



HR&A

NASSAU + SUFFOLK COVID-19 ECONOMIC IMPACT

Executive Summary

July 8, 2020

GOALS OF STUDY



HR&A was engaged by the Nassau County IDA and Suffolk County IDA to:

Develop a dynamic approach to measure the real-time economic impact of COVID-19 on the regional economy in terms of both depth & distribution

Understand the specific geographies, populations, and business sectors that have been disproportionately impacted by the COVID crisis, and how this might in turn impact local governments

Use these findings to inform local decision-making, requests for resources, and near- and long-term resilience planning

KEY FINDINGS



- The **unprecedented nature** of the crisis is rewriting the fundamental patterns of local economies in real-time, requiring **new and dynamic approaches** to measuring impact
- Long Island has been particularly hard hit by the dual health + economic crises, **shedding jobs at a faster rate compared to NYC and surrounding suburbs** during early months of the crisis
- Net job losses to-date total **220K** and may reach as high as **375K** in 2020, reducing local earnings by as much as **\$21B** and local economic activity by **\$61B**
- As a multi-year economic crisis, earnings and spending losses **may be even greater in 2021** owing to prolonged recovery within some sectors coupled with expiring unemployment benefits
- COVID-related job and earnings losses will have a **tremendous impact on sales tax revenues**, the primary source of revenue for both counties. These impacts will be **felt in 2020, 2021, and beyond**
- Job losses are concentrated among **low-paying** jobs, workers with **low levels of education**, and **Hispanic/Latino workers** on Long Island. Existing economic disparities, including disparate access to credit, opportunity and mobility, and affordable housing may make it more difficult for these populations to recover
- County governments are working to leverage state and federal resources to **support business operations**, **restore consumer confidence**, and **assist hard-hit sectors**, but **additional Federal resources are crucial** to the region's recovery

A DUAL CRISIS

CUMULATIVE WEEKLY INITIAL UNEMPLOYMENT CLAIMS ON LONG ISLAND



TOTAL COVID-19 CASES ON LONG ISLAND



We are facing a dual crisis—an unprecedented global health emergency coupled with the fastest rise in unemployment on record.

OUR APPROACH

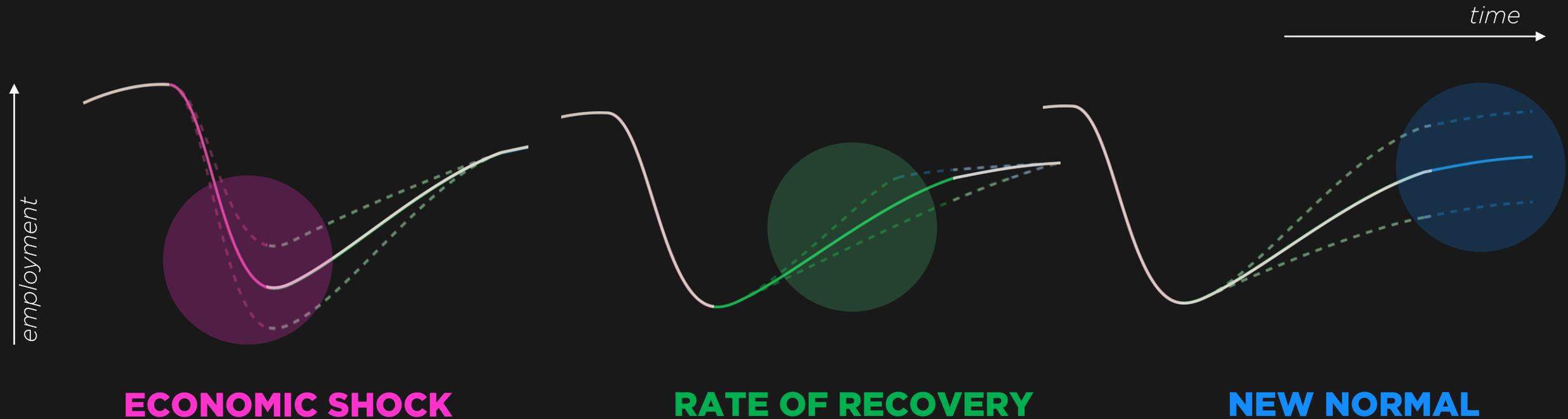


The unprecedented nature of the COVID crisis is rewriting the fundamental patterns of local economies in real-time, requiring new approaches to projecting impact. Our analysis therefore:

- Draws upon a variety of data sources to project the **initial economic shock** from COVID-19 by sector, including documented monthly job losses from the U.S. Bureau of Labor Statistics and weekly initial Unemployment Insurance claims from the New York State Department of Labor
- Expands upon precedent impact studies and methodologies and consults other economic forecasts to identify differential **rates of recovery**
- Considers the perspectives of local industry groups and civic organizations to project “**new normal**” levels of economic activity

Total economic and fiscal impacts reflect the combined industry effects across the three phases of economic shock, recovery, and stabilization.

SHOCK + RECOVERY



How deep is the initial impact of business shutdowns and reductions in consumer demand?

When will businesses reopen and how well-positioned are they to resume full operations?

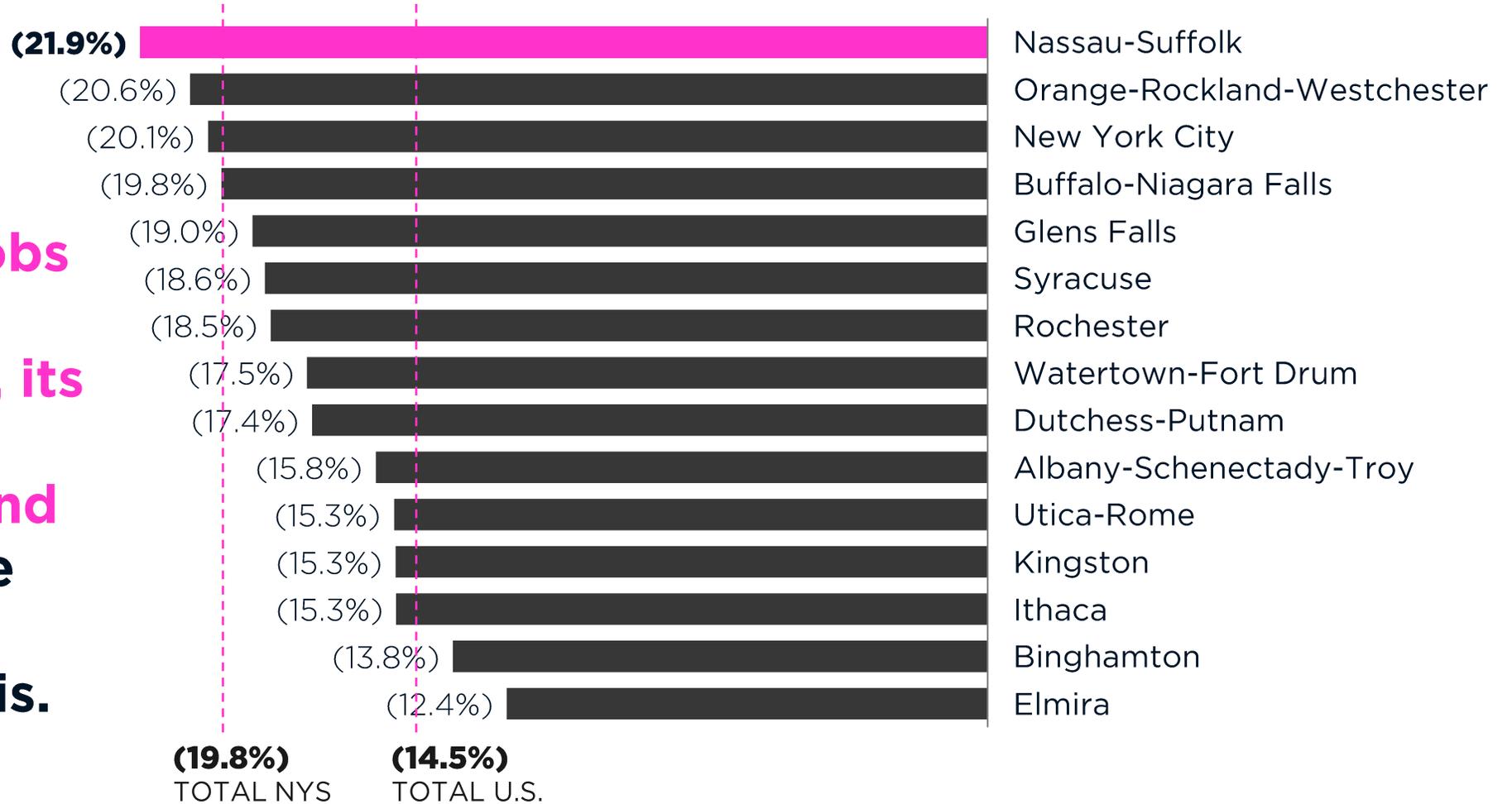
What share of pre-COVID jobs will be recovered at stabilization?

