

EMPLOYMENT in New York State

Eliot Spitzer, Governor

January 2008

M. Patricia Smith, Commissioner

Important Changes Are Occurring...

A Penchant for Pensions

Employer-sponsored pensions represent an important component of retirement income for many. Americans have invested more than \$15.8 trillion in various types of private retirement assets. The majority of these assets are in pension plans, valued at approximately \$10 trillion, provided by employers in the public, private and nonprofit sectors. As the U.S. labor force ages and the almost 80 million baby boomers (born between 1946 and 1964) reach retirement age, responsibility for retirement funding is increasingly being transferred from employers to employees.

The first U.S. private sector pensions were created in the late 1880s. They later expanded in scope during World War II, as employers facing pronounced labor

shortages used pension plans to attract or retain workers. The 1963 collapse of the Studebaker Company, which affected over 11,000 workers, was the impetus that led to federal regulation in the form of the Employee Retirement Income Security Act (ERISA) of 1974. Today, the Pension Benefit Guaranty Corporation, a federal corporation created by the ERISA, protects the pensions of nearly 44 million American workers.

A Tale of Two Pensions

The traditional pension is called a defined benefit (DB) plan, wherein the specific dollar amount received at retirement is known (based on length of service and wages) and managed by the employer. Employees must participate for a specified

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At a Glance

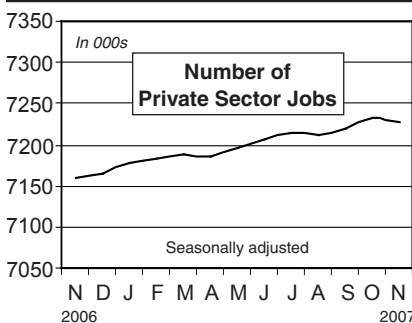
In November 2007, New York's seasonally adjusted unemployment rate was 4.6 percent, the same as in October 2007. (The nation's unemployment rate was 4.7 percent in November.) In November 2007, the state had 8,722,400 nonfarm jobs, including 7,227,100 private sector jobs, after seasonal adjustment. The number of private sector jobs in the state decreased by 0.1 percent from October. (The nation's private sector job count increased by 0.1 percent over the month.) From November 2006 to November 2007, the number of private sector jobs increased by 1.0 percent in the state, and increased by 1.1 percent in the nation (not seasonally adjusted). In addition, New York's employment-population ratio, a measure of labor force participation, increased in November.

Change in Nonfarm Jobs Nov. 2006 - Nov. 2007 (Data not seasonally adjusted, numbers in thousands)

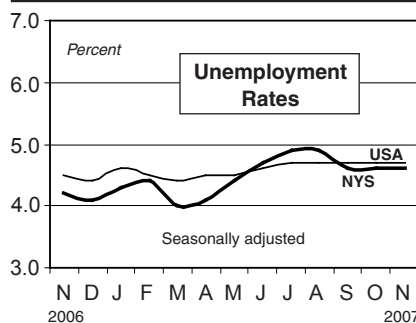
| | Net | % |
|------------------------|-------|------|
| Total Nonfarm Jobs | 72.7 | 0.8 |
| Private Sector | 69.0 | 1.0 |
| Goods-producing | -8.1 | -0.9 |
| Nat. res. & mining | -0.1 | -1.6 |
| Construction | 9.4 | 2.7 |
| Manufacturing | -17.4 | -3.1 |
| Durable gds. | -6.3 | -1.9 |
| Nondurable gds. | -11.1 | -4.8 |
| Service-providing | 80.8 | 1.0 |
| Trade, trans., & util. | 6.4 | 0.4 |
| Wholesale trade | -2.4 | -0.7 |
| Retail trade | 6.4 | 0.7 |
| Trans., whrs., & util. | 2.4 | 0.9 |
| Information | 1.7 | 0.6 |
| Financial activities | 11.2 | 1.5 |
| Prof. & bus. svcs. | 22.9 | 2.0 |
| Educ. & health svcs. | 23.6 | 1.5 |
| Leisure & hospitality | 9.6 | 1.4 |
| Other services | 1.7 | 0.5 |
| Government | 3.7 | 0.2 |

IN NOVEMBER...

