

2008 in Review: New York State's Labor Markets
An Economic Report to the Workforce System

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New York State Department of Labor
Division of Research and Statistics

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Preface

During 2008, the national and New York State economies experienced dramatic contractions that reversed years of job growth and threw thousands of workers into unemployment. Those events are summarized in the attached analysis of information on New York State and its 10 regions based on data for December 2007 and December 2008. This briefing also touches on broad expectations for 2009.

Monthly statistics concerning statewide or regional labor markets can be found on the Labor Department's website at www.labor.state.ny.us.

Data in this briefing are subject to revision based on our annual benchmarking process (as prescribed by the USDOL's Bureau of Labor Statistics). Revised data will be released in March 2010.

We expect that those revisions will be minimal. We expect that the basic, underlying trends outlined here will be reflected in the revised data as well.

New York State

For the 12-month period ending in December 2008, the total nonfarm job count (private plus public sectors) in New York State decreased by 103,400 or 1.2 percent (not seasonally adjusted). This marked the first year in which jobs have decreased in New York since 2003. During the same period, the total number of nonfarm jobs in the U.S. decreased by 2.1 percent. The state's private sector job count decreased by 106,000 or 1.4 percent (not seasonally adjusted), while the number of private sector jobs in the U.S. decreased by 2.7 percent.

Not all statewide industry sectors in New York experienced employment declines, however. Among those gaining over the year, educational and health services added the largest number of jobs (+26,900) of any private sector industry classification in the state. This increase was focused within the health care and social assistance (+16,000) component. Employment also increased over the year in the other services (+5,100) and government (+2,600) sectors.

Nonfarm Jobs, December 2008 vs. December 2007 New York State (Data in thousands)

Industry Sector	Dec. 2008	Dec. 2007	Over the Year Change	
			Net	Percent
Total Nonfarm	8,818.1	8,921.5	-103.4	-1.2%
Total Private	7,284.3	7,390.3	-106.0	-1.4%
Natural Resources and Mining	6.1	6.2	-0.1	-1.6%
Construction	345.1	358.8	-13.7	-3.8%
Manufacturing	521.5	548.7	-27.2	-5.0%
Trade, Transportation and Utilities	1,545.4	1,593.5	-48.1	-3.0%
Information	262.9	266.7	-3.8	-1.4%
Financial Activities	711	735.8	-24.8	-3.4%
Professional and Business Services	1,145.6	1,165.1	-19.5	-1.7%
Educational and Health Services	1,674.2	1,647.3	26.9	1.6%
Leisure and Hospitality	700.1	700.9	-0.8	-0.1%
Other Services	372.4	367.3	5.1	1.4%
Government	1,533.8	1,531.2	2.6	0.2%

The trade, transportation and utilities sector (-48,100) registered the largest over-the-year drop, with job losses concentrated in retail trade (-26,300). Employment in the manufacturing sector also declined significantly, falling by 27,200. Manufacturing job losses were greatest in durable goods (-16,800). Looking over the year, durable goods losses were centered in motor vehicle parts manufacturing (-4,200). Losses in non-durable goods (-10,400) were largest in printing (-2,200) and chemicals (-2,100).

The third largest year-over-year job loss was in the financial activities sector (-24,800). Losses in this sector were largest in securities, commodity contracts, and other financial activities (-10,100).

The professional and business services sector experienced the fourth largest job loss (-19,500) between December 2007 and December 2008. Losses were primarily in administrative and support services (-18,700), which includes temporary help agencies (-16,700). Over-the-year declines were also recorded in the construction (-13,700), information (-3,800), leisure and hospitality (-800) and natural resources and mining (-100) sectors.

Economic Outlook

The U.S. economy entered 2009 in crisis, mired in a recession that began in December 2007, according to the National Bureau of Economic Research, and is steadily deepening, perhaps to a depth unseen since the Great Depression of the 1930s. The results are uniformly grim -- real GDP posted its worst performance in the fourth quarter of 2008 since 1982, consumer confidence and spending are falling, exports are weakening, financial markets are in turmoil, energy prices remain volatile, and both housing starts and prices continue to decline.

Most analysts believe the economy's near-term outlook remains bleak. With real GDP continuing to drop in the first half of 2009, it is too soon to look for signs of recovery. Many expect the downturn to last 18-24 months, the longest in the post-war era. A return to solid growth is at least a year away.

The economic outlook for New York State is closely linked to what occurs nationally. However, recessions in New York tend to be significantly longer than their national counterparts, a trend that has become more pronounced over the past 20 years. The last three recessions in New York State (dating back to 1981) have averaged more than 2½ years in length, while the last three national recessions have averaged less than one year in duration.

Accompanying the economic downturn has been a severe decline in the state and national labor markets. Recent employment reports underscore the twin problems of job loss and rising unemployment facing the U.S. and New York State. The jobs of roughly 3 million American workers evaporated in 2008, on a scale much larger than anyone anticipated even just a few months earlier. This staggering job loss is an unmistakable sign that the recession continues to deepen and penetrate every sector of the economy. As of December 2008, there were 11.1 million unemployed workers in the U.S., more than at any time in the past 25 years.

The hemorrhaging of jobs in New York accelerated at the end of 2008, as the state lost more than 105,000 nonfarm jobs during the last three months of the year. By December 2008, the number of unemployed in the state (637,900) was at its highest level since April 1994, while the unemployment rate (6.6 percent) continued to trend upward (all data seasonally adjusted). Of perhaps even greater concern is the speed at which New York's unemployment statistics have climbed.

“Rainy Day” Index Update

The overall economic slowdown in New York is confirmed by one other broad measure of economic activity in New York State -- the New York State Department of Labor's Index of Coincident Economic Indicators (ICEI), also known as the “Rainy Day” index. During 2008, the general direction of the ICEI was downward. It peaked in February 2008, but then declined for four consecutive months. However, the index rose in July 2008. The ICEI has resumed its downward march, and declined for the five month period ending in December.

Turmoil on Wall Street

The state's economy faces a number of key challenges. Chief among these concerns is that the financial services sector -- which generates more than 20 percent of state tax revenues -- remains in turmoil. In a single calendar quarter, this country's largest savings and loan, its largest insurance company, its two largest mortgage providers, its largest brokerage firm and a leading commercial bank were the subject of a takeover, bailout or failure.

The New York State Department of Labor expects Wall Street layoffs to reach 45,000 by the end of 2009; this would be 50 percent higher than after the 9/11 World Trade Center attacks, when layoffs totaled 30,000. The Department is coordinating a three-state research initiative (with New Jersey and Connecticut) which is examining the impact of financial sector turmoil on the greater metropolitan New York City area (Tri-State area), which includes: New York City (five boroughs); the Long Island and Hudson Valley regions of New York; two counties in Connecticut; and six counties in New Jersey. The Federal Reserve Bank of New York is also participating. We project that total financial sector employment losses in the Tri-State area in 2008 and 2009 will be approximately 87,000, of which about 74,000 will occur in New York State. Of the expected losses in New York State, 68,000 are expected to occur in NYC, including the 45,000 securities and commodities industry (Wall Street) job losses outlined above. These projected declines represent "direct" job losses and do not take into account any "ripple" effect.

