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## From Wall Street to Taxi Stand: The Recession Trickles Down

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*Photo by Ya-Hsuan Huang*

*18-year old Umar Irshad, whose father owns Pakistan Tea House in Tribeca, insists that his family would take money from their own pockets to keep employees on the payroll.*

Ever since he began driving taxis a few years ago, Mohammed Chowdhury has started his 5 p.m. shift the same way, steering off the Brooklyn Bridge to lower Manhattan's Water Street in search of his first fare. Upon finding a passenger, he would coast up the FDR Drive usually to an Upper East Side destination. It was an easy \$20 to start the night.

People used to go "crazy" trying to catch a cab in the financial district, Chowdhury said, gliding through light, rush-hour traffic a few weeks ago. But now that more than 13,000 finance jobs have [been lost](#) and another 18,000 are expected to disappear before Wall Street revives, things feel different.

The routes are less predictable, and the passengers are harder to find, Chowdhury said. "Every time I start working from there, I don't see that many people. It's really hard to find a passenger," he said. "This financial crisis is like a chain system. If the passengers lose their jobs now, they don't take cabs that much, or if they do maybe they do once in a week. Now we're losing those passengers, so ... we're making less money."

In other words, the effects of the turmoil on Wall Street extend far beyond investment bankers. As the recession's effects deepen and spread many people will turn to the city for help. But given the government's own strained circumstances, how much can - and should it do?



*Photo by Stobhan Devine  
Chowdhury in front of his cab*

## The Falling Dominos

In looking at the current economic turmoil, the New York City comptroller's office has focused on the financial sector's "multiplier effect," the process by which one job lost on Wall Street leads to an estimated one and a half lost jobs elsewhere in the city. As firms dismiss staff, they "don't require as much in terms of support, like from an outside legal counsel or from a consultant, or in terms of office supplies," said Marcia Van Wagner, deputy comptroller for the budget. Less business for the supporting industries sparks additional layoffs, all linked in a chain through their own multiplier effects. Moreover, said Van Wagner, as people lose income, "they're not spending their money in restaurants, they're not going out and buying their new apartment, they have to fire the babysitter."

The economic downturn is national - earlier this month, the National Bureau of Economic Research confirmed that the country was in a recession and the U.S. Department of Labor announced an overwhelming 533,000 jobs lost in November. Although New York's economy initially seemed immune, expanding while the nation's began to contract, a report [released last week](#) by the Fiscal Policy Institute showed that the city is catching up. Initial unemployment filings for the 12 weeks ending November 21 increased almost 42 percent over the same period last year. The institute predicts an unemployment rate between 8.5 and 9 percent in 2009 and Comptroller William Thompson announced

Thursday that job losses could reach 170,000 by late 2010. For its part, the city's Office of Management and Budget expects a loss of 147,000 jobs.

New York suffers from a "double whammy" given the weight of the securities industry in the local economy, said Van Wagner. "The finance sector has such a disproportionate impact. There may be some other [city] sector that has unusually high wages but they're just not anywhere near as big as the finance sector," she said. According to a 2007 [osc.state.ny.us/osdc/rpt5-2008.pdf](http://osc.state.ny.us/osdc/rpt5-2008.pdf) report by the New York State comptroller, the securities industry accounts for 23 percent of the city's wages and 9 percent of its tax revenue.

Wall Street employs only 5 per cent of the city's workers, and the Office of Management and Budget [expects](#) it will absorb only 31,000, or roughly one fifth, of the city's layoffs. But the generous year-end bonuses and lavish spending that accompanied the boom have faded, affecting businesses throughout the city and weakening city tax revenues. In short, it has taken little time for the fallout to trickle down to people like Mohammed Chowdhury.

## Trickle Down

Taxi rides in October, the latest month for which data is available, averaged approximately 425,000 per day, including weekends, a level that Commissioner Matthew W. Daus of the Taxi and Limousine Commission characterized as "consistent" with previous levels. And while the commission did not have data readily available, it dismissed the idea that there has been a significant change in the duration of the average ride.

Nonetheless, Chowdhury maintains that passengers are scarcer than they were last year and that trips are not as long. He said he has also had customers short the fare. "I ask them, 'What happened?'" he said. "'They say, 'I don't have enough money, is that OK?' Forget about the tips! ... They're giving me \$3 less [than the fare.]" In total, Chowdhury estimates that he is earning roughly \$100 less per weeknight this winter than he did in 2007. Weekend business remains fairly stable, he said: "Lots of kids going out, they don't care if they don't have a job, they still going to the bar."

With less income, Chowdhury and his fellow drivers are cutting back on the same luxuries that other New Yorkers are eschewing, such as eating out. "Most of the yellow cab drivers, they used to sit down, take their sweet time eating and gossiping, because they make enough money," he said. "Now I think they work more, and they bring their food from home."

The trend is widespread. According to Nina and Tim Zagat, creators of the restaurant guide, one third of respondents to their most recent survey are eating out less, and one fifth say they're ordering less alcohol and fewer appetizers and desserts. Restaurant openings in New York City fell from 163 last year to 119 this year.

The Zagats believe that the nation's restaurant industry will prove resilient, though, as they wrote in an October Wall Street Journal [op-ed](#). One reason for optimism is the emergence of what they call BATH, or Better Alternatives to Home, establishments. These are "modestly priced eateries," including "noodle shops and myriad ethnic places," that can be a more efficient choice than home-cooked meals, they wrote. But even some of those restaurants are feeling the effects of the downturn, if one, Tribeca's renowned Pakistan Tea House, is any indication.

The restaurant offers combination plates of South Asian fare, including fresh-baked bread, for less than \$10. Its lunch crowd is dominated by businesspeople, while the late shift hosts the restaurant's taxi-driver clientele, for whom the kitchen concocts an extra-spicy chicken curry. Business during both shifts is slower this year than last. "Before, at lunchtime, after 12, it used to be really good, the line was outside the door on the sidewalk," said 18-year old Umar Irshad, whose father owns the Tea House. "Now, it's not like that."

Although drivers still stop by, they order less, Irshad said. "They buy a tea, or a samosa. They won't take a whole plate," he said. To try to increase business, Irshad has begun making deliveries on his own and passing out business cards to friends from school. While business remains slow, Irshad insists that his family would take money from their own pockets to keep employees on the payroll.

Not all employers can promise the same. Irshad said he has overheard business people at the Tea House lamenting being fired and taxi drivers wishing they could find different work. Job insecurity has become a recurrent theme in headlines and water-cooler talk around the city: the production company that fell short of its projected budget, the writing workshop whose recently laid-off participants needed to pay the class fee in installments, the non-profit that might close its doors entirely.

Chowdhury worries that job losses in other sectors might lead to an over-supply of taxi drivers, as people look for new, or additional, sources of employment. "Before, they don't have enough drivers, they're looking for the drivers," he said. "Now, the garage has enough drivers, more than enough." His fears of heightened competition may be well founded. According to Commissioner Daus, 23.9 percent more licenses were issued between August and November of this year than during the same period in 2007.

## Safety Nets

While workers in the finance industry may have felt the recession's effects first, they also are more likely to be able to weather the downturn. According to the state comptroller's report, the average securities-industry salary in 2006 was \$339,310, while the city estimates that roughly 44 percent of New Yorkers live below 150 percent of the poverty line (or a little more than \$39,000 for a family of four). Many of those caught in the wake of the crisis have had to turn to charities and other safety nets.

Unfortunately, a decrease in donations and corporate giving has constricted the budgets of many of the city's charitable organizations, causing safety nets to wear thin. (See Gotham Gazette's slide show, "[Feeling the Pinch Despite the Season.](#)") [City Harvest](#), which collects unwanted food from New York's restaurants and redistributes it to emergency food providers, is experiencing a \$315,000, or 9 percent, shortfall in its annual budget. But demand for its services is growing. "Not only are we a charity affected by financial downturn, but we're also trying to help the people who are affected by the financial downturn," said City Harvest's vice president of operations, Jennifer McLean.

According to a survey that City Harvest conducted this fall, 75 percent of responding emergency food providers said that they were serving first-time clients, and 60 percent said that their clients were traveling farther to receive emergency food. At the Mobile Market in the South Bronx, one of two sites where City Harvest distributes produce directly to individuals, McLean estimates that demand has increased by 20 percent since August. "Ever since mid-summer, all of a sudden the numbers just started climbing at every single market," she said. "We're not giving away anything that's super tantalizing, like a finished good," she continued. "They're lining up for cabbage! ...They're lining up for carrots! And they're getting there at six in the morning!"

## Looking to the City

The city has taken some steps to address the problem. In October, Mayor Michael Bloomberg announced [18 initiatives](#) to ameliorate the crisis, including providing \$1.3 million in frozen vegetables for the city's emergency food providers. "We can't eliminate the burden many will feel and we can't act as a substitute for failing or missing federal assistance in every case, but by creating real jobs and providing targeted assistance to small businesses, homeowners and vulnerable New Yorkers, we can provide meaningful help to those who need it most," Bloomberg stated in a press release.

City Hall plans to use federal and state funds to support the initiatives, which include investing in local infrastructure to create 25,000 jobs, expanding the city's loan guarantee program to 400 small businesses and non-profits, enhancing job training and placement services, and funding the acquisition of up to 115 foreclosed properties to develop more than 250 affordable homes.

Advocacy organizations like the New York City Coalition Against Hunger praised the plan. In particular they applauded [proposals](#) to expand the city's in-classroom breakfast program and to ease the food stamp application process for eligible seniors.

Some advocates, though, think the city should be doing more. "Though Bloomberg's initiatives will help some struggling New Yorkers, we call on the city to support the very poor by fighting for raising welfare benefit and affordable housing," said Veda Myers, hunger and food stamp coordinator at Hunger Action Network of New York State, in an email.

On the other hand, some critics worry the city is spending money it does not have. An [editorial](#) in the New York Post faulted the mayor's plan for "shoveling out the cash like Halloween candy." It warned that the initiative would make it harder to "convince the public that the city's money spigot is dry."

Certainly, it may become increasingly difficult for the city to provide assistance. The Office of Management and Budget predicts that the tax revenues collected in 2009 and 2010 will fall shy of the amount collected in 2008 by \$2.6 and \$3.1 billion, respectively. As a result, the city faces having to [cut billions](#) in spending. In September, the mayor ordered that city agencies cut their 2009 and 2010 annual budgets by 2.5 percent and 5 percent, respectively. And last week he called for an additional 7 percent reduction in spending for the 2010 fiscal year, to begin July 1, 2009. Bloomberg has promised that the city's quality of life will not suffer as a result, but Van Wagner warned that sweeping budget cuts would inevitably lead to the deterioration of public services, such as policing and education.

Fiscal constraints presumably also preclude the city from taking sweeping steps to help the newly unemployed or underemployed, and could cause the city to cut programs aimed at helping low income New Yorkers.

City Harvest's McClean remains concerned about the future. "At what rate are people going to have to start needing help?" she wondered, adding that she didn't think New York had felt the full effect of the crisis yet. "That's my biggest concern," she continued, "where's it going to stop and will we have enough to do something meaningful about it?"

Nevertheless, Van Wagner believes the city is doing it's best. "You can quibble about particulars, but generally, under these circumstances, what do you do? You have to cut spending and you have to find ways to raise revenue. Given a problem of this scale, one or the other really isn't going to do the trick. You really have to have a multi-faceted approach to get the situation under control."

In the meantime, the city problems continue to affect lives even beyond its and the nation's borders. According to Chowdhury, the most significant reduction in his expenditures is the amount he sends home to his family in Bangladesh. "I used to send them every month like \$600. Now I'm sending them like \$300, \$320" he said. "Maybe before they used to eat better, now they have to cut back, they have to eat something different because I cannot afford it." According to the [World Bank](#), the global flow of remittances to developing countries began to slow in the third quarter of 2008, and is expected to decelerate further in 2009.

But while funds may be limited, sympathy is not. "They're very used to taking a cab, going to the Upper East Side," said Chowdhury of his passengers. "Now I feel bad for them because they have to go to the subway and fight with other people, standing up."