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A jobless summer for teenagers, again

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A jobless summer for teenagers, again

36% of 16- to 19-year-olds unemployed

BY CARL GAINES

END-OF-SCHOOL-YEAR celebrations and joy at the arrival of summer might be short-lived for young people in the New York area as they come up against bleak prospects for jobs. The unemployment rate for 16- to 19-year-olds in the city sits at a staggering 35.9%. This, despite the fact that in May, the overall unemployment rate fell for the fifth consecutive month, to 9.6%. Adding to this, young people will soon face the reality that many of the jobs they previously took for the summer are now spoken for by older, more experienced workers who have traded down during the tough economy. The result may cut deeper than yet another summer spent without learning basic job skills and earning spending money, as young people struggle to find constructive ways to fill their time. Adair Maxwell, a Queens resident, has been looking for summer work to no avail, insuring, at retailers and, on a recent morning, attending a college and career counseling day hosted by DeLott, an accounting and consulting firm. "Honestly don't know what I'd do if I don't find something," says Mr. Maxwell, 16, who fears a repeat of last summer, when he was unable to land a job. "I'm trying to save money to help pay for college." At a disadvantage Mr. Maxwell, like thousands of others, has applied to the Summer Youth Employment Program, a city-run jobs program that serves 14- to 24-year-olds. But he isn't hopeful. "I've applied to the program two years now and never gotten it," he says, adding that it feels he's an disin- vested to the program because the program also helps place young adults who have more experience. New York State Labor Commissioner Casandra Gardner hopes that the American Jobs and Closing Tax Loopholes Act of 2010, currently being considered in the U.S. Senate, will brighten the prospects for young job seekers. The bill includes $11 billion for summer jobs nationally. "We think that will translate to $54 million for summer youth employment in the state and an additional 10,000 Summer Youth Employment Program jobs in the city," Mr. Gardner says. Prospects equally bleak This would increase the number of young people the program can serve to 39,000. But even so, the program has received more than 140,000 applications. Xavier Knight, a Queens teen who also attended the DeLott seminar, feels his summer work prospects are just as bleak—especially because of his age and gender. See JOBLESS on Page 80

Wall Street career dogs new

Robert Steel has a great résumé, but is he right man to help emerging firms?

BY DANIEL MASSEY

WEARING NEW YORK OFF of its heavy dependence on Wall Street has long been an elusive goal for city officials—the securities industry, after all, accounted for a whopping 24% of all income in the city last year. But in the face of the Great Recession, the Bloomberg administration rebuffed those efforts, shifting its economic development strategy away from big business and real estate projects and toward promoting entrepreneurship and sectors like media, fashion and biotech. "What we’re really looking to do is rein- vent the city’s economy," Seth Pinkus, president of the city’s Economic Development Corp., told Crain’s last year. "It’s all about being creative, about trying to think in ways we haven’t thought before, so to a transition to an economy that is ever more strong and diverse than the economy we had before the downturn." That effort was expected to be a hallmark of Mayor Michael Bloomberg’s third term. And that’s why last Tuesday’s appointment of former Goldman Sachs executive, Wachovia chief and U.S. Treasury official Robert Steel as deputy mayor of economic development left some politicians scratching their heads and many small business owners utterly mystified. In a Huffington Post blog entry, John Petro, a senior policy analyst at liberal public-policy think tank Drum Major Institute, asked: "Will the new deputy mayor, with such strong ties to the financial industry, be willing or able to move New York City away from its reliance on the financial sector?" Meanwhile, some entrepreneurs lamented a missed opportunity to get a deputy mayor who understands them. Steven Hindy, president of Brooklyn Brew- ery in Williamsburg, believes that people from the finance world like Mr. Steel and his predecessor, Lehman Brothers veteran Robert Lieber, do not know what the city’s small businesses need. "The finance world has nothing to do with the world we work in," he says. "Those guys, their lives are about making money; I make beer, I grow hops, I work with people. And that’s very different than making money." He said if elected...
Loft Law menaces manufacturers

Continued from Page 3

Although North, Bucksly, Greenpoint-Westburg and Maspeth, Queens—were not.

Sixty-one out of the 250 local officials were lobbying Albany last week to replace Maspeth with a different Queens B.D.T., most likely Long Is-

land City. But for now, in the wake of the bill's signing, businesses in those three neighborhoods are fear-

ing a wave of residential conversions that could drive them out of their premises by pushing up rents and depriving them of expansion space.

Additionally, since the law will allow current residents in those neighborhoods to remain, so too will the ex-

iting conflicts with manufacturers.