Industry consolidation is expected to continue. In January, Citigroup announced that it plans to sell a controlling interest in its Smith Barney brokerage unit to Morgan Stanley. Troubled Swiss banking giant UBS held preliminary talks with Wachovia Securities about forging a joint venture of the pair's North American wealth-management units, which would combine UBS' wealth-management shop, which has more than 8,000 retail brokers in the U.S., with Wachovia Securities' 16,000 financial advisers.

The deepening crisis on Wall Street continues to result in thousands of layoffs. Bank of America Corp., which purchased securities firm Merrill Lynch & Co. in late 2008, plans to eliminate 30,000-35,000 jobs over three years after it completes its purchase of Merrill. In a company-wide cost-cutting plan, Citigroup Inc. is embarking on another huge round of layoffs. The company plans to eliminate more than 50,000 jobs over the next few quarters, and has instructed officials to slash their budgets for employee compensation by at least 25 percent.

Storied investment banks Goldman Sachs and Morgan Stanley are now bank holding companies. This development is part of a broader trend toward less risk-taking, due in part to stricter government rules about how much money financial firms can leverage or borrow. While this change will result in less risk, there is also less potential for profit, and hence lower employee salaries going forward at Wall Street firms.

Manufacturing's Long-Term Decline

The state's manufacturing base continued its long-term decline in 2008, shedding 27,200 jobs between December 2007 and December 2008. Over the 10-year period ending in December 2008, manufacturing employment in the state dropped by more than 263,300 or about one in three factory jobs.

The downturn in manufacturing has a disproportionate effect on the Upstate region, where the sector accounts for an above-average concentration of jobs and wages. Of particular concern are the thousands of New York State auto industry jobs (concentrated in the Central, Finger Lakes, and Western regions) that remain in jeopardy as the combination of declining auto sales, tight credit, and the downsizing of Detroit's ailing Big Three automakers all cloud the outlook for this economically critical sector. The most recent development was the announcement in early February that Canadian firm Magna International Inc. will close its New Process Gear plant in Syracuse, after union workers rejected a new contract. Owners said a new agreement was essential to keep the plant operating. About 1,400 people are employed at the transmission parts plant.

One bright spot in manufacturing is the recently announced multibillion-dollar Global Foundries computer chip fabrication factory coming to Saratoga County. The project has been hailed as the largest industrial investment in the history of New York State. The new factory is projected to cost \$4.6 billion and is expected to employ 1,400 with an annual payroll of over \$80 million. Published reports estimate an additional 5,050 jobs will be created in the local economy to support and serve the chip fabrication plant. The collective payrolls would top \$200 million. During the two-year construction phase, the project is projected to create 4,300 different construction jobs, with a maximum of 1,200 at any one time, with an annual payroll of \$210 million.

Capital Region

Over the 12-month period ending December 2008, the number of total nonfarm jobs in the Albany-Schenectady-Troy (A-S-T) metropolitan statistical area fell by 6,900, or 1.5 percent, to 450,600. Job losses were widespread as the trade, transportation and utilities (-3,000), government (-1,700), leisure and hospitality (-1,200), manufacturing (-700), natural resources, mining and construction (-500), and information (-400) sectors all experienced significant reductions. Job gains were limited to educational and health services (+600), professional and business services (+100), and other services (+100).

Nonfarm Jobs, December 2008 vs. December 2007 Albany-Schenectady-Troy MSA (Data in thousands)

Industry Sector	Dec. 2008	Dec. 2007	Over the Year Change	
			Net	Percent
Total Nonfarm	450.6	457.5	-6.9	-1.5%
Total Private	341.4	346.6	-5.2	-1.5%
Natural Resources, Mining and Construction	17.4	17.9	-0.5	-2.8%
Manufacturing	22.3	23.0	-0.7	-3.0%
Trade, Transportation and Utilities	77.3	80.3	-3.0	-3.7%
Information	9.4	9.8	-0.4	-4.0%
Financial Activities	25.9	26.1	-0.2	-0.8%
Professional and Business Services	55.5	55.4	0.1	0.2%
Educational and Health Services	83.8	83.2	0.6	0.7%
Leisure and Hospitality	31.2	32.4	-1.2	-3.7%
Other Services	18.6	18.5	0.1	0.5%
Government	109.2	110.9	-1.7	-1.5%

The December 2007-to-December 2008 job loss was the worst since 1991, and pulled the total nonfarm job count down to its lowest December level in four years. For several industry sectors, the historical comparison is worse yet. Trade, transportation and utilities employment was at its lowest December level since 1994. Two industry sectors, manufacturing and information, were at their lowest December levels on record. In contrast, three sectors -- professional and business services; educational and health services; and other services -- registered record-high December job counts in 2008. Data for the metro area dates back to 1990.

The A-S-T area's unemployment rate stood at 5.9 percent in December 2008, up from 4.3 percent in December 2007 and 3.5 percent in December 2006. The 2008 rate for December equaled the record-high December rate reached in 1991.

The high concentration of educational services, health care services and State government jobs has historically insulated the A-S-T area from the full extent of business cycle fluctuations. While these relatively recession-resistant industries dampen the area's long-term growth rate, they also soften the shock during times of economic contraction.

A key concern facing the Capital District in early 2009 was looming possible cutbacks in State government employment levels due, in part, to declining tax revenues brought on by contractions on Wall Street. However, in a June 5, 2009 press release, Governor Paterson and the major public employee unions announced they had reached an agreement that averts the need for layoffs by reforming the state's pension system, saving taxpayers approximately \$440 million. A targeted, one-time \$20,000 separation incentive payment will be offered to approximately 4,500 State employees. In addition, approximately 2,500 funded positions that are currently vacant will be permanently abolished. These cutbacks in staffing levels will dampen future consumer spending in the Capital District.

Educational institutions, hit by shrinking endowments, are applying hiring freezes, and in the case of Rensselaer Polytechnic Institute, using layoffs to help cut costs. Even health care providers, fearful of government funding reductions and a slowdown in income-generating elective surgery procedures, are looking to reduce non-clinical staffing in an effort to cut costs.

With no signs of improvement in the national or global economy, and local business and consumer confidence plummeting, short-term prospects for the region's labor market are grim. Most sectors will lose jobs through the end of 2009. Consumer-driven industries such as retail trade, and leisure and hospitality will likely continue to suffer the most. The consumer confidence index released by the Siena Research Institute was down by almost 25 percent over the past year (4Q2007 to 4Q2008). This drop in the willingness of consumers to spend, combined with recent job losses, will put increasing pressure on consumer-driven sectors to make further job cuts. As the economic contraction continues, job reductions will accelerate in other industry sectors. Many manufacturers in particular have been using short-term layoffs or the Labor Department's Shared Work program to avoid permanent layoffs and the loss of experienced workers. Without improvement soon, these businesses will be forced to use more permanent cost-cutting measures.

One bright spot on the horizon may be the construction sector. Global Foundries submitted plans for the new chip fab at the Luther Forest Technology Campus in Saratoga County. Ground clearing has begun and the first concrete is scheduled to be poured in mid-June and the first steel erected in mid-July. The project is expected to last about 12 to 18 months and support 1,200 construction jobs by late 2010. Chip production is scheduled to begin in 2012, with employment rising to 1,400 by 2014.

The unemployment rate is expected to continue its upward march. Global Insight, in its January 2009 report to the U.S. Conference of Mayors, forecasted the Albany-Schenectady-Troy metro area's jobless rate to rise from 5.9 percent in the fourth quarter of 2007 to 7.2 percent in the fourth quarter of 2009.

Central New York Region

Between December 2007 and December 2008, total nonfarm jobs in the Syracuse Metropolitan Statistical Area (MSA), Madison, Onondaga, and Oswego counties, fell 1,100, or -0.3 percent, to 328,100. Job losses occurred in the manufacturing (-1,600), trade, transportation and utilities (-1,000), information (-200), financial activities (-100), and professional and business services (-100) sectors. Job growth was concentrated in the government (+900), leisure and hospitality (+700), natural resources, mining and construction (+200), and other services (+100) sectors.

Nonfarm Jobs, December 2008 vs. December 2007 Syracuse MSA (Data in thousands)

Industry Sector	Dec. 2008	Dec. 2007	Over the Year Change	
			Net	Percent
Total Nonfarm	328.1	329.2	-1.1	-0.3%
Total Private	268.1	270.1	-2.0	-0.7%
Natural Resources, Mining and Construction	13.2	13.0	0.2	1.5%
Manufacturing	31.2	32.8	-1.6	-4.9%
Trade, Transportation and Utilities	65.9	66.9	-1.0	-1.5%
Information	5.5	5.7	-0.2	-3.5%
Financial Activities	18.4	18.5	-0.1	-0.5%
Professional and Business Services	35.2	35.3	-0.1	-0.3%
Educational and Health Services	59.2	59.2	0.0	0.0%
Leisure and Hospitality	26.8	26.1	0.7	2.7%
Other Services	12.7	12.6	0.1	0.8%
Government	60.0	59.1	0.9	1.5%

The Syracuse MSA's economy started 2008 on a positive note with nonfarm jobs growing 2,600 (+0.8 percent) over the year ending in January 2008. By the end of 2008, however, job growth had turned negative, but the rate of job loss (-0.3 percent) was still well below that of the nation (-2.1 percent). As consumer confidence and demand for goods and services dwindled, local firms were forced to cut jobs in order to stay competitive. Corporate belt tightening spiked the unemployment rate (not seasonally adjusted) to a 16-year high for December 2008 (6.9 percent), considerably above the December 2007 rate of 4.8 percent. The national rate stood even higher at 7.1 percent (not seasonally adjusted) in December 2008.

The good news for the Syracuse economy is that it started to weaken later than the national economy and is weathering the recession better. This is largely due to a stronger housing market; less negative fallout from the financial crisis; a diversified industry base; a stagnant population base; increasing numbers of Baby Boomers retiring; large recession-resistant industries like education and health; and a healthy construction sector. So far, the current recession is not as severe as the one during the early 1990s when the Syracuse area lost several thousand jobs and the unemployment rate peaked at 8.7 percent. At that time, the local economy was even more reliant on manufacturing employment.

Manufacturing jobs are now at their lowest December level (31,200) and the industry continues to bleed jobs. Initially, automobile-related layoffs plagued the sector as Magna International's New Process Gear plant and other auto parts suppliers shed hundreds of jobs due to sluggish demand. Job losses are spreading beyond autos to include Honeywell Imaging and Mobility (-290) and Syracuse China (-275). A major blow to the region's economy was announced on February 4, 2009; the New Process Gear (NPG) plant will close later this year. The plant employs 1,400 workers. In addition, roughly 700 other jobs at NPG's suppliers are in jeopardy.

What began as a recession affecting goods-producing industries has spread to service-providing firms. Employment in the trade, transportation and utilities sector dipped to its lowest December level on record as businesses like DHL Express (-100) and P&C grocery stores (-104) shed workers. Jobs in employment services are also falling as businesses remain conservative in their hiring. Yet, strong demand persists for highly skilled technical workers such as engineers. For example, Sensis Corp. (an engineering company that works with air traffic systems) has been seeking workers and Carrier Corp. is hiring additional engineers.

The educational and health services sector remains strong locally, with December 2008 employment tying that of December 2007 for the record high for the month. There is healthy hiring activity at doctor's offices and nursing and residential care facilities and demand for registered nurses remains high. But the sector is not totally immune from the effects of the recession. To contain costs, Syracuse University is letting 48 full-time employees go and A.L. Lee Memorial Hospital (Oswego County) cut 36 positions due to declining patient volume with more layoffs (-200) in 2009 as the Berger Commission's recommendation to turn the hospital into a diagnostic and treatment center is implemented.

Commercial building projects are keeping construction payrolls growing in the Syracuse area even as construction jobs fall nationally. Local projects of note include the expansion of Syracuse's Carousel Center Mall, suburban hotel development in Onondaga County, the Golisano Children's Hospital in Syracuse, and the Syracuse Center of Excellence in Environmental and Energy Systems. If not for the global credit crunch, construction would be even stronger. Financial constraints have stalled four major hotel projects in the City of Syracuse.

In the public sector, local government added 1,000 jobs between December 2007 and December 2008. Job gains were concentrated in local government education which reached a record high level for the month of December (26,700). Local government represents 69 percent of all public sector jobs in the Syracuse MSA. Employment in federal government stayed flat over the year at 4,600 while state government employment fell by 200 to 13,900.

Looking forward, the Syracuse metro-area economy will remain weak throughout the first half of 2009 as announced layoffs take place and their effects ripple throughout the economy. The labor market should start to stabilize and brighten late in 2009.

Finger Lakes Region

Labor market conditions in the Rochester Metropolitan Statistical Area (MSA) began to weaken during the final quarter of 2008. Still, the Rochester area had not yet been impacted by the recession quite as severely as the rest of the state (-1.2 percent) and nation (-2.1 percent) over this period. From December 2007 to December 2008, Rochester's nonfarm job count actually rose by 400 to 522,800, with area employers just beginning to struggle with the global economic slowdown. However, the outlook for the coming months remains especially weak as a growing number of companies anticipate layoffs.

The weakness that began in the region's manufacturing sector spread to a number of other key sectors. Losses were greatest in the manufacturing (-3,100) and trade, transportation and utilities (-1,900) sectors. Employment gains occurred in the educational and health services (+3,500), professional and business services (+900), government (+800), construction (+300), leisure and hospitality (+300) and other services (+200) sectors

Nonfarm Jobs, December 2008 vs. December 2007 Rochester MSA (Data in thousands)

Industry Sector	Dec. 2008	Dec. 2007	Over the Year Change	
			Net	Percent
Total Nonfarm	522.8	522.4	0.4	0.0%
Total Private	439.2	439.6	-0.4	-0.0%
Natural Resources and Mining	0.5	0.6	-0.1	-16.7%
Construction	18.4	18.1	0.3	1.7%
Manufacturing	68.5	71.6	-3.1	-4.3%
Trade, Transportation and Utilities	87.1	89.0	-1.9	-2.1%
Information	10.3	10.7	-0.4	-3.7%
Financial Activities	21.4	21.5	-0.1	-0.5%
Professional and Business Services	62.1	61.2	0.9	1.5%
Educational and Health Services	111.8	108.3	3.5	3.2%
Leisure and Hospitality	39.4	39.1	0.3	0.8%
Other Services	19.7	19.5	0.2	1.0%
Government	83.6	82.8	0.8	1.0%

Hudson Valley Region

Late in 2008, the Hudson Valley's economy began to experience the malaise of the national recession. Announced layoffs at some of the largest employers in the area (IBM, Watson Pharmaceuticals, NXP Semiconductor, and Westchester Medical Center) threatened an already shaky job market. The region's nonfarm job count declined 11,100, or 1.2 percent, to 932,900 over the 12-month period ending December 2008, the largest December over-the-year decline in 16 years. Job losses became more broad-based with the largest declines recorded in the following industry sectors: trade, transportation and utilities (-6,400), natural, resources, mining and construction (-2,700), manufacturing (-2,500), professional and business services (-2,200), and financial activities (-1,600). The only sectors adding jobs over this period were educational and health services (+4,300) and government (+1,300).

Nonfarm Jobs, December 2008 vs. December 2007 Hudson Valley Region (Data in thousands)

Industry Sector	Dec. 2008	Dec. 2007	Over the Year Change	
			Net	Percent
Total Nonfarm	932.9	944.0	-11.1	-1.2%
Total Private	759.2	771.6	-12.4	-1.6%
Natural Resources, Mining and Construction	53.2	55.9	-2.7	-4.8%
Manufacturing	56.4	58.9	-2.5	-4.2%
Trade, Transportation and Utilities	187.6	194.0	-6.4	-3.3%
Information	21.3	22.1	-0.8	-3.6%
Financial Activities	49.2	50.8	-1.6	-3.1%
Professional and Business Services	99.4	101.6	-2.2	-2.2%
Educational and Health Services	182.3	178.0	4.3	2.4%
Leisure and Hospitality	71.0	71.4	-0.4	-0.6%
Other Services	38.8	38.9	-0.1	-0.3%
Government	173.7	172.4	1.3	0.8%

The largest job losses were recorded in the trade, transportation and utilities sector. The sector shed 6,400 jobs for the 12-month period ending in December 2008, the largest December over the year decline in 16 years. Consumer driven industries such as retail trade reeled from the effects of the recession. Job losses in retail trade accounted for most of the losses in this supersector.

Firms in the professional and business services sector typically sell their services to other businesses rather than consumers. Although this industry is highly sensitive to economic trends, it performed well for most of 2008. More recently, the sector began to show signs of weakness, as diminishing corporate profits reduced the demand for these services. This is reflected in the 2.2 percent over-the-year decline in December 2008 employment, while for the same period in 2007, it recorded growth of 2.2 percent. The employment outlook for this sector is bleak as companies continue to cut back spending.

Like the state, the region's manufacturing sector has declined for decades although there was good news for this sector at the beginning of the year. IBM announced plans to invest \$1.6 billion to expand its chip manufacturing and research operations in Dutchess County, creating 675 jobs locally and another 325 jobs at Albany's nanotechnology center. However, IBM handed out pink slips on January 27, 2009, to an estimated 900 employees at its facilities in East Fishkill and Poughkeepsie. Other announced layoffs include NXP Semiconductor's plans to let go 500 employees and Watson Pharmaceuticals' plans to eliminate an estimated 600 employees, both by summer 2009. All of these layoffs will further accelerate the downward spiral of jobs in this sector. On a more positive note, a group of public, private, academic, environmental, labor and economic development partners formed the Solar Energy Consortium. Its goal is to create fully integrated solar-powered systems. The consortium hopes to attract companies involved in solar technology to set up shop in the Town of Ulster.

The region's financial sector continued to reel from the effects of the sub-prime mortgage crisis. Businesses in many sectors began to feel the impact of the national credit crisis. Consequently, many have filed for bankruptcy or closed operations. Some of the new casualties of the credit crisis are the region's auto dealers. During 2008, six car dealers were forced out of business as a result of tight credit. Moving forward, the sector will be in for tough times. Several Wall Street cash-strapped firms have back office operations in the region, so more layoffs could be on the horizon.

The construction industry enjoyed modest job gains during the first quarter of 2008, as strength in commercial building offset weakness in residential construction. Although by the second half of the year, construction activity had slowed dramatically. Several large construction projects coming down the pipeline could help the sector weather the storm, most notably the \$3 billion Yonkers redevelopment, the \$1 billion Empire Resort in Sullivan County, and the \$700 million power plant in Orange County. But tight credit is a major concern, as it could delay or halt these projects.

The educational and health services sector, the region's second largest employment sector, continued to perform admirably despite the ongoing economic crisis. Job growth in this sector is driven more by long-term demographic trends than by short-term economic conditions. In 2008, the sector grew 2.4 percent, above the 1.9 percent recorded in 2007. Population growth projected at both ends of the age spectrum should translate into demand for more workers in both education and health care.

The government sector is the region's third largest employment sector, accounting for almost 1 out of every 4 jobs in the area. Throughout most of 2008, the sector experienced solid growth; however, by December 2008, over-the-year growth had slowed to 0.8 percent. This was less than the previous year's growth of 1.1 percent. Recently, elected officials at the state, county and municipality levels have mentioned possible layoffs as a result of budgetary shortfalls.

Persistent economic woes -- the housing, credit and financial crisis along with layoff announcements at the end of 2008 and beginning of 2009 -- all point to a very troublesome period for job seekers in the region. Industries such as professional and business services and construction that were resilient at the onset of the recession have now begun to show considerable weakness. Layoffs at IBM (-900), Watson Pharmaceuticals (-600), NXP Semiconductor (-500) and at the Westchester Medical Center (-400) will hamper a recovery.

Long Island Region

The total number of nonfarm jobs on Long Island declined over the year by 24,900, or 1.9 percent, to 1,269,100 in December 2008. Employment grew in educational and health services (+4,200) and other services (+400). The following sectors lost jobs: trade, transportation and utilities (-11,700), professional and business services (-4,500), natural resources, mining and construction (-3,900), financial activities (-3,800) manufacturing (-3,300), information (-1,200), government (-800) and leisure and hospitality (-300).

Nonfarm Jobs, December 2008 vs. December 2007 Long Island (Data in thousands)

Industry Sector	Dec. 2008	Dec. 2007	Over the Year Change	
			Net	Percent
Total Nonfarm	1,269.1	1,294.0	-24.9	-1.9%
Total Private	1,061.1	1,085.2	-24.1	-2.2%
Natural Resources, Mining and Construction	70.0	73.9	-3.9	-5.3%
Manufacturing	80.6	83.9	-3.3	-3.9%
Trade, Transportation and Utilities	276.5	288.2	-11.7	-4.1%
Information	26.5	27.7	-1.2	-4.3%
Financial Activities	74.1	77.9	-3.8	-4.9%
Professional and Business Services	162.5	167.0	-4.5	-2.7%
Educational and Health Services	220.8	216.6	4.2	1.9%
Leisure and Hospitality	96.3	96.6	-0.3	-0.3%
Other Services	53.8	53.4	0.4	0.7%
Government	208.0	208.8	-0.8	-0.4%

The Long Island economy started 2008 on solid footing and continued to add jobs through the middle of the year, even as the national economy weakened. After mid-year, however, the local economy slowed significantly and by the final months of 2008 it experienced rapid deterioration, more closely matching the national downturn. The over-the-year drop in total nonfarm jobs increased sharply at the end of the year, going from 2,200 in October to 7,200 in November to 24,900 in December 2008. Month-to-month employment actually declined by 8,700 jobs from November to December, an occurrence unprecedented at least as far back as 1990.

While the end-of-the-year employment losses affected all sectors, the biggest employment declines were in retail and professional and business services. Recent reports of reduced retail sales tax revenue for both Nassau and Suffolk counties are consistent with a sharp drop in retail activity and employment. In professional and business services, large job losses in temporary placement services and support business service activities accounted for the sharp decline in this sector. Professional and business services are normally very sensitive to changes in the economic cycle and frequently signal economic expansions or contractions to come.

While Long Island's diverse, technology-based economy includes many areas of potential strength that point to likely future job growth, the region's recent job losses are sure to continue into 2009. The region's biggest vulnerability is its proximity to New York City's large and previously highly profitable financial sector. Job and revenue losses in that sector will continue to impact Long Island's residential and commercial real estate markets negatively, as well as the region's retail and leisure and hospitality sectors. As the economy weakens further, job losses are expected to mount, particularly in professional and business services and manufacturing sectors.

Long Island experienced the downturn in financial services earlier than most regions. In the summer and fall of 2007, prior to job losses on Wall Street, the region lost nearly 2,600 jobs at local mortgage-related companies. The closing of American Home Mortgage, a mortgage loan originator based in Melville, resulted in the loss of 1,500 jobs in August 2007, quickly followed by job losses at Delta Funding and other local companies closely tied to the mortgage industry. These losses came on top of a period of several years in which the region's financial sector was already shrinking, as a result of corporate takeovers of such regional banks as North Fork and GreenPoint, and the shrinkage of JPMorgan Chase's back office operations.

Despite the fall 2008 opening of a large Tanger Outlet Mall in Deer Park (Suffolk County) with at least 25 new stores, the region's retail sector contracted significantly at the end of 2008. Steve and Barry's, a clothing retailer that had expanded rapidly in recent years, first announced a number of store closings and finally closed its headquarters in Port Washington (Nassau County) and went out of business. Circuit City initially closed six Long Island stores and later its remaining three, as the company went belly-up. National Wholesale Liquidators followed the same pattern, first shutting a few individual stores and later announcing bankruptcy and closing the entire company. Other retail businesses in the process of closing were two Home Depot Expo Design Centers and a Filene's store.

A further development was the loss of trucking jobs and the movement of distribution facilities to areas off of the Island. The consolidation of City and Suburban Trucking (which delivered the New York Times) was followed by the closing of most local DHL delivery operations, as that company pulled back to its core, international business. Layoffs recently announced at Roadway Express will add to job losses in this industry.

Looking ahead, caution in the financial markets is dampening what was once an area of relative strength in the local economy. This will likely slow the pace of recovery. Companies such as Henry Schein, Arrow Electronics and Canon USA, which are not facing the brunt of the downturn, are nonetheless following conservative business plans. Long Island's capacity to innovate in manufacturing, its strength in information technology, software, wireless and mobility device capability and a significant defense manufacturing sector should position the region for a turnaround that may begin late in 2009. The region may also make a significant contribution in the field of alternative energy, encouraged by the Federal fiscal stimulus package. In addition, the Island's large hospital, ambulatory and home health care sectors may benefit from a focus on health care information technology expected as a result of another Federal stimulus initiative.

Mohawk Valley Region

For the 12-month period ending December 2008, nonfarm employment in the Utica-Rome MSA (Herkimer and Oneida counties) decreased 800, or 0.6 percent, to 134,100. Job losses occurred across a broad range of sectors including manufacturing (-500), financial activities (-500), information (-200), natural resources, mining and construction (-100), trade, transportation and utilities (-100), and professional and business services (-100). Job gains were recorded in the educational and health services (+300), government (+300) and leisure and hospitality (+100) sectors.

Nonfarm Jobs, December 2008 vs. December 2007 Utica-Rome MSA (Data in thousands)

Industry Sector	Dec. 2008	Dec. 2007	Over the Year Change	
			Net	Percent
Total Nonfarm	134.1	134.9	-0.8	-0.6%
Total Private	99.3	100.4	-1.1	-1.1%
Natural Resources, Mining and Construction	3.7	3.8	-0.1	-2.6%
Manufacturing	12.3	12.8	-0.5	-3.9%
Trade, Transportation and Utilities	23.7	23.8	-0.1	-0.4%
Information	2.3	2.5	-0.2	-8.0%
Financial Activities	7.7	8.2	-0.5	-6.1%
Professional and Business Services	9.1	9.2	-0.1	-1.1%
Educational and Health Services	26.4	26.1	0.3	1.1%
Leisure and Hospitality	9.3	9.2	0.1	1.1%
Other Services	4.8	4.8	0.0	0.0%
Government	34.8	34.5	0.3	0.9%

Gains in government employment occurred at the federal (+200) and state (+100) levels. Employment growth at the federal level is the result of the expansion of the Defense Finance and Accounting Service (DFAS) located in Rome. DFAS had 1,010 employees in December, up from 340 in early 2006. An additional 30 to 50 employees are expected to be hired in 2009. The Oneida Indian Nation's Turning Stone Casino is one of the largest employers in the area, and had been a driving force in the expansion of the local government sector. However, recent layoffs due to the downturn in the economy have slowed its growth.

The educational and health services sector added 300 jobs during 2008. However, the rate of over-the-year gains in this sector diminished since early 2008. In the first quarter of 2008, over-the-year gains averaged 400; second quarter over-the-year gains averaged 800; third quarter over-the-year gains averaged 300; and fourth quarter over-the-year gains averaged only 100. Health services industries dominate this sector, accounting for over 90 percent of employment. Over-the-year gains were most prevalent in hospitals and social assistance. Educational and health services have tended to be "recession proof." Since 1995, this sector has always posted annual job gains, despite several downturns in the economy.

Manufacturing firms trimmed 500 jobs from December 2007 to December 2008. Since 1990, this sector has declined annually with the exception of two years, 1998 and 1994. The factory sector has declined by 44.5 percent since 1990. Recent cutbacks include the Canterbury Press closure in July, affecting 40 workers, and the Conmed layoff, affecting 150 workers. Recent cuts were widespread and were not centered in any one particular industry. Transportation equipment manufacturing posted gains in the past 3 years.

Payrosters in the financial activities sector dipped 500 from a year ago. However, the local decline in this sector was entirely independent of the latest economic downturn and crisis in the financial markets triggered by Wall Street. The local financial activities sector saw the closure of a Federal Reserve check processing center, which dislocated 200 employees in the first quarter of 2008. This closure was due to the continued decline in the use of paper checks. There was also the loss of 219 back office positions from Partner's Trust Bank as a result of its merger with M&T Bank. These losses were also independent of the national declines in the financial sector. Compared to the state, the financial sector in the Utica-Rome MSA makes up a much smaller percentage of total employment.

Looking forward, the manufacturing sector has been in a downward spiral and will continue to shed jobs. During the last few downturns, expansion at the Oneida Indian Nation businesses helped to partially mitigate losses in other sectors. Going into this downturn, the area will not have the luxury of an expanding casino. In the short term, there are no expansion plans for the casino.

On the positive side, health services employment should continue to grow due to the aging of the population. Growth has been great at the federal government's Defense Finance and Accounting Service, but is almost complete; the facility has over 1,000 good-paying government jobs. Also at the Griffiss Business and Technology Park, the Empire Aero Center continues to grow. No new closings are expected in the financial sector in 2009.

New York City Region

Total nonfarm employment in New York City fell by 45,800, or 1.2 percent, to 3,792,800 for the 12-month period ending December 2008. Job losses occurred in the trade, transportation and utilities (-17,700), financial activities (-16,600), professional and business services (-10,000), manufacturing (-9,900), natural resources, mining and construction (-7,300) and leisure and hospitality (-2,000) sectors. Job growth occurred in the educational and health services (+12,700), other services (3,600), government (1,200) and information (+200) sectors.

Nonfarm Jobs, December 2008 vs. December 2007 New York City (Data in thousands)

Industry Sector	Dec. 2008	Dec. 2007	Over the Year Change	
			Net	Percent
Total Nonfarm	3,792.8	3,838.6	-45.8	-1.2%
Total Private	3,228.2	3,275.2	-47.0	-1.4%
Natural Resources, Mining and Construction	124.4	131.7	-7.3	-5.5%
Manufacturing	89.1	99.0	-9.9	-10.0%
Trade, Transportation and Utilities	578.8	596.5	-17.7	-3.0%
Information	168.8	168.6	0.2	0.1%
Financial Activities	456.7	473.3	-16.6	-3.5%
Professional and Business Services	600.9	610.9	-10.0	-1.6%
Educational and Health Services	738.5	725.8	12.7	1.7%
Leisure and Hospitality	307.0	309.0	-2.0	-0.6%
Other Services	164.0	160.4	3.6	2.2%
Government	564.6	563.4	1.2	0.2%

As we entered 2008, it was clear that New York City's economy would slow from the strong job growth achieved in 2006 and 2007. The local job market actually outperformed the national economy in those years as a spreading slowdown in residential construction and high energy prices caused significant job losses in many formerly strong regional economies. The key questions were: Would there be a national recession? And how serious would Wall Street's developing downturn become? We now know that we were entering a national recession as 2007 ended. Meanwhile, the financial crisis worsened throughout the year with the bankruptcy of Bear Sterns in March accelerating the trend which culminated in the bankruptcy of Lehman Brothers in September followed shortly by the effective nationalization of AIG. These events made it clear that the financial sector's problems had moved beyond a cyclical downturn similar to those seen in 1988-1991 or 2000-2002. The very model underlying many of the City's large financial companies has been shattered, with only massive government intervention preventing a complete industry meltdown.

Not surprisingly, the financial activities sector suffered, with employment falling by 16,600 (-3.5 percent) for the 12-months ending in December 2008. The securities industry was the prime culprit, shedding 10,700 jobs. Losses have also begun to mount in credit intermediation and insurance, while the real estate industry is still growing.

Although the expected heavy job losses on Wall Street dominate the headlines, insurance companies, banks and other providers of credit also suffered major financial losses and are expected to ratchet up their layoffs going forward. The real estate industry should also weaken in 2009 given slowdowns in both residential and commercial real estate.

New York City's construction industry slowed abruptly last fall and was down 7,300 (-5.5 percent) for the year ending December 2008. Until recently, the City's residential and commercial real estate markets avoided the sharp declines seen in most other parts of the country. Growing weakness in the City's office industries made it clear that construction activity would suffer a marked decline in 2009. However, the unprecedented turmoil which swept the credit markets after Lehman's failure accelerated the downturn. The availability of credit is the life blood of the building industry, so the last few months of 2008 saw a wave of construction projects delayed or cancelled because of credit difficulties. While money from the stimulus package will create construction jobs it will not be enough to offset the multi-year downturn in private sector construction spending that generally follows sharp downturns in employment.

Professional and business services sector employment contracted by 1.6 percent for the 12 months ending December 2008, in line with the overall job loss. Three areas in the professional services sub-sector – legal, accounting and scientific research services -- started losing jobs. The administrative and support services sub-sector lost jobs, primarily due to a sharp turnaround at employment agencies. These agencies, especially temporary employment services, are highly sensitive to economic growth and often lead shifts in the overall job market. Generally jobs in this sector, while on a long-term uptrend, are highly cyclical, swinging from strong gains to losses when the economy turns down. Many jobs in this sector are closely tied to the financial services industry, with most of the rest dependent on overall corporate spending. The combination of a sharp financial industry downturn and falling corporate profits quickly shifted this sector from strong growth in 2007 to rapidly growing losses in 2008.

The leisure and hospitality sector, which had been one of the City's strongest, saw employment shrink by 0.6 percent between December 2007 and December 2008. This ends a streak of four straight years of record-high employment. Although leisure and hospitality has been a strong performer, the weakness in the financial and professional industries hurt business travel while worldwide economic turmoil negatively impacted tourism. Recent strength in the dollar may also hurt advanced bookings for international visitors. The outlook for 2009 is poor and a resumption of growth looks unlikely.

The educational and health care services sector, which is usually less sensitive to the economic cycle, continues to add jobs. Employment increased by 1.7 percent for the year ending in December 2008, up from 1.2 percent in 2007. Job growth accelerated in educational services and social assistance. While this sector should continue to grow in 2009, the growth rate should slow as financial sector turmoil negatively impacts government funding, charitable giving and earnings from endowment funds.

The trade, transportation and utilities sector lost 17,700 jobs (-3.0 percent) for the year ending in December 2008 after adding jobs in 2007. The slowdown was widespread and

came as no surprise since the wholesale and retail trade and transportation sub-sectors are sensitive to changes in the business cycle. Given the worsening economic outlook both locally and nationally, a further slowdown in 2009 is all but certain. The transportation sub-sector was also buffeted by gyrations in the price of oil which makes long-term planning and pricing very difficult.

In summary, the outlook for 2009 is decidedly negative, with large job losses in a variety of sectors expected. The combination of a national recession and a downturn in the financial sector has never been kind to the City. Each of the prior two downturns saw at least one year when the City lost over 100,000 jobs and 2009 should continue the pattern. Key positive signs to look for in 2009 would be a turnaround in corporate profits, a continued thawing of the credit markets and a weakening of the dollar.

North Country Region

After four years of slow, but steady, employment growth, the North Country's economy began to feel the effects of the national economic slowdown in the fourth quarter of 2008. Over the previous 12 months (December 2007 – December 2008), total nonfarm employment in the North Country fell by 1,000, or 0.6 percent to 165,700 in December 2008. Losses were widespread, with the largest declines in the manufacturing (-600) leisure and hospitality (-400), and natural resources, mining and construction (-300) sectors. Trade, transportation and utilities (+300), government (+300), and professional and business services (+100) were the only sectors that reported gains over the year.

Nonfarm Jobs, December 2008 vs. December 2007

North Country Region

(Data in thousands)

Industry Sector	Dec. 2008	Dec. 2007	Over the Year Change	
			Net	Percent
Total Nonfarm	165.7	166.7	-1.0	-0.6%
Total Private	115.5	116.8	-1.3	-1.1%
Natural Resources, Mining and Construction	8.3	8.6	-0.3	-3.5%
Manufacturing	12.8	13.4	-0.6	-4.5%
Trade, Transportation and Utilities	30.2	29.9	0.3	1.0%
Information	2.1	2.2	-0.1	-4.5%
Financial Activities	4.1	4.2	-0.1	-2.4%
Professional and Business Services	8.5	8.4	0.1	1.2%
Educational and Health Services	29.6	29.7	-0.1	-0.3%
Leisure and Hospitality	13.1	13.5	-0.4	-3.0%
Other Services	6.8	6.9	-0.1	-1.4%
Government	50.2	49.9	0.3	0.6%

Three firms in transportation manufacturing cut back. GM in Massena cut 410 jobs and will close this year. Bombardier (rail cars) temporarily reduced the hours of 160 of its workers, avoiding layoffs because of expected contracts in 2009. In addition, New York Airbrake trimmed payrosters by 25 in January 2009.

Two firms moved production to China. Jarden Plastic Solutions (poker chips) eliminated all 68 jobs. Covidien (healthcare devices) sliced 70 jobs. Three paper producers shaved workers from their payrolls – Brownville Specialty Paper Products (-75), Georgia Pacific (-70 in January 2009 and -39 in May), and International Paper in Ticonderoga (Essex County) shut down for two weeks in May and idled most of its 600 workers.

Three manufacturers involved in raw materials processing pared staff or announced upcoming layoffs. Alcoa announced production at one of its plants in Massena will be suspended. This suspension will idle 170 of the plant's 420 workers. Gouveneur Talc cut 75 workers, and St. Lawrence Zinc eliminated 200 jobs in August 2008.

Pharmaceutical manufacturer Wyeth slashed 120 jobs in January 2009. Akrimax Manufacturing will take over the plant the end of 2009.

Corning shut down its plant in Dekalb (St. Lawrence County) for the first three weeks of April. The plant, which currently employs about 130 workers, laid off 20 workers in June 2008 and another 34 in January 2009.

Noble Environmental Energy previously announced that the second phase of its wind farm in Chateaugay (Franklin County) had been suspended (not cancelled) because of the deteriorating economy. However, the project was rejuvenated in May 2009. In addition, Horizon Wind Energy is also delaying the construction of a proposed 95-turbine wind farm in Churubusco (Clinton County).

Camp Gabriels, a minimum-security prison, is slated to be closed by July 1, 2009. The prison employs about 100 workers.

Other industry sectors reporting significant losses include financial services, leisure and hospitality, and other services. These sectors suffered from widespread declines as a result of the national recession, although there are few employers in these industries that closed or had major cuts like the employers listed above in manufacturing and mining.

Despite the opening of a Wal-Mart in Potsdam (St. Lawrence County) and a Target in Plattsburgh (Clinton County) in 2008, the trade, transportation, and utilities industry reported a gain of only 300 from December 2007 to December 2008.

Looking forward to the second half of 2009, the North Country's economy is expected to continue to decline as the economic downturn takes its toll on the services-producing sector, including government. The public sector is expected to be significantly affected by cutbacks in state funding and the closing of Camp Gabriels.

Southern Tier Region

This region includes the Binghamton and Ithaca metro areas and Chemung, Chenango, Delaware, Schuyler, and Steuben counties. Over the 12 months ending December 2008, the region's nonfarm job count contracted by 1,900, or 0.6 percent, to 302,400. December's job level represents the lowest for the month since 2006. Job losses were largest in the manufacturing (-1,000), trade, transportation and utilities (-800), natural resources, mining and construction (-400) and information (-400) sectors. Job gains were largest in the educational and health services sector (+1,300).

Nonfarm Jobs, December 2008 vs. December 2007 Southern Tier Region (Data in thousands)

Industry Sector	Dec. 2008	Dec. 2007	Over the Year Change	
			Net	Percent
Total Nonfarm	302.4	304.3	-1.9	-0.6%
Total Private	239.7	241.5	-1.8	-0.7%
Natural Resources, Mining and Construction	9.0	9.4	-0.4	-4.3%
Manufacturing	42.8	43.8	-1.0	-2.3%
Trade, Transportation and Utilities	47.6	48.4	-0.8	-1.7%
Information	4.1	4.5	-0.4	-8.9%
Financial Activities	10.7	10.9	-0.2	-1.8%
Professional and Business Services	22.5	22.7	-0.2	-0.9%
Educational and Health Services	70.3	69.0	1.3	1.9%
Leisure and Hospitality	21.2	21.3	-0.1	-0.5%
Other Services	11.5	11.5	0.0	0.0%
Government	62.7	62.8	-0.1	-0.2%

During the first half of 2008, the region's labor market continued to add jobs. However, job losses began to occur toward the end of the summer and increased substantially as the year came to a close. The region had been insulated from the direct effects of the housing bubble and global financial sector meltdown, but general economic uncertainty has led to far-reaching secondary effects.

Manufacturing in the Southern Tier had been bucking the downward trends of their statewide and national counterparts through early 2008. However, it became the first local casualty of the national economic slowdown as demand dampened. Delaware County incurred sizable cutbacks at the county's two largest employers, Amphenol Corp., an electronics product manufacturer, and Meadwestvaco, an office products manufacturer. Collectively, the two factories announced that nearly 600 workers would lose their jobs (some temporarily and some permanently) over the course of 2008. Losses of this magnitude proved extremely costly to this small, rural county, as well as to surrounding communities. More layoff announcements are expected from the region's manufacturers, due to weak consumer demand and the national recession.

The service-providing portion of the economy also experienced its fair share of job losses during 2008. Both area retailers and leisure and hospitality businesses pulled back on typical seasonal hiring in anticipation of a below-average holiday shopping season.

The educational and health services sector weathered the poor economy well over the last year. This sector is heavily dominated by health services regionally. Demand for health care workers exceeds available supply as an aging local population base requires more health care services. Increased consumer demand and impending worker retirements continue to make this industry an attractive place to find employment.

Job demand still exists throughout the region but regional employment prospects remain limited as we enter 2009. Few business expansion announcements are expected as general consumer uncertainty lingers. The regional economic turnaround is contingent upon the nationwide economic recovery.

Western New York Region

Over the 12-month period ending December 2008, nonfarm employment in the Buffalo-Niagara Falls metro area declined by 3,500, or 0.6 percent, to 555,500. Losses occurred in the trade, transportation and utilities (-2,900), manufacturing (-2,700), financial activities (-900), and professional and business services (-600) sectors. Job gains were centered in the educational and health services (+1,300), leisure and hospitality (+900), government (+700), natural resources, mining and construction (+400), and other services (+300) sectors.

Nonfarm Jobs, December 2008 vs. December 2007 Buffalo-Niagara Falls MSA (Data in thousands)

Industry Sector	Dec. 2008	Dec. 2007	Over the Year Change	
			Net	Percent
Total Nonfarm	555.5	559.0	-3.5	-0.6%
Total Private	458.2	462.4	-4.2	-0.8%
Natural Resources, Mining and Construction	20.0	19.6	0.4	2.0%
Manufacturing	57.4	60.1	-2.7	-4.7%
Trade, Transportation and Utilities	106.0	108.9	-2.9	-2.7%
Information	8.4	8.4	0.0	0.0%
Financial Activities	33.0	33.9	-0.9	-2.7%
Professional and Business Services	70.0	70.6	-0.6	-0.9%
Educational and Health Services	89.4	88.1	1.3	1.5%
Leisure and Hospitality	50.1	49.2	0.9	1.8%
Other Services	23.9	23.6	0.3	1.3%
Government	97.3	96.6	0.7	0.7%

The Buffalo-Niagara Falls regional economy was largely unaffected by the national downturn through the first three quarters of 2008. In fact, the region's employment situation showed surprising strength during this period because it did not experience large decreases in real estate prices, which insulated its financial sector from the sub-prime crisis.

Running counter to this trend, manufacturing continued to lose employment. This was particularly true in the auto parts manufacturing industry, which has a major presence in the region. Auto parts may be the most noticeable manufacturing industry suffering from the downturn in the region. American Axle, which was heavily dependent on the SUV market, closed a second plant and eliminated 400 jobs. This was in addition to the 700 workers that lost their jobs in December 2007 when the company closed its first plant. Delphi Thermal Systems is still struggling this year after filing for bankruptcy protection. Even though workers accepted concessions in wages and benefits and the company reduced its payroster and cost structure through retirement incentives, the downturn in the auto industry forced the company to lay off hundreds of workers. Ford and General Motors each operate plants in the region and both have been impacted by the slump in auto sales. ArcelorMittal announced that it will shut down its galvanizing plant and eliminate about 260 jobs by April 30, 2009. The corrosion resistant metal produced at

the plant is heavily used by the auto industry. Goodyear Dunlop also had substantial layoffs at its local tire plant. A bright spot for manufacturing will be the reopening of the Globe Metallurgical plant. The plant will produce silicon products for the solar industry and provide opportunities with up to 500 renewable energy jobs when fully operational in 2011.

The financial activities sector, which is comprised of banking and insurance, experienced only a slight decline during 2008. Job losses occurred at the major banks of the region, such as HSBC. The HSBC reduction was due to a shift away from its role as a mortgage broker toward direct lending to customers. This will allow the bank to better control the types of mortgages that are written and is a direct result of the financial crisis. The expansion of GEICO insurance helped to offset some of the decline.

The negative impacts of the national recession moved beyond the manufacturing sector. By the fourth quarter of 2008, over-the-year job losses were reported in the professional and business services and the trade, transportation, and utilities sectors. Professional and business services had previously been resistant to the downturn.

The demographic composition of the labor force created labor shortages throughout most of 2008. The region has experienced anemic job growth for the past two decades and continues to suffer from population loss. Businesses reported a shortage of skilled, work-ready people to fill job vacancies. They reported difficulty finding qualified workers, particularly in health care, information technology and the skilled trades. The current downturn has somewhat alleviated this problem temporarily, but skilled labor shortages are expected to return when the economy improves.

The region continues to shift from a manufacturing to a service-based economy. In general, past recessions have been deeper and lasted longer in this region than they have nationally, due in large part to the substantial local dependence on manufacturing. This trend is expected to continue through 2009 but will be tempered due to changes in the region since the last recession.

One positive movement locally has been the diversification of the economy away from manufacturing over the past two decades. The continued decline in the automotive industry will have negative, long-lasting effects on the region. Layoffs for 2009 have been announced and are ongoing at all three of the major auto plants.