SHOCK

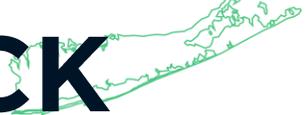
Long Island businesses shed jobs at a faster rate compared to NYC, its northern suburbs, New York State, and the U.S. as a whole during the initial months of the crisis.

Source: U.S. Bureau of Labor Statistics

PERCENTAGE CHANGE IN TOTAL NON-FARM EMPLOYMENT
FEB-APR 2020 (SEASONALLY ADJUSTED)



SHOCK



TOTAL JOB LOSSES FROM COVID-19 ON LONG ISLAND PROJECTED AT TROUGH ABSENT SIGNIFICANT POLICY INTERVENTION

270,000

TOTAL INITIAL COVID-RELATED JOB LOSSES ON LONG ISLAND (FEB - APR 2020, NON-SEASONALLY ADJUSTED)

Source: U.S. Bureau of Labor Statistics, NYSDOL, EMSI

145,000 – 175,000*

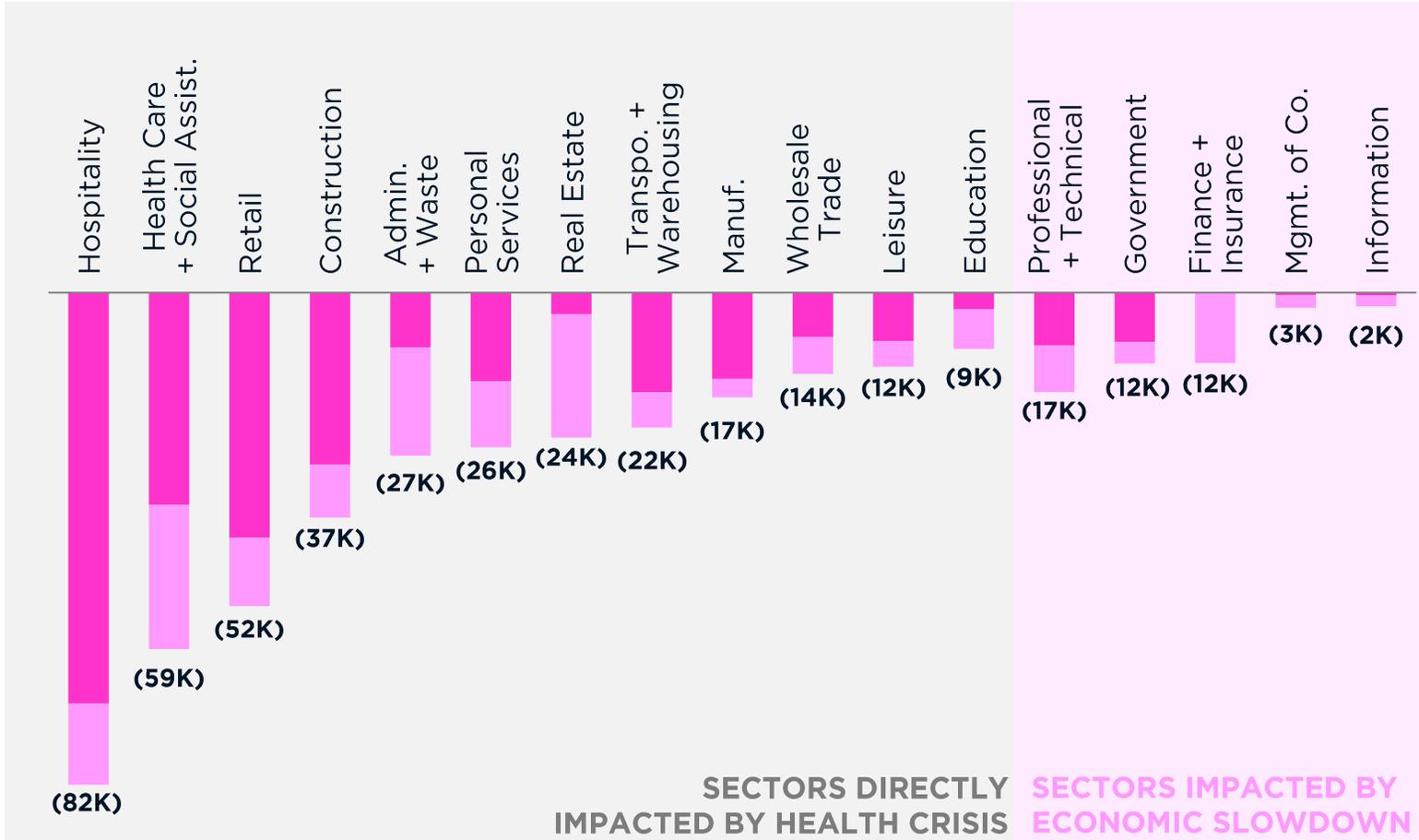
POTENTIAL ADDITIONAL JOB LOSSES OWING TO ONGOING EFFECTS OF THE ECONOMIC SLOWDOWN (MAY 2020-ONWARD)

