City is the world’s financial capital and pacesetter for cities globally. To ensure it remains a vital, dynamic, leading global commercial center and a magnet for world-class aspirations and innovation, policymakers and NYC’s business leaders must promote and invest in strategies that play to the city’s sectoral strengths while supporting industries made more economically vulnerable by the pandemic. NYC’s success in the postpandemic economy, providing equal opportunity for all New Yorkers to share in prosperity, can offer a model for rejuvenating cities across the United States and abroad.
Endnotes

1  The New York metropolitan area in this report refers to the New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area.


SUSTAINING CAPITALISM

Achieving prosperity for all Americans could not be more urgent. Although the United States remains the most prosperous nation on earth, millions of our citizens are losing faith in the American dream of upward mobility, and in American-style capitalism itself. This crisis of confidence has widened the divide afflicting American politics and cries out for reasoned solutions in the nation’s interest to provide prosperity for all Americans and make capitalism sustainable for generations to come. In 1942, the founders of the Committee for Economic Development (CED), our nation’s leading CEOs, took on the immense challenge of creating a rules-based postwar economic order. Their leadership and selfless efforts helped give the United States and the world the Marshall Plan, the Bretton Woods Agreement, and the Employment Act of 1946. The challenges to our economic principles and democratic institutions now are equally important. So, in the spirit of its founding, CED, the public policy center of The Conference Board, will release a series of 2021 Solutions Briefs. These briefs will address today’s critical issues, including health care, the future of work, education, technology and innovation, regulation, China and trade, infrastructure, inequality, and taxation.