Job Trends in New York's Finance & Insurance Sector: From the Great Recession to the COVID-19 Pandemic

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The Finance and Insurance sector is one of the most important industries in New York City. It plays a major role in the City's economy in terms of its contributions to employment, output, tax revenues, and wages.[1] Approximately 90% of Finance and Insurance jobs in New York State (NYS) are concentrated in New York City.[2] The average annual wage ($438,400) in the Securities, Commodity Contacts, and Other Financial Investments (NAICS 523) subsector (commonly known as the "securities industry") is more than four times greater than the average annual wage for the Financial Activities super-sector ($106,300).[3] The securities industry (a subsector) accounts for about 7% of NYC's tax revenues, 74% of the City's industry tax collections, and 23.3% of its income taxes.[4]

After gradually recovering from the 2008 financial crisis, the Finance and Insurance sector, like many other areas of the City's economy, was severely impacted by the COVID-19 pandemic. How have the pace and structural shifts of this vital sector's recovery from the pandemic compared to the Wall Street meltdown a dozen years earlier?

This report examines and compares the evolution of employment in New York City's Financial and Insurance sector from the 2008 financial crisis to the COVID-19 pandemic. We first provide an overview of the City's Finance and Insurance sector. Then we examine its employment trends during the 2008-2021 period. In the final section we present the conclusions.

Finance and Insurance: Industry Overview

The Finance and Insurance sector (NAICS 52) is part of the Financial Activities super-sector in standard industrial groupings.[5] It includes firms that primarily facilitate the creation of, liquidation or transfer of ownership of financial or intangible assets, and monetary authorities responsible for monetary control and policies.[6] The principal activities performed by firms and institutions in the Finance and Insurance sector include: (1) transforming financial assets into more desirable asset classes, (2) participating in "agency transactions" (i.e., trading financial assets on behalf of their retail and institutional customers) and "proprietary trading" (i.e., trading financial assets for their own accounts), (3) securities underwriting and credit intermediation, (4) new financial asset classes and distributing (or selling) those assets to other market participants, (5) providing investment advice to market participants, (6) providing portfolio management and (financial) advisory services.[7]

The financial intermediaries in the Finance and Insurance sector include depository and non-depository institutions directly or indirectly involved in transforming financial assets that are less desirable into more widely-preferred assets (e.g., residential and commercial mortgages transformed into mortgage-backed securities [MBS]; credit card receivables transformed into asset-backed securities [ABS]).[8] This (financial) transformation process involves providing maturity intermediation, risk reduction through diversification, reducing the transaction costs of contracting and information processing, and providing payments and trade settlement mechanisms.[9]

Measured by its share of total employment, Finance and Insurance is the most important sector within the Financial Activities super-sector. In the case in New York City, the Finance and Insurance sector accounts for close to three-quarters (72.9%) of total Financial Activities employment. The Finance and Insurance sector includes the following sub-sectors:

1. Monetary Authorities – Central Bank (NAICS 521)
2. Credit Intermediation and Related Activities (NAICS 522)
3. Securities, Commodity Contracts, and Other Financial Investments and Related Activities (NAICS 523)
4. Insurance Carriers and Related Activities (NAICS 524)
5. Funds, Trusts, and Other Financial Vehicles (NAICS 525)

Table 1 summarizes the principal activities and services offered by the financial intermediaries and institutions in the five (5) sub-sectors included in Finance and Insurance.

Employment Trends in New York City's Finance and Insurance Sector: 2008-2021

Table 2 presents general employment data for New York City and selected employment data for the City's Finance and Insurance sector during the 2008-2021 period.

As Table 2 indicates, in 2008, 84.5% of New York City's non-farm jobs were in the private sector; the service sector accounted for 94% of total non-farm employment; and 78.8% of the City's non-

Table 1.
Finance and Insurance (NAICS 52): Sub-Sectors

NAICS Code	Sub-Sector	Principal Activities
521	Monetary Authorities-Central Bank	Entities in this sub-sector perform central bank functions, such as: issuing currency, managing the country's money supply and international reserves, holding deposits from member institutions that represent the reserves of other banks and other central banks, and acting as a fiscal agent for the central government.
522	Credit Intermediation and Related Activities	Firms in this sub-sector primarily engage in the following activities: (1) lending funds obtained from depositors, (2) lending funds obtained through credit financing, or (3) facilitate the mobilization of credit by offering mortage loans, loan brokerage services, clearinghouse and reserve services, and check cashing services.
523	Securities, Commodity Contracts, and Other Financial Investments and Related Activities	Firms in this sub-sector engage in: (1) underwriting new securities issues, (2 making markets for commodities and/or securities, (3) agency transactions (e.g., executing trades on behalf of their customers), (4) proprietary trading (e.g., trading for their own accounts), (5) providing securities and commodity exchange services; and (4) providing other services, such as managing portfolios of assets; providing investment advice; and trust, fiduciary, and custody services.
524	Insurance Carriers and Related Activities	Entities in this sub-sector main participate in the following activities: (1) underwriting annuities and insurance policies or (2) facilitating such underwriting by selling insurance policies, and by providing other insurance and employee-benefit related services.
525	Funds, Trusts, and Other Financial Vehicles	Firms in this sub-sector are legal entities (i.e., funds, plans, and/or programs) organized to pool securities or other assets on behalf of shareholders or beneficiaries of employee benefit or other trust funds. Investment portfolios are designed to achieve specific investment characteristics, such as diversification, risk, rate of return, and price volatility. Firms in this sub-sector normally earn interest, dividends, and other investment income, but have little or no employment and no revenue from the sale of services.