- Long Island businesses **shed 270K jobs during the first 2 months** of the crisis. Businesses **recouped 48K jobs** in May, as some economic activity curtailed during the pandemic resumed
- Continued supply chain disruptions and reductions in consumer demand are expected to result in an **additional job losses** beyond those recorded to-date. Total job losses in 2020 are expected to reach **375K** relative to pre-COVID levels
- The regional economy is expected to continue showing **net job losses through 2021**, though the pace of job loss will be moderate as segments of the economy begin to recover

COVID-19 ECONOMIC IMPACT | EXECUTIVE SUMMARY

SHOCK

TOTAL PROJECTED JOB LOSSES ON LONG ISLAND BY INDUSTRY, FEB 2020 THRU TROUGH (NON-SEASONALLY ADJUSTED)



- **>90%** of initial job losses were in sectors directly impacted by the health crisis
- **2/3** of total projected job losses within directly impacted sectors occurred during the first 2 months of the crisis, when economic activity was severely curtailed by COVID and efforts to contain it
- A majority of follow-on job losses, or those in **sectors primarily impacted through the effects of economic slowdown**, are expected to occur **after the initial shock period**

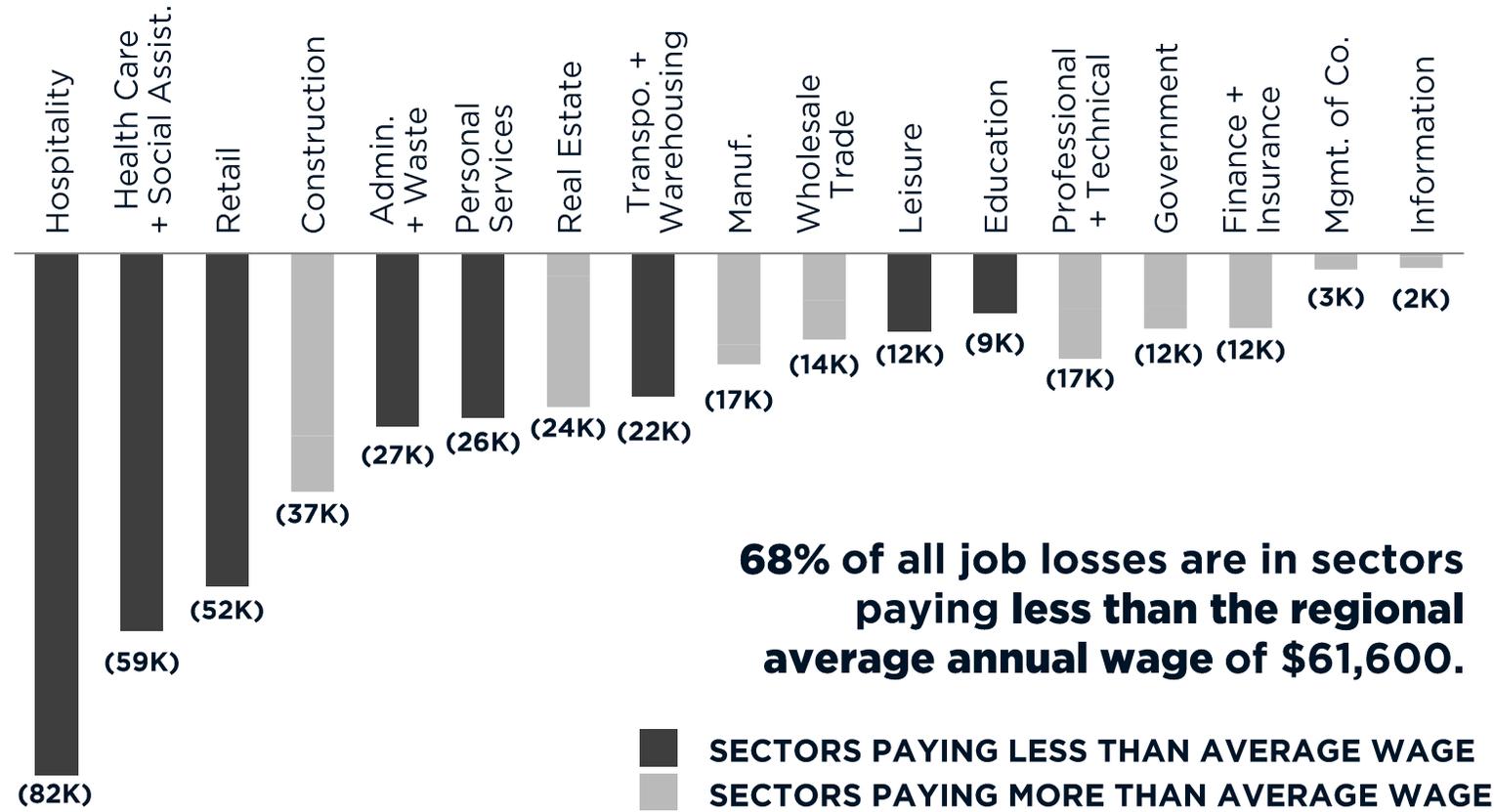
■ INITIAL JOB LOSSES (FEB - APR 2020)
 ■ FOLLOW-ON JOB LOSSES (MAY 2020 - TROUGH)

Source: U.S. Bureau of Labor Statistics, NYS DOL, EMSI

DISPARATE IMPACT



TOTAL PROJECTED JOB LOSSES ON LONG ISLAND BY INDUSTRY, FEB 2020 THRU TROUGH (NON-SEASONALLY ADJUSTED)



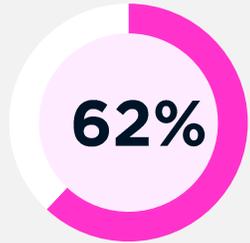
Projected job losses are heavily concentrated among low-earning professions.

The region's lowest-paying sector—Hospitality—experienced the greatest decline during initial months of the crisis, with employment down two-thirds.

Hispanic + Latino workers make up a disproportionate share of Hospitality workers on Long Island (27% vs. 17% of all workers), indicating disparate impacts felt among minority populations.

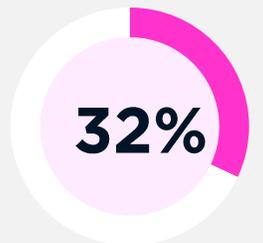
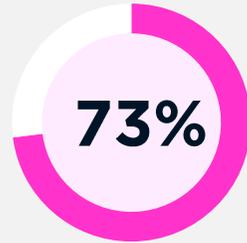
DISPARATE IMPACT