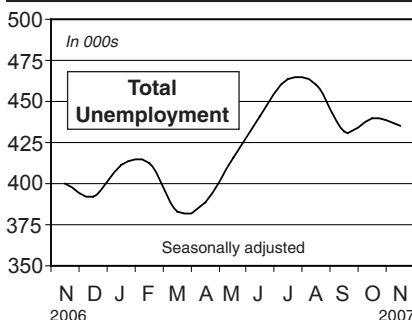
...NYS private sector jobs decreased



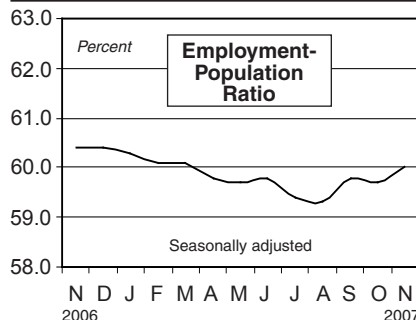
...NYS unemployment rate unchanged



...NYS unemployment decreased



...NYS labor force participation up



Focus on New York City

A Good Year, But a Troubling Outlook

by James Brown, Labor Market Analyst, New York City

Through the first 11 months of 2007, New York City averaged 3,157,100 private sector jobs, an increase of 1.8 percent from the same period in 2006. While this rate of growth was below the corresponding rate in 2006, it was well above the City's long-term (since 1976) average (+0.5 percent). The unemployment rate, after several years of sharp drops, was little changed in 2007, averaging 5.0 percent through November compared to 4.9 percent for the same period in 2006. Despite these generally positive numbers, recent trends suggest the economy will weaken in 2008.

The most dramatic reversal occurred in the financial activities sector. The securities, commodities and related activities industry averaged better than 5 percent growth (+9,600) for the first 11 months of 2007, after achieving a similar gain in 2006. However, the large drop in the value of mortgage-backed debt securities has led to steep financial losses at most top investment houses, and altered the outlook for this industry. Instead of strong growth, the industry faces thousands of layoffs. Early 2008 should see unemployment claims from this industry swell rapidly. The last major downturn on Wall Street – after the technology bust in 2000 – led to a multi-year decline that eliminated 20 percent



“Despite the somewhat uncertain economic outlook for 2008, we are ready to help the people of New York City connect quickly with employment opportunities.”

Sara Spatz,
Employment Services Team Leader,
New York City Region

of Wall Street's workforce. One positive note is that year-end bonuses from the securities industry are still expected to approximate last year's record levels. These payouts, which traditionally occur in the first quarter, will help limit the immediate economic impact of the industry's problems.

The outlook for professional, scientific and technical services also weakened in recent months. This area added an average of 14,300 jobs through November of 2007. Strength was centered in accounting, computer, legal and advertising services. Computer and legal services in particular owe a significant part of their strength to Wall Street's recently-ended boom. Professional services also benefited

from strong corporate profits. However, even adjusting for the large write-offs by financial companies, growth in corporate profits slowed dramatically over the last few quarters. While probably only temporary, the result will be less robust spending by corporations in 2008 on many of the services the City's professional industries sell.

While New York City's construction industry has held up better than the nation's, it is not immune to the national slowdown occurring in the housing market. A broad array of large projects (WTC reconstruction, subway line extensions, and baseball and basketball stadiums) has kept the employment outlook for construction positive. In addition, New York City's construction industry is less dependent on housing construction than many other regions. The outlook for commercial construction – stores, office space and hotels – remains decent. The combined impact of weakening residential demand and financing difficulties, however, will lead to slower employment growth in 2008.

The leisure and hospitality sector, which has been a key source of strength for the local economy and is on track for its fourth straight year of record-high employment, continues to prosper. Its three main components -- amusement and

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Pensions...

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minimum number of years before they can legally access the plan, a process known as “vesting.” The employer (sometimes in conjunction with the worker) is responsible for funding the pension plan, at a level determined through an actuarial process that ensures enough funds are set aside to meet all the plan's obligations.

A change in the tax code in 1981 helped to greatly expand the popularity of a new type of pension called the defined contribution (DC) plan. Under a DC retirement plan, individuals fund and direct their account, but also assume the investment risk. (Note: employees in DC plans are increasingly shifting the risk, which was assumed by the employer under DB plans, to insurance companies in the form of variable annuities with income and withdrawal guarantees.) Par-

ticipants accumulate balances in personal accounts (based on personal contributions and investment returns). Examples of this type of plan include: 401(k) (private companies); 403(b) (nonprofits); 457 (government); and Individual Retirement Accounts (IRA). Employers often match a portion of the contributions made to 401(k) accounts.

Many companies have eliminated their traditional DB plans, while others have reduced the value of benefits and shifted to providing benefits through DC plans. Under these plans, the company contributes only a fixed amount to the plan each year. The number of active participants covered by DB plans decreased from 30 million in 1980 to 22 million in 2005, a drop of more than 26 percent. In contrast, the number of workers enrolled in

DC plans has tripled, expanding from 19 million in 1980 to 57 million in 2005.

With this shift in pension coverage, there are advantages to both employers and employees. The employer is freed from liability, while the employee gains choice and control. This flexibility is especially important as workers change jobs more frequently than in the past, and want benefits that are portable and can be rolled over from job to job. Unfortunately, older employees especially can lose out when an employer switches plan types, as most of the benefits accumulated in a traditional DB plan are gained in the final years of work. While younger employees have more time to invest after a switch, older workers may find themselves struggling to make up lost ground.

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Unemployment Rates in New York State

Data Not Seasonally Adjusted

| | NOV '06 | NOV '07 | | NOV '06 | NOV '07 | | NOV '06 | NOV '07 |
|-------------------------|------------|------------|----------------------|------------|------------|-------------------------|------------|------------|
| New York State | 3.9 | 4.4 | Hudson Valley | 3.4 | 3.7 | Southern Tier | 3.8 | 4.2 |
| Capital | 3.5 | 3.8 | Dutchess | 3.3 | 3.7 | Broome | 3.9 | 4.2 |
| Albany | 3.4 | 3.7 | Orange | 3.8 | 4.0 | Chemung | 4.3 | 4.3 |
| Columbia | 3.3 | 3.9 | Putnam | 3.0 | 3.3 | Chenango | 4.1 | 4.6 |
| Greene | 4.3 | 4.7 | Rockland | 3.4 | 3.6 | Delaware | 3.6 | 4.3 |
| Rensselaer | 3.5 | 3.9 | Sullivan | 4.5 | 4.9 | Otsego | 3.7 | 3.8 |
| Saratoga | 3.1 | 3.5 | Ulster | 3.6 | 4.1 | Schuyler | 4.5 | 4.9 |
| Schenectady | 3.6 | 3.9 | Westchester | 3.3 | 3.6 | Steuben | 4.4 | 5.1 |
| Warren | 4.4 | 4.5 | Mohawk Valley | 4.1 | 4.4 | Tioga | 3.7 | 3.8 |
| Washington | 3.6 | 3.8 | Fulton | 4.6 | 5.3 | Tompkins | 3.0 | 3.2 |
| Central New York | 4.0 | 4.1 | Herkimer | 4.7 | 4.5 | Western New York | 4.3 | 4.6 |
| Cayuga | 4.1 | 4.2 | Madison | 3.9 | 4.1 | Allegany | 4.3 | 5.1 |
| Cortland | 4.5 | 4.7 | Montgomery | 4.6 | 5.0 | Cattaraugus | 4.4 | 4.9 |
| Onondaga | 3.7 | 3.8 | Oneida | 3.8 | 4.1 | Chautauqua | 4.0 | 4.4 |
| Oswego | 5.1 | 4.8 | Schoharie | 4.1 | 4.6 | Erie | 4.3 | 4.4 |
| Finger Lakes | 3.9 | 4.3 | North Country | 4.8 | 5.2 | Niagara | 4.6 | 5.1 |
| Genesee | 4.0 | 4.6 | Clinton | 4.5 | 4.7 | Long Island | 3.3 | 3.7 |
| Livingston | 4.1 | 4.6 | Essex | 5.3 | 5.5 | Nassau | 3.2 | 3.6 |
| Monroe | 3.8 | 4.3 | Franklin | 4.9 | 5.6 | Suffolk | 3.4 | 3.7 |
| Ontario | 3.6 | 3.8 | Hamilton | 5.9 | 6.5 | New York City | 4.3 | 5.0 |
| Orleans | 4.6 | 5.2 | Jefferson | 5.0 | 5.4 | Bronx | 5.8 | 6.7 |
| Seneca | 3.9 | 4.0 | Lewis | 4.1 | 4.5 | Kings | 4.6 | 5.4 |
| Wayne | 3.9 | 4.3 | St. Lawrence | 4.8 | 5.4 | New York | 3.7 | 4.3 |
| Wyoming | 4.1 | 4.3 | | | | Queens | 3.8 | 4.5 |
| Yates | 3.5 | 3.8 | | | | Richmond | 3.8 | 4.5 |

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recreation, accommodation, and food services and drinking places -- all added jobs in 2007. The outlook for this sector remains strong. Booming tourism is the key. Domestic tourism has been growing since 2003, and the weaker U.S. dollar has boosted international tourism. Six new hotels are expected to open locally in 2008.

The educational and health care services sector, which accounts for over 22 percent of private sector jobs, is New York City's largest source of jobs. Employment in this sector tends to grow at a moderate, but steady pace, and is driven more by long-term demographic trends and shifts in government spending than by the business cycle. The steady growth in this large sector serves as a stabilizer for the local economy.

No other sector of the City's economy is expected to show noticeable change in 2008. The manufacturing and wholesale trade sectors will likely continue to lose jobs.

In summary, the outlook for 2008 has worsened noticeably over the last six months. Job growth is expected to continue, but at a much slower pace. Private sector jobs will probably increase by 20,000-30,000, or half the rate of recent years. This assumes that the current consensus is correct, and the nation avoids a recession in 2008. The City's economy generally suffers significant job losses during recessions.

How to Increase Participation

With the increased popularity of DC plans, a basic difficulty has arisen: many workers do not contribute to their plans. About one-third of eligible workers do not participate in their employers' 401(k)-type plans. Failure to make contributions has long-term implications. A Government Accountability Office (GAO) study in 2007 projected that 37 percent of all workers born in 1990 will eventually have no 401(k) savings at retirement. The GAO also predicted that two-thirds of low-income workers born that year will retire with nothing saved.

To help increase worker participation in DC plans, a 2007 law makes it easier for companies to automatically enroll employees in 401(k) and other DC plans. This change could reduce the non-participation rate to less than 10 percent. Furthermore, the law now allows businesses to initially set employee payroll contributions high enough to attain investment goals, and to automatically select investment choices appropriate to the worker's age and retirement goals. Financially-savvy investors can still make changes to their portfolio, customizing it or withdrawing from the program as they desire.

Conclusion

The changes outlined above are expected to continue, and should provide employees with greater flexibility and more choices for retirement. However, many workers, who once expected to

receive a traditional pension like their grandparents, will likely find the responsibility and uncertainty associated with funding their own retirement unsettling. The GAO summarizes the changes occurring in the pensions field by noting, "The DC plan has clearly overtaken the DB plan as the principal retirement plan for the nation's private sector workforce, and its growing dominance suggests its increasingly crucial role in the retirement security of current and future generations of workers."

As Hall of Fame baseball player and sometime philosopher Yogi Berra once said, "The future ain't what it used to be." Aptly enough, he could have been referring to the changing face of employee pensions.

by Kevin Hannel

Employment in New York State

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Division of Research and Statistics
New York State Department of Labor
Building 12, State Campus
Albany, N.Y. 12240

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| Editor | Kevin Jack |
| Dir. of Communications | Leo Rosales |
| Graphic Design | Jeff Mosher |
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FINGER LAKES TAMMY MARINO 585-258-8870

Private sector jobs in the Rochester metro area rose over the year by 400, or 0.1 percent, to 439,400 in November 2007. Gains were concentrated in educational and health services (+2,300) and leisure and hospitality (+800). Declines were greatest in manufacturing (-3,200) and professional and business services (-600).

CENTRAL NY ROGER EVANS 315-479-3388

For the 12-month period ending November 2007, the private sector job count in the Syracuse metro area rose 2,900, or 1.1 percent, to 270,600. Growth was concentrated in educational and health services (+1,400). Job losses were largest in trade, transportation and utilities (-600).

MOHAWK VALLEY MARK BARBANO 315-793-2282

For the 12-month period ending November 2007, private sector jobs count in the Utica-Rome metro area increased by 700, or 0.7 percent, to 101,000. Gains were largest in educational and health services (+500). Losses were centered in manufacturing (-400).

NORTH COUNTRY ALAN BEIDECK 518-891-6680

Private sector employment in the North Country rose over the year by 500, or 0.4 percent, to 118,300 in November 2007. The largest gains were in trade, transportation, and utilities (+600) and leisure and hospitality (+300). Losses were centered in professional and business services (-300) and manufacturing (-200).

CAPITAL DISTRICT JAMES ROSS 518-462-7600

From November 2006 to November 2007, the number of private sector jobs in the Albany-Schenectady-Troy area fell by 400, or 0.1 percent, to 344,900. Over-the-year gains were concentrated in educational and health services (+700) and natural resources, mining and construction (+600). Losses were largest in manufacturing (-1,100) and trade, transportation and utilities (-1,000).

HUDSON VALLEY JOHN NELSON 914-997-8798

Private sector jobs in the Hudson Valley increased over the year by 7,200, or 0.9 percent, to 765,500 in November 2007. Gains were largest in educational and health services (+3,500) and professional and business services (+2,700). Losses were centered in manufacturing (-1,500).

WESTERN NY JOHN SLENKER 716-851-2742

Private sector jobs in the Buffalo-Niagara Falls metro area increased by 3,400, or 0.7 percent, to 458,200 over the 12 months ending November 2007. Job gains were centered in educational and health services (+2,600), professional and business services (+2,200), and financial activities (+1,600). Losses were greatest in manufacturing (-1,900) and trade, transportation and utilities (-1,000).

SOUTHERN TIER CHRISTIAN HARRIS 607-741-4485

The private sector job count in the Southern Tier grew over the year by 1,500, or 0.6 percent, to 262,000 in November 2007. Employment gains were largest in trade, transportation and utilities (+700), educational and health services (+600), and professional and business services (+300). Losses were centered in leisure and hospitality (-300).

NEW YORK CITY JAMES BROWN 212-775-3330

Private sector jobs in New York City rose 50,200, or 1.6 percent, to 3,219,900 for the 12-month period ending November 2007. Growth was largest in professional and business services (+15,800), educational and health services (+10,400), and financial activities (+10,300). Manufacturing (-5,400) lost jobs over the year.

LONG ISLAND GARY HUTH 516-934-8533

Private sector jobs on Long Island increased over the year by 5,100, or 0.5 percent, to 1,073,500 in November 2007. Gains were largest in educational and health services (+3,800) and professional and business services (+2,800). Losses were centered in financial activities (-2,700) and manufacturing (-1,900).