Table 1 Source: Bureau of Labor Statistics (2022).[10]

farm service jobs were in the private sector. By 2021, private sector employment had increased to 86.4% of total non-farm employment in New York City; 95.4% of all non-farm jobs were in the service sector; and 81.8% of all service sector jobs were in the private sector.

Finance and Insurance accounted for 9% of New York City's total non-farm employment in 2008; 10.6% of total private (sector) employment, and 9.5% of employment in the (private) services sector in that year. By 2021, its share of the City's total non-farm employment, private sector employment, and services sector employment had fallen to 8%, 9.3%, and 8.4%, respectively (Table 2).

In the aftermath of the 2008 financial crisis, New York City experienced notable gains in employment. As Table 2 indicates, total non-farm employment increased by 10.7% (or by 408,800 jobs) between 2008 and 2021. Total private employment and employment in the (private) service sector increased by 12.8% (or by 441,800 jobs) and 12.3% (or by 449,100 jobs), respectively.

Employment in the Financial Activities super-sector and in the Finance and Insurance sector, on the other hand, presents a mixed picture, reflecting the impact of technological and operational changes, increased globalization (of finance), and rapid advances in digitalization, automation, and changes in consumer preferences.[12] Between 2008 and 2021, employment in the Financial Activities super-sector grew a mere 0.3%, representing an increase of 1,600 jobs. During the same period, employment in Finance and Insurance fell 1.1%, representing a loss of 3,800 jobs.

The subsectors within Finance and Insurance, however, experienced varied levels of *employment volatility* during the 2008-2021 period. As Table 2 illustrates, the subsectors primarily involved in commercial banking and credit intermediation experienced (comparative) sizable employment gains during this period. The most notable were:

(1) Commercial banking: 8,400 jobs (+14.8%),
(2) Credit intermediation and related activities: 6,100 jobs (+6.4%),
(3) Depository credit intermediation: 4,200 jobs (+6.2%), and
(4) Non-depository credit intermediation: 100 jobs (+0.7%).

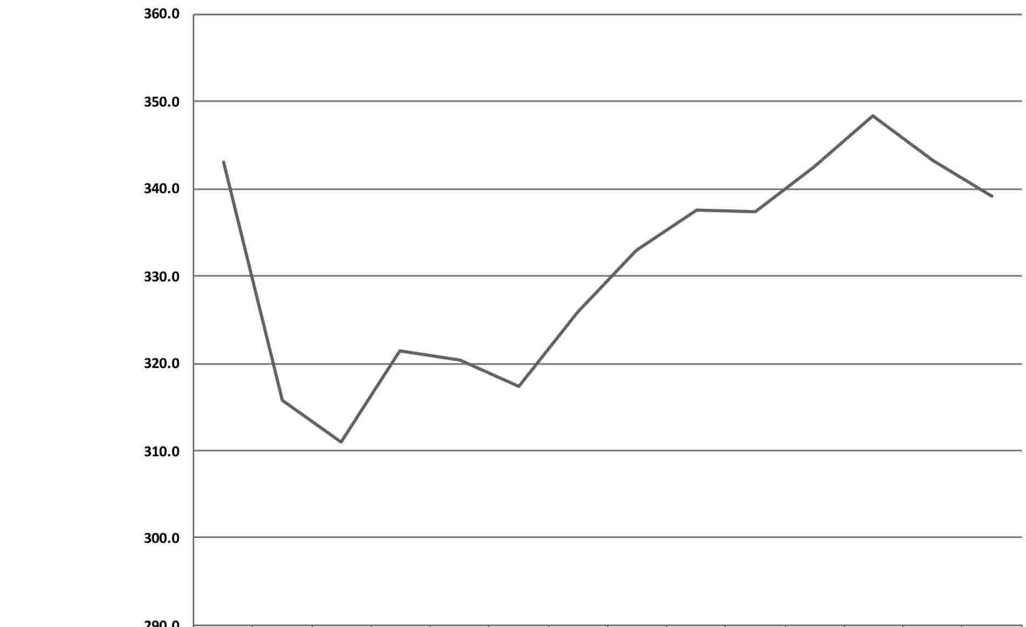
By contrast, employment in Finance and Insurance subsectors that are largely dependent on more cyclical sources of revenue, such as trading commissions, underwriting, advisory, and portfolio management fees, etc., experienced notable employment declines during the 2008-2021 period.
The most notable were:

(1) Securities and commodity contracts intermediation and brokerage: - 29,200 jobs (-23.1%)
(2) Securities brokerage: - 25,700 jobs (-34.8%),
(3) Financial investments and related activities: - 8,400 jobs (-4.5%),
(4) Investment banking and securities dealing: - 2,200 jobs (-4.5%),
(5) Insurance carriers and related activities: -1,600 jobs (-2.7%),
(6) Agencies, brokerages, and other insurance related activities: -1,200 jobs (4.5%), and
(7) Insurance carriers: -500 jobs (-1.5%).

Figures 1, 2, 3, and 4 present the evolution of employment in New York City's Finance and Insurance sector, and the Credit Intermediation and Related Activities sector, Financial Activities and Securities Brokerage sector, and Insurance and Related Activities sector during the 2008-2021 period. Table 3 shows the employment effect – i.e., the total number of jobs lost in both absolute terms and in percentages – during the 2008 financial crisis and the COVID-19 pandemic for New York City's Finance and Insurance sector.

As can be observed in Table 3, the employment effect of the

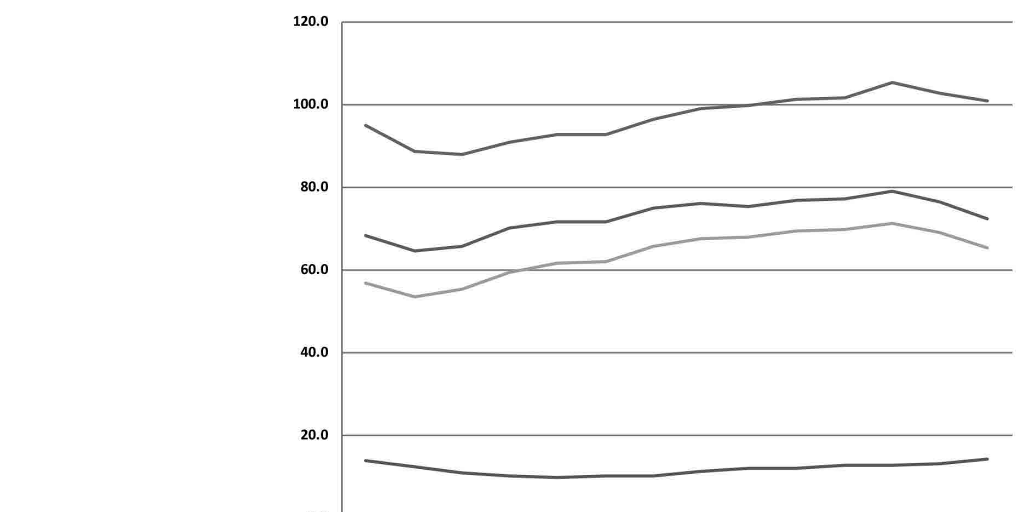
Figure 1. New York City, Finance and Insurance Employment, 2008-2021 (000s), Not Seasonally-Adjusted



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Finance and Insurance	343.0	315.7	311.0	321.4	320.3	317.4	325.9	333.0	337.5	337.3	342.4	348.3	343.2	339.2

Figure 1: Source: Bureau of Labor Statistics (2022), authors' calculations.[15]

Figure 2. New York City, Credit Intermediation and Related Activities, Employment, 2008-2021 (000s), Not Seasonally-Adjusted



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Credit Intermediation and Related Activities including Monetary Authorities - Central Bank	94.7	88.7	87.7	90.9	92.8	92.7	96.5	99.1	99.7	101.0	101.5	105.1	102.8	100.8
Depository Credit Intermediation including Monetary Authorities - Central Bank	68.2	64.5	65.8	70.1	71.7	71.5	74.7	75.8	75.3	76.7	77.0	79.0	76.3	72.4
Commercial Banking	56.7	53.4	55.1	59.4	61.4	62.0	65.7	67.6	67.7	69.2	69.6	71.0	68.8	65.1
Nondepository Credit Intermediation	13.9	12.3	10.8	10.1	9.9	10.0	10.1	11.2	11.9	11.8	12.7	12.7	13.1	14.0

Figure 2: Source: Bureau of Labor Statistics (2022), authors' calculations.[15]

Table 2. New York City, Employment in the Finance and Insurance Sector, 2008-2021 (000S), Not Seasonally-Adjusted

	2008	2009	2010	2011
Total Nonfarm	3,829.5	3,730.9	3,751.4	3,840.8
Total Private	3,247.8	3,144.6	3,172.4	3,267.5
Goods Producing	228.4	202.5	188.9	188.1
Service-Providing	3,601.1	3,528.4	3,562.6	3,652.7
Private Service Providing	3,019.4	2,942.2	2,983.5	3,079.4
Financial Activities	463.6	432.9	427.3	438.2
Finance and Insurance	343.0	315.7	311.0	321.4
Credit Intermediation and Related Activities including Monetary Authorities - Central Bank	94.7	88.7	87.7	90.9
Depository Credit Intermediation including Monetary Authorities - Central Bank	68.2	64.5	65.8	70.1
Commercial Banking	56.7	53.4	55.1	59.4
Nondepository Credit Intermediation	13.9	12.3	10.8	10.1
Financial Investments and Related Activities including Financial Vehicles	188.4	169.4	166.2	172.2
Securities and Commodity Contracts Intermediation and Brokerage	126.3	109.6	106.7	109.7
Investment Banking and Securities Dealing	49.2	42.7	42.4	43.1
Securities Brokerage	73.9	63.8	60.9	62.9
Insurance Carriers and Related Activities	60.0	57.6	57.1	58.3
Insurance Carriers	33.5	32.1	32.2	34.0
Agencies, Brokerages, and Other Insurance Related Activities	26.5	25.5	24.9	24.3
FINANCIAL ACTIVITIES EMPLOYMENT AS PERCENTAGE (%) OF SELECTED CATEGORIES				
Total Nonfarm	12.1%	11.6%	11.4%	11.4%
Total Private	14.3%	13.8%	13.5%	13.4%
Goods Producing	203.0%	213.8%	226.2%	233.0%
Service-Providing	12.9%	12.3%	12.0%	12.0%
Private Service Providing	15.4%	14.7%	14.3%	14.2%
FINANCE AND INSURANCE EMPLOYMENT AS PERCENTAGE (%) OF SELECTED CATEGORIES				
Total Nonfarm	9.0%	8.5%	8.3%	8.4%
Total Private	10.6%	10.0%	9.8%	9.8%
Goods Producing	150.2%	155.9%	164.6%	170.9%
Service-Providing	9.5%	8.9%	8.7%	8.8%
Private Service Providing	11.4%	10.7%	10.4%	10.4%
FINANCIAL ACTIVITIES EMPLOYMENT BY SUB-SECTOR (%)				
Financial Activities	100.0%	100.0%	100.0%	100.0%
Finance and Insurance	74.0%	72.9%	72.8%	73.3%
Credit Intermediation and Related Activities including Monetary Authorities - Central Bank	20.4%	20.5%	20.5%	20.7%
Depository Credit Intermediation including Monetary Authorities - Central Bank	14.7%	14.9%	15.4%	16.0%
Commercial Banking	12.2%	12.3%	12.9%	13.6%
Nondepository Credit Intermediation	3.0%	2.8%	2.5%	2.3%
Financial Investments and Related Activities including Financial Vehicles	40.6%	39.1%	38.9%	39.3%
Securities and Commodity Contracts Intermediation and Brokerage	27.2%	25.3%	25.0%	25.0%
Investment Banking and Securities Dealing	10.6%	9.9%	9.9%	9.8%
Securities Brokerage	15.9%	14.7%	14.3%	14.4%
Insurance Carriers and Related Activities	12.9%	13.3%	13.4%	13.3%
Insurance Carriers	7.2%	7.4%	7.5%	7.8%
Agencies, Brokerages, and Other Insurance Related Activities	5.7%	5.9%	5.8%	5.5%

Table 2. New York City, Employment in the Finance and Insurance Sector, 2008-2021 (000S), Not Seasonally-Adjusted

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Chg.	% Chg.
3,928.6	4,024.2	4,156.7	4,283.8	4,375.1	4,462.1	4,552.9	4,650.1	4,151.6	4,238.3	408.8	10.7%
3,358.1	3,453.6	3,583.4	3,704.3	3,791.4	3,877.4	3,968.2	4,063.0	3,566.1	3,663.9	416.1	12.8%
192.7	198.9	206.3	217.9	224.2	226.6	230.2	229.4	191.8	195.4	-33.0	-14.4%
3,735.9	3,825.3	3,950.4	4,065.9	4,150.9	4,235.5	4,322.7	4,420.7	3,959.8	4,042.9	441.8	12.3%
3,165.4	3,254.7	3,377.1	3,486.5	3,567.2	3,650.8	3,738.0	3,833.6	3,374.2	3,468.5	449.1	14.9%
438.0	437.0	448.9	459.2	466.2	469.4	477.0	485.1	471.1	465.2	1.6	0.3%
320.3	317.4	325.9	333.0	337.5	337.3	342.4	348.3	343.2	339.2	-3.8	-1.1%
92.8	92.7	96.5	99.1	99.7	101.0	101.5	105.1	102.8	100.8	6.1	6.4%
71.7	71.5	74.7	75.8	75.3	76.7	77.0	79.0	76.3	72.4	4.2	6.2%
61.4	62.0	65.7	67.6	67.7	69.2	69.6	71.0	68.8	65.1	8.4	14.8%
9.9	10.0	10.1	11.2	11.9	11.8	12.7	12.7	13.1	14.0	0.1	0.7%
169.5	166.3	169.2	173.4	177.4	177.0	181.5	183.5	180.6	180.0	-8.4	-4.5%
106.1	102.2	101.1	102.0	103.0	102.4	104.5	104.6	100.0	97.1	-29.2	-23.1%
42.2	41.8	43.1	44.2	44.6	46.0	48.2	49.1	48.4	47.0	-2.2	-4.5%
60.5	57.4	55.4	55.4	56.3	54.6	54.5	53.6	49.8	48.2	-25.7	-34.8%
58.1	58.4	60.3	60.6	60.4	59.4	59.5	59.8	59.8	58.4	-1.6	-2.7%
34.1	34.1	35.2	34.7	34.5	33.9	33.1	33.3	34.0	33.0	-0.5	-1.5%
24.0	24.3	25.0	25.9	26.0	25.5	26.4	26.5	25.8	25.3	-1.2	-4.5%
FINANCIAL ACTIVITIES EMPLOYMENT AS PERCENTAGE (%) OF SELECTED CATEGORIES											
11.1%	10.9%	10.8%	10.7%	10.7%	10.5%	10.5%	10.4%	11.3%	11.0%		
13.0%	12.7%	12.5%	12.4%	12.3%	12.1%	12.0%	11.9%	13.2%	12.7%		
227.3%	219.7%	217.6%	210.7%	207.9%	207.1%	207.2%	211.5%	245.6%	238.1%		
11.7%	11.4%	11.4%	11.3%	11.2%	11.1%	11.0%	11.0%	11.9%	11.5%		
13.8%	13.4%	13.3%	13.2%	13.1%	12.9%	12.8%	12.7%	14.0%	13.4%		
FINANCE AND INSURANCE EMPLOYMENT AS PERCENTAGE (%) OF SELECTED CATEGORIES											
8.2%	7.9%	7.8%	7.8%	7.7%	7.6%	7.5%	7.5%	8.3%	8.0%		
9.5%	9.2%	9.1%	9.0%	8.9%	8.7%	8.6%	8.6%	9.6%	9.3%		
166.2%	159.6%	158.0%	152.8%	150.5%	148.9%	148.7%	151.8%	178.9%	173.6%		
8.6%	8.3%	8.2%	8.2%	8.1%	8.0%	7.9%	7.9%	8.7%	8.4%		
10.1%	9.8%	9.7%	9.6%	9.5%	9.2%	9.2%	9.1%	10.2%	9.8%		
FINANCIAL ACTIVITIES EMPLOYMENT BY SUB-SECTOR (%)											
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
73.1%	72.6%	72.6%	72.5%	72.4%	71.9%	71.8%	71.8%	72.9%	72.9%		
21.2%	21.2%	21.5%	21.6%	21.4%	21.5%	21.3%	21.7%	21.8%	21.7%		
16.4%	16.4%	16.6%	16.5%	16.2%	16.3%	16.1%	16.3%	16.2%	15.6%		
14.0%	14.2%	14.6%	14.7%	14.5%	14.7%	14.6%	14.6%	14.6%	14.0%		
2.3%	2.3%	2.2%	2.4%	2.6%	2.5%	2.7%	2.6%	2.8%	3.0%		
38.7%	38.1%	37.7%	37.8%	38.1%	37.7%	38.1%	37.8%	38.3%	38.7%	Table 2 Source: New York State Department of Labor (2022), authors' calculations.[11]	
24.2%	23.4%	22.5%	22.2%	22.1%	21.8%	21.9%	21.6%	21.2%	20.9%		
9.6%	9.6%	9.6%	9.6%	9.6%	9.8%	10.1%	10.1%	10.3%	10.1%		
13.8%	13.1%	12.3%	12.1%	12.1%	11.6%	11.4%	11.0%	10.6%	10.4%		
13.3%	13.4%	13.4%	13.2%	13.0%	12.7%	12.5%	12.3%	12.7%	12.6%		
7.8%	7.8%	7.8%	7.6%	7.4%	7.2%	6.9%	6.9%	7.2%	7.1%		
5.5%	5.6%	5.6%	5.6%	5.6%	5.4%	5.5%	5.5%	5.5%	5.4%		

2008 financial crisis was larger compared to the COVID-19 pandemic. Between 2008 and 2009 (the worst year of the 2008 financial crisis), the Finance and Insurance sector lost a total of 30,700 jobs, compared to a loss of 14,000 jobs during the 2019-period. This pattern was replicated across all Finance and Insurance subsectors included in Table 3.

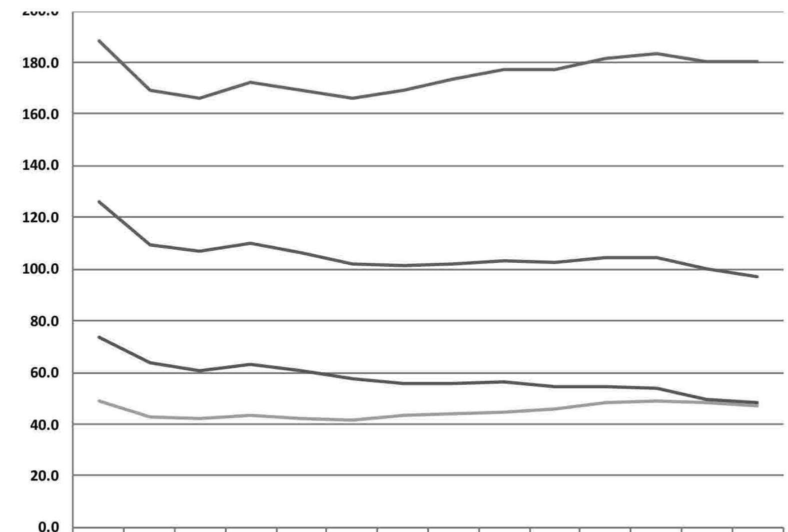
Between 2008 and 2009, the top-five (5) Finance and Insurance subsectors with the largest job losses were:

(1) Financial investments and related activities: -19,000 jobs (-10.1%),
(2) Securities and commodity contracts intermediation and brokerage: -16,700 jobs (13.7%),
(3) Securities brokerage: -10,100 jobs (-13.7%),
(4) Investment banking and securities dealing: - 6,500 jobs (-13.2%), and
(5) Credit intermediation and related activities: - 6,000 jobs (-6.3%).

By comparison, between 2019 and 2020, the top-five (5) Finance and Insurance subsectors with the largest job losses were:

(1) Securities and commodities intermediation and brokerage: -4,600 jobs (-4.4%),
(2) Securities brokerage: -3,800 jobs (-7.1%),
(3) Financial investments and related activities: -2,900 jobs (-1.6%),
(4) Depository credit intermediation: - 2,700 jobs (-3.4%), and
(5) Commercial banking: - 2,200 jobs (-3.1%).

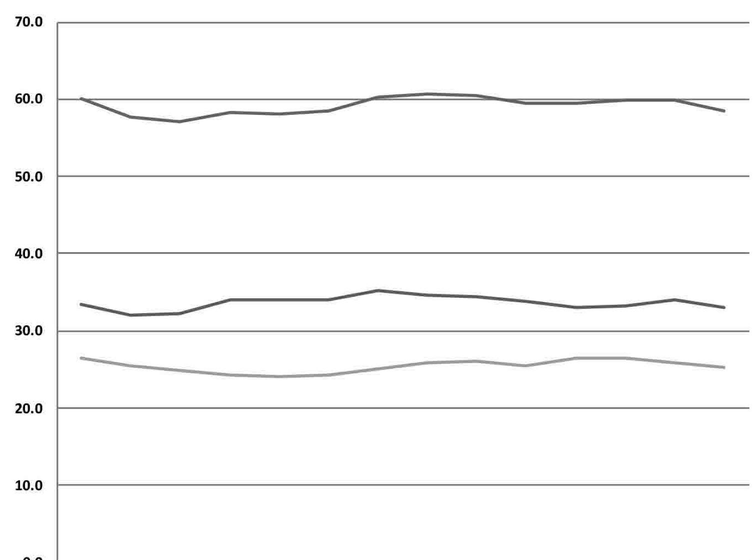
Figure 3. New York City, Finance Activities and Securities Brokerage, 2008-2021 (000s), Not Seasonally-Adjusted



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Financial Investments and Related Activities including Financial Vehicles	188.4	169.4	166.2	172.2	169.5	166.3	169.2	173.4	177.4	177.0	181.5	183.5	180.6	180.0
Securities and Commodity Contracts Intermediation and Brokerage	126.3	109.6	106.7	109.7	106.1	102.2	101.1	102.0	103.0	102.4	104.5	104.6	100.0	97.1
Investment Banking and Securities Dealing	49.2	42.7	42.4	43.1	42.2	41.8	43.1	44.2	44.6	46.0	48.2	49.1	48.4	47.0
Securities Brokerage	73.9	63.8	60.9	62.9	60.5	57.4	55.4	55.4	56.3	54.6	54.5	53.6	49.8	48.2

Figure 3: Source: Bureau of Labor Statistics (2022), authors' calculations.[15]

Figure 4. New York City, Insurance and Related Activities, Employment, 2008-2021 (000s), Not Seasonally-Adjusted



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Insurance Carriers and Related Activities	60.0	57.6	57.1	58.3	58.1	58.4	60.3	60.6	60.4	59.4	59.5	59.8	59.8	58.4
Insurance Carriers	33.5	32.1	32.2	34.0	34.1	34.1	35.2	34.7	34.5	33.9	33.1	33.3	34.0	33.0
Agencies, Brokerages, and Other Insurance Related Activities	26.5	25.5	24.9	24.3	24.0	24.3	25.0	25.9	26.0	25.5	26.4	26.5	25.8	25.3

Figure 4: Source: Bureau of Labor Statistics (2022), authors' calculations.[16]

Table 3.
New York City, Comparative Analysis of Job Losses 2008 Financial Crisis and COVID-19 Pandemic (000S),
Not Seasonally-Adjusted

	2008 Financial Crisis (a)		COVID-19 Pandemic (b)		(a)		(b)	
	2008	**2009**	**2019**	**2020**	**Chg.**	**% Chg.**	**Chg.**	**% Chg.**
Total Nonfarm	3,829.5	3,730.9	4,650.1	4,151.6	-98.6	-2.6%	-498.5	-10.7%
Total Private	3,247.8	3,144.6	4,063.0	3,566.1	-103.2	-3.2%	-496.9	-12.2%
Goods Producing	228.4	202.5	229.4	191.8	-25.9	-11.3%	-37.6	-16.4%
Service-Providing	3,601.1	3,528.4	4,420.7	3,959.8	-72.7	-2.0%	-460.9	-10.4%
Private Service Providing	3,019.4	2,942.2	3,833.6	3,374.2	-77.2	-2.6%	-459.4	-12.0%
Financial Activities	463.6	432.9	485.1	471.1	-30.7	-6.6%	-14.0	-2.9%
Finance and Insurance	343.0	315.7	348.3	343.2	-27.3	-8.0%	-5.1	-1.5%
Credit Intermediation and Related Activities including Monetary Authorities - Central Bank	94.7	88.7	105.1	102.8	-6.0	-6.3%	-2.3	-2.2%
Depository Credit Intermediation including Monetary Authorities - Central Bank	68.2	64.5	79.0	76.3	-3.7	-5.4%	-2.7	-3.4%
Commercial Banking	56.7	53.4	71.0	68.8	-3.3	-5.8%	-2.2	-3.1%
Nondepository Credit Intermediation	13.9	12.3	12.7	13.1	-1.6	-11.5%	0.4	3.1%
Financial Investments and Related Activities including Financial Vehicles	188.4	169.4	183.5	180.6	-19.0	-10.1%	-2.9	-1.6%
Securities and Commodity Contracts Intermediation and Brokerage	126.3	109.6	104.6	100.0	-16.7	-13.2%	-4.6	-4.4%
Investment Banking and Securities Dealing	49.2	42.7	49.1	48.4	-6.5	-13.2%	-0.7	-1.4%
Securities Brokerage	73.9	63.8	53.6	49.8	-10.1	-13.7%	-3.8	-7.1%
Insurance Carriers and Related Activities	60.0	57.6	59.8	59.8	-2.4	-4.0%	0.0	0.0%
Insurance Carriers	33.5	32.1	33.3	34.0	-1.4	-4.2%	0.7	2.1%
Agencies, Brokerages, and Other Insurance Related Activities	26.5	25.5	26.5	25.8	-1.0	-3.8%	-0.7	-2.6%

Table 3 Source: Bureau of Labor Statistics (2022), authors' calculations [17]

To further analyze and compare the employment effect of the 2008 financial crisis and the COVID-19 pandemic on New York City's Finance and Insurance sector, we calculated the employment effect ratio, i.e., the ratio of job losses during the 2008-2009 period to job losses during 2019-2020. These ratios facilitate the comparison of relative job losses (or the employment effect) caused by those two exogenous events (or crises). A ratio of 1.0x, for example, indicates that the number of jobs lost (or employment effect) caused by the 2008 financial crisis was the same as the number of jobs lost (or employment effect) caused by the COVID-19 pandemic. Conversely, a ratio above 1.0x means that the number of job losses (or employment effect) resulting from the 2008 financial crisis exceeded those caused by the COVID-19 pandemic by the given multiple.

The ratios are shown in Table 4.

The top-five (5) Finance and Insurance subsectors with the largest employment effect ratios were:
(1) Investment banking and securities dealing: 9.3x,
(2) Financial investments and related activities: 6.6x,
(3) Securities brokerage: 2.7x,
(4) Credit intermediation and related activities: 2.6x, and
(5) Commercial banking: 1.5x.

As Table 4 shows, as measured by the employment effect ratio, the most volatile Finance and Insurance subsectors are those with greater reliance or dependency on cyclical sources of revenue, such as brokerage and trading commissions, advisory and underwriting fees, credit intermediation, and commercial banking.

There are several (plausible) explanations for this. Historically, New York City's Finance and Insurance sector has been able to quickly respond to economic downturns (or crises) by shedding jobs, adopting technologies and production methods that allow greater input substitution, moving operations to lower cost areas, and other cost reduction measures.

Table 4.
New York City, Ratio of Job Losses 2008 Financial Crisis-to-COVID-19 Pandemic

	Employment Effect Ratio
Total Nonfarm	0.2
Total Private	0.2
Goods Producing	0.7
Service-Providing	0.2
Private Service Providing	0.2
Financial Activities	2.2
Finance and Insurance	5.4
Credit Intermediation and Related Activities including Monetary Authorities - Central Bank	2.6
Depository Credit Intermediation including Monetary Authorities - Central Bank	1.4
Commercial Banking	1.5
Nondepository Credit Intermediation	-4.0
Financial Investments and Related Activities including Financial Vehicles	6.6
Securities and Commodity Contracts Intermediation and Brokerage	3.6
Investment Banking and Securities Dealing	9.3
Securities Brokerage	2.7
Insurance Carriers and Related Activities	-
Insurance Carriers	-2.0
Agencies, Brokerages, and Other Insurance Related Activities	1.4

Table 4 Source: Bureau of Labor Statistics (2022), authors' calculations.[18]

The employment effect ratios shown on Table 4 suggest that compared to the 2008 financial crisis, during the COVID-19 pandemic, New York City's Finance and Insurance sector demonstrated a greater degree of readiness and adaptability, particularly in terms of remote work. Prior to the COVID-19 pandemic, an estimated 90% of Finance and Insurance workers were able to work from home, compared to 65% in the case of "Other Office" workers, and 36% of all office workers nationwide, demonstrating the sector's readiness to quickly transition to remote work prior to the pandemic.[19]

The Finance and Insurance sector also has a higher percentage of workers who are able to work remotely, but choose to work at the office; this is mainly attributed to interactive and interdependent nature of the financial services industry, in which occupations that require a physical presence and direct (personal) interaction and in-person collaboration with colleagues and supervisors (e.g., advisory services, commercial banking, investment banking, securities brokerage, etc.) account for notable shares of total employment and to the stigma often attached to working from home in some of these occupations.[20]

The ability of New York City's Finance and Insurance sectors to (quickly) respond to the COVID-19 pandemic can also be explained by the notable increases in revenue growth and profitability experienced by this vital sector of the City's economy in the aftermath of the pandemic.[21] A combination of federal support and monetary stimulus by the Federal Reserve contributed to reductions in market risk (or "systematic risk") and shifts in investor preferences towards various classes of financial assets such as equities, debt securities, and alternative investment vehicles.[22]

As part of its economic response to the COVID-19 pandemic, the federal government injected close to $5 trillion in economic support to businesses, including more than $860 billion in direct payments to households.[23] At the same time, the Federal Reserve implemented a several policy measures to maintain the flow of credit in the U.S. economy, thereby, limiting the economic impact of the pandemic. The most important included: easing monetary policy, supporting financial markets, encouraging bank lending, supporting corporations and businesses, supporting households and consumers, and supporting state and municipal borrowing.[24]

As part of its expansionary monetary policy to support the economy, the Fed lowered the discount rate to a range from 0% to 0.25%; and embarked on a massive asset purchase program; in fact, starting in June 2020, the Fed set its rate of purchases of Treasury and mortgage-backed securities to $80 billion and $40 billion per month, respectively.[25] Through its Primary Dealer Credit Facility (PDCF), the Fed supported financial markets by offering low interest rate loans (of up to 90 days) to 24 "primary dealers," it also reestablished its Money Market Fund Liquidity Facility (MMLF), which offered preferential loans to depository institutions using money market funds as collateral and supported the "Repo" market (or the market for "repurchase agreements"), an essential market for short-term lending.[26]

To encourage depository institutions to lend, the Fed reduced the discount rate (or the rate that it charges banks for borrowing from its "discount window") from 2.25% to 0.25%; these overnight loans (to banking institutions) were also extended for up to 90 days.[27] The Fed also supported business and corporations through the expansion of direct lending, purchases of corporate bonds through its Secondary Market Corporate Credit Facility (SMCCF), purchases of commercial paper through its Commercial Paper Funding Facility (CPFF), and loans to small business through its Main Street Lending Program.[28]

The Fed reintroduced its Term Asset-Backed Securities Loan Facility (TALF) to support households, consumers, and small businesses.[29] To expand the availability of consumer credit, through this program the Fed offered loans to holders of asset-backed securities (ABS) secured (or collateralized) by auto loans, credit card receivables, small business loans, student loans, etc.[30] The Fed also expanded direct loan programs for state and municipal borrowers through the creation of its Municipal Lending Facility in the spring 2020. To support the municipal bond market, the Fed expanded the eligible collateral for municipal borrowers to include short-term municipal debt securities (with maturities of up to 12 months) and high-quality commercial paper collateralized by tax-exempt state and municipal securities.[31]

Conclusions

Following its gradual recovery in the aftermath of the 2008 financial crisis, employment in New York City's Finance and Insurance sector was severely impacted by the COVID-19 pandemic, which struck the City in March 2020. A comparison of job losses in this vital sector of New York City's economy during the 2008 financial crisis (2008-2009) and the COVID-19 pandemic (2019-2020) shows that while the Finance and Insurance sector experienced notable job losses during the pandemic, the employment decline caused by the 2008 financial crisis was significantly larger.

The ability of New York City's Finance and Insurance sector to withstand the impact of the COVID-19 pandemic – in terms of job losses – compared to the 2008 financial crisis can be attributed to several factors. The Finance and Insurance sector has been historically characterized by its ability to quickly respond to external and internal crises, high levels of operational efficiency, and its capacity to reallocate resources. In recent years, even prior to the pandemic, the share of Finance and Insurance workers able to work remotely had increased substantially. Since the 2008 financial crisis, the sector had experienced notable growth in revenues and profitability, which allowed it to confront the (economic and financial) "headwinds" caused by the pandemic. Finally, a combination of federal government spending and monetary stimulus (by the Fed) greatly contributed to mitigating the employment effects of COVID-19 compared the 2008 financial crisis for New York City's Finance and Insurance sector.

The phasing out of federal pandemic recovery aid, the spread of remote work and the sharp rise in office vacancies may pose fresh challenges to the City's ongoing recovery. Whether they herald an urban doom cycle of plunging downtown incomes and tax revenue will depend importantly on how policymakers and the firms and workers in the financial sector adapt to these challenges incoming months.

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NOTES

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