"I feel somewhat betrayed by the state, which came in with a heavy hand without worrying about the conse-

quences," says Tod Greenfield of Martin Greenfield Clothiers in east Williamsburg. "This law will change neighborhoods and make them undesirable for businesses."

Proponents of the new law insist that it will protect residents in in-

dustrial buildings from unsafe condi-

tions by requiring their landlords to officially convert those units for residential use and upgrade fire and safety standards.

Nine months to act

The Loft Law will affect buildings that have more than 25% of their tenants who have lived there for 12 consecutive months from 2008 to 2009. Landlords will have nine months from when the law takes ef-

fect in the coming weeks to apply for the proper conversion. At the same
time, their tenants for the first time will have the right to rent stabili-

zation.

While that is good news for res-

idents, advocates for manufacturers argue that the law will put pressure on at least 800 companies with 11,700 employees in the three

Industrial Business Zones where the Loft Law applies. According to the New York Industrial Retention

Network, the three areas account for more than 20% of the city's total manu-
facturing jobs.

"We understand the demand for housing, but it amazes me that the state could do this in this economic climate," says Sarah Crean, deputy director of the New York Industrial Retention Network. "It sends a message that it's OK to convert buildings illegally and put manu-

facturers against a wall."

Rich incentives

For landlords, the incentives to go residential can be huge. Brokers say owners can charge residents at least three times more than they would charge manufacturers, with services like 24-

hour maintenance, which would pay $10 to $12 per square foot.

"Our delivery

trucks start at 6

in the morning, and residents

complain"

In Williamsburg, where Sunshine Food is housed in a 100,000-square- foot building it bought in 1989, space has been getting harder to find for years. Unfavourable lease to expand anywhere near its house base, where it employs 300, Sunshine Food instead leased 200,000 square feet for vegetable-processing plants in Queens and on Long Island.

"My concern is keeping those jobs," says Sunshine's CEO, Louis Archbold, executive director of the East Williamsburg Valley Industri-

al Development Corp. "We are los-

ing jobs to parts of Long Island, New Jersey and Connecticut."

Tenants advocate pointing out,however, that the vast bulk of the city's 7,300 manufacturers will be unaffected by the law. Meanwhile, residents in rent-stabilized units, many of them working artists, will get safer places to live as the city enforces stricter residential building codes. Under the law, the city can fine building owners $17,500 for a violation, compared with a mere $1,000 previ-

ously.

"The law will not cause further erosion of industrial space," insists Chuck DeLancy, a longtime loft dweller who co-founded the advo-
cacy group Lower Manhattan Loft Tenants and represents tenants on the Loft Board, which regulates conversion of lofts.

"It's not residential tenants that force businesses out of a neighbor-

hood, Mr. DeLancy says: "The rea-

sons why businesses leave the city is because of infrastructure cost and city rezonings."

300 loft buildings

There is no official count on how many tenants will benefit from the law, but Mr. DeLancy estimates that there are roughly 300 loft build-
ings in the city that will be legal-

ized under the new law.

For manufacturers located near one of those properties, however, the prospect of more residents is daunting.

"The number of residents, Martin Greenfield Clothiers is a crisis in point.

To accommodate residents living near his Williamsburg plant, he waits till later to switch on the in-

dustrial vacuum he uses to dry clothes.

Sunton Food has run into similar problems:

"Our delivery trucks start at 6 in the morning, and residents com-

plain about noise, all the time," says Willick Chan, the company's human resources manager, adding that the problems started a couple of years ago when one landlord started illegally renting to residents. "They even throw eggs at us."

A jobless summer for teens

Continued from Page 2

"It's kind of bad because people actually want to be of more responsi-

ble than guys," Mr. Knight, 16, says.

"Also, older people have more expe-

rience, so employers would rather hire them."

John Challenger, chief executive of Challenger Gray & Christmas, an out-

placement consulting firm, says that proactive practices, such as going directly to shops and speak-

ing with managers, are all-import-

ant to teen job seekers.

Hitting the mails

"They have to go out and meet the managers of these retail stores and get their names on a bunch of lists to be count-

ed," Mr. Challenger says. "It's great experience on how to look for a job, and that's career experience in itself."

Teens without summer jobs are his-

torically at a higher risk for drug use and crime, says Mr. Challenger.

78 - of New York Business / June 30, 2010

Jeffrey Durocher, director of the Center for Policy Management at the Hudson Institute, a Washington, D.C.-based think tank.

Ms. Gardner and others agree, pointing out social advantages for young people who spend their sum-

mers working. "The stats show that young people who have jobs are less likely to get involved with gangs, sub-

stance abuse and pregnancy," she says. "This is the No. 1 predictor of success later on."

Ms. Gardner adds that many teens spend the money earned over the summer rather than saving it—

which can help the local economy.

Dusak Sullivan, 21, had been working for a life insurance company in a clerical role before she was laid off earlier this year. She may be happier than Merson. Maxwell and Knight, but getting back on her feet hasn't been any easier.

Back to school

"EVERY DAY IS HARD, because you run out of places to look," says Ms. Sullivan, who has been living at Covenant House, a shelter for homeless teens. "My background is mostly clerical, but I've been looking for anything—you can't really pick and choose."

Though she continues to look, she's already planning for the future by doing what many older unemployed workers chose to do at the height of the recession: heading back to school. She plans to study criminal justice at River Commu-

nity College in the fall, following ex-

pert advice about remaining flexible and not being a know-it-all.

"Sometimes I don't even want to start," Ms. Sullivan says, "but I'll stay here."

Betong oil won't tank

Continued from Page 1

five of what the shipping set under-

standably calls "very large crude carri-

ers"—the kind that can hold 2 mil-

lion barrels.

The move comes as oil drillers and shippers face tougher regula-

tions and higher costs. Adding to the risks, Mr. Georgiopoulos's deal expands the size of General Mar-

itime's fleet by more than 50%, with the building of a new tanker is expected to hit the market. New sup-

ply could induce shipping prices to crash and swamp the heavily indebted

company.

He's optimistic

Under the agreement, Mr. Georgiopo-

lous doesn't see things in such a gloomy light. The plain-spoken Greek native—who once dismissed an English speechwriter for reason-

ing his speeches with such pithy words as "white"—insists that now is the time to strike. He argues that ships are attractively priced after their values fell by half last year, and he sees evidence of economic recover-

y taking hold.

"I'm feeling confident," he pro-

claimed at an industry conference last week. "I'm feeling things are getting better here in the States. And I think we'll all be dead before there's a collapse in China."

The 49-year-old former Wall Street banker has shown a spectac-

ular sense of timing in the past.

When oil prices were hovering at $12 a barrel back in 1997, and the shipping business had tanked, Mr. Georgiopoulos started General Maritime and it is now the fourth-largest publicly traded ship-

ping company, with $67 million in operating income last year on $350 million in revenue.

He built the company by stocking up on ships at depressed prices and selling many of them near the top of the market in 2005 and 2006. In less than a decade, he had translated the $80 million in capital he used to start his enterprise into $1.4 billion in div-

idends and share buybacks.

"He's got a great sense of the deal," says Peter Sharet, a General Maritime board member and manag-

ing director of investment bank A.M.A Capital Partners.

Mr. Georgiopoulos declined to be interviewed for this article—

begging off, he says, because his bankers at Goldman Sachs didn't want him to talk to the press. But some insiders seem to fear that this dea-

master's touch has eluded him in his latest bidding for oil tankers. Amid a general slump in shipping stocks, General Maritime shares have been especially dismal, falling about 79% in the past two years to $6.50 a

piece. Nervous bankers would only lend the company enough money to cover 60% of the cost of its new

tankers, forcing Mr. Georgiopoulos to raise most of the balance by selling $196 million of stock last week, which diluted existing shareholders' stakes by nearly 50%.

Getting that painful deal done apparently took all of Mr. Geo-

giopoulos's dealmaking skills, as he re-

minded investors of the many good
times they shared in more prosperous
times. "Look, we started with $80 million, we gave away $1.4 billion," he says to investors. "Give us another $200 million back."

Even with the money, General Maritime has little margin for error. It carries $1 billion in debt and only $15.9 million of unrestricted cash, and it has pledged just about all of its assets as collateral, according to Standard & Poor's.

Changing world

THAT FINANCIAL CRISIS COULD BE manageable in ordinary times, but the Gulf disaster may be a game-

changer even once an angry Congress and embattled regulators finish with the oil business.

"Our world is changing," says

Morten Anhede, CEO of Manhat-

tan Shipping Group, an integrated Group, warned at a conference last week. "We will get unlimited liabi-

lity as soon as the Gulf oil spill is over. I'm not sure anyone knows what that means yet except we all know that it's going to cost us a lot more."

The other issue lies in the flood of new ships about to hit the waves. Shipyards are scheduled to complete construction of enough new huge tankers to increase the size of the world's fleet by nearly 30% next year. Whether the new capacity will be delayed or even canceled is a topic of huge debate within the industry.

Their arrival could trigger a "2007-type depression" in shipping rates, Stene Agden & Leach analyst Salvatore Vitale warned in a recent client report. Rates on the very largest oil tankers next year collapsed to as little as $20,000 a day from $90,000 when it was first offered

"If the 2011 official supply pic-

ture becomes reality," Mr. Vitale ad-

vises, "run for the hills."