% TOTAL LONG ISLAND JOBS

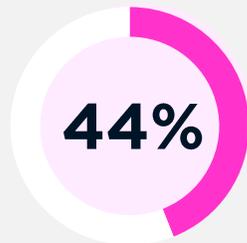


Workers with High School Diploma or Below

% TOTAL COVID-RELATED JOB LOSSES



Jobs Paying <\$35K per Year

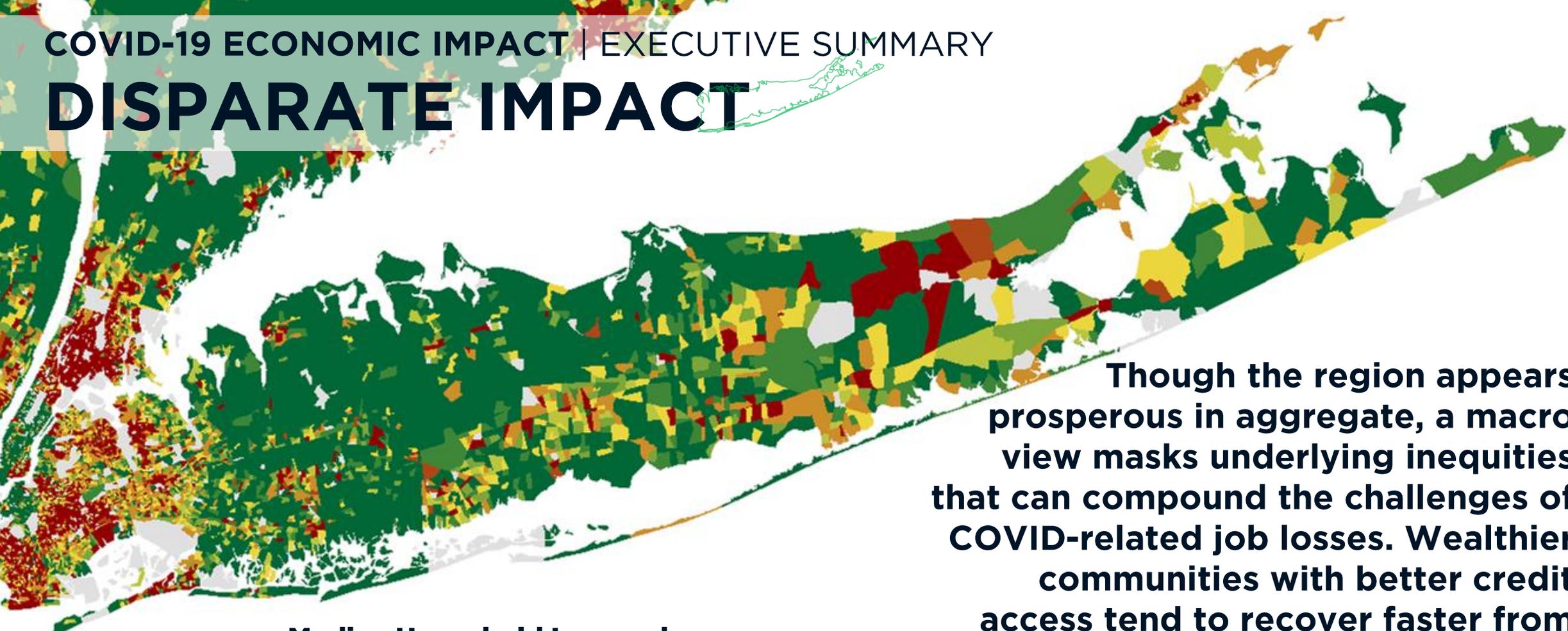


Source: EMSI

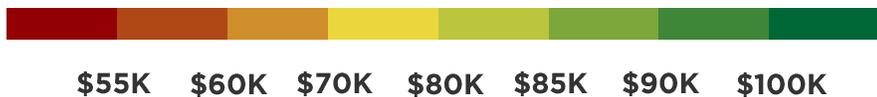
Job losses on Long Island are heavily concentrated among workers **without a post-secondary education** and those earning **less than \$35,000 per year**.

In addition to bearing a disproportionate share of job losses, lower-income households and communities of color may suffer from **slower recovery rates owing to pre-existing inequities** like limited credit access, lower mobility and access to opportunity, and lack of affordable housing.

DISPARATE IMPACT



**Median Household Income by
Census Block Group**



Though the region appears prosperous in aggregate, a macro view masks underlying inequities that can compound the challenges of COVID-related job losses. Wealthier communities with better credit access tend to recover faster from disasters such as Superstorm Sandy. Areas of concentrated poverty + restricted capital access should be considered as part of place-based approaches to COVID recovery.

Source: U.S. Census Bureau; Federal Reserve Bank of New York, *Long Island Credit Profile*, 2017.

ECONOMIC IMPACT



TOTAL ANNUAL ECONOMIC IMPACT OF COVID-19 ON LONG ISLAND (2020)

375K

NET JOB LOSSES ON LONG ISLAND
(VS. PRE-COVID LEVELS)

\$21 BILLION

EARNINGS LOSSES AMONG LONG
ISLAND WORKERS

\$61 BILLION

REDUCED ECONOMIC ACTIVITY ON
LONG ISLAND

RECOVERY

Recovery will occur in waves, with the starting point (trough) and duration differing by industry depending on public policy interventions, industry adaptivity, firm-worker dynamics, and business size.

Impact Category	Industries	Trough	Recovery Period	Percent of Jobs Recovered
First Wave	<ul style="list-style-type: none"> • Finance + insurance • Management of co. + enterprises • Professional + technical services • Government • Information 	Q3 2020	6 months (Q1 2021)	95%
Second Wave	<ul style="list-style-type: none"> • Real estate • Retail • Admin + waste services • Agriculture • Construction/utilities • Education • Health care + social assistance • Manufacturing • Wholesale trade • Other services 	Q2 2021	12 months (Q2 2022)	85%
Third Wave	<ul style="list-style-type: none"> • Accommodation + food services • Transportation + warehousing • Arts, entertainment, recreation 	Q4 2021	24 months (Q4 2023)	75%

RECOVERY



SURVEY FINDINGS

Business Recovery:

- **62%** of Nassau County businesses expect to recover in 2021; **10%** expect to recover in 5+ years (Hofstra)
- **6 of 10** higher education institutions on Long Island expect to recover in 5 years (LIRACHE)
- **34%** of real estate firms on Long Island expect to recover in 2021; **29%** expect to recover in 2-5 years (ABLI LIBI Real Estate Survey)

Business Closure:

- **8% of small businesses** (<25 employees) in Nassau County may close this year, compared to **3%** of businesses with more than 25 employees. (Hofstra)
- **50%** of businesses in Suffolk County have closed temporarily; **1%** of businesses have closed permanently (BRU Survey)
- **12%** of real estate firms report that **21%-50% of tenants** are closing down their business (ABLI LIBI Real Estate Survey)
- **One-third** of industrial businesses on Long Island are at risk of closing (HIA-LI)

ROADMAP TO RECOVERY



TIMELINE OF RECENT EVENTS + COUNTY ACTIONS



- Offering **stabilization loans** to small businesses, M/WBEs, and non-profits that did not receive federal stimulus funds
- Addressing **PPE supply needs** through procurement protocols and free PPE for certain small businesses, non-profits, and M/WBEs
- **Surveying local businesses** to understand needs and inform approaches to recovery
- Convening a Coronavirus **Economic Advisory Council** and **Fiscal Impact Task Force**
- Creating a **virtual “one stop shop”** for reopening resources and employment assistance
- **Leveraging open space, streets, and temporarily vacant structures** to expand access to outdoor programming, dining, and entertainment to restore consumer confidence

ROADMAP TO RECOVERY



Additional financial resources are needed to advance the Long Island region's recovery, including **budgetary relief** for local governments as well as additional support for **people, businesses, and places**, to include:

Financial

- **Federal funding** as outlined in the HEROES Act passed by the House, which included \$375B in **budgetary relief for local governments** to help avoid cuts to public services, layoffs, and/or tax increases, all of which could further negatively impact the local economy.
- **Extension of benefits** for workers and businesses given the on-going impacts of the pandemic and the likelihood of **multi-year impacts**.
- **Federal infrastructure funds** to address long-term impacts to the built environment, spur job creation, and transform the region to become more resilient in the face of future cataclysmic events and economic shocks.
- Continued federal relief programs to support **small businesses, encourage new businesses**, and recover **heavily impacted industries**.
- Assistance to states and counties for **workforce development, job retraining**, and **equity initiatives** in disproportionately affected communities and populations.

ROADMAP TO RECOVERY



Other interventions to advance this recovery framework include:

Regulatory

- Streamlining local approvals and permitting processes to **ensure 'shovel ready' construction work** is in the pipeline.
- **Developing policy changes and revitalization strategies** that target heavily impacted industries (e.g. Hospitality, Healthcare, Retail, and Construction) and commercial corridors (e.g. village downtowns and Main Streets).

Programmatic

- **Investing in training and reskilling for workers disproportionately impacted** by the crisis, many of whom will be limited in their ability to find alternative job opportunities given a mismatch between existing skills and those needed to access jobs in sectors quickest to recover.
- Partnering with local businesses and institutions to develop **on-the-job training programs.**