

Employment

IN NEW YORK STATE

Andrew M. Cuomo, Governor
Colleen C. Gardner, Commissioner

At a Glance

In December 2011, New York's seasonally adjusted unemployment rate was unchanged from November's level of 8.0%. The nation's unemployment rate was 8.5% in December. New York State had 8,644,400 nonfarm jobs in December 2011, including 7,161,700 private sector jobs, after seasonal adjustment. The number of seasonally adjusted private sector jobs in the state decreased by 0.2% between November and December, while the nation increased by 0.2%. From December 2010 to December 2011, the number of private sector jobs increased by 1.3% in the state and by 1.8% in the U.S. (not seasonally adjusted). In addition, New York's Index of Coincident Economic Indicators decreased at an annual rate of 0.7% in December 2011.

Change in Nonfarm Jobs

December 2010 - December 2011

(Data not seasonally adjusted, net change in thousands)

	Net	%
Total Nonfarm Jobs	88.0	1.0
Private Sector	90.1	1.3
Goods-producing	1.1	0.1
Nat. res. & mining	-0.1	-1.9
Construction	5.9	2.0
Manufacturing	-4.7	-1.0
Durable gds.	3.6	1.4
Nondurable gds.	-8.3	-4.4
Service-providing	86.9	1.1
Trade, trans. & util.	11.9	0.8
Wholesale trade	3.5	1.1
Retail trade	11	1.2
Trans., wrhs. & util.	-2.6	-1.0
Information	-3.7	-1.5
Financial activities	3.9	0.6
Prof. & bus. svcs.	37.6	3.4
Educ. & health svcs.	30	1.7
Leisure & hospitality	11.5	1.6
Other services	-2.2	-0.6
Government	-2.1	-0.1

Firm Age Matters More Than Size...

Who Creates Jobs?

"Small firms ... create some 60% of new jobs; and they're on the cutting edge of innovation, providing products and ideas for the future."

President Ronald Reagan, May 14, 1983

"Over the past decade and a half, America's small businesses have created 65% of all new jobs in the country...These companies are the engine of job growth in America."

President Barack Obama, October 21, 2009

One of the most widely held beliefs about the U.S. economy is that small businesses create the most new jobs. Statements over the past 30 years by political leaders (see above) reinforce this notion. However, recent research by John Haltiwanger of the University of Maryland and Census Bureau economists Ron Jarmin and Javier Miranda (hereafter listed as HJM) found that the accuracy of this idea is

"subject to a host of statistical and measurement issues." These issues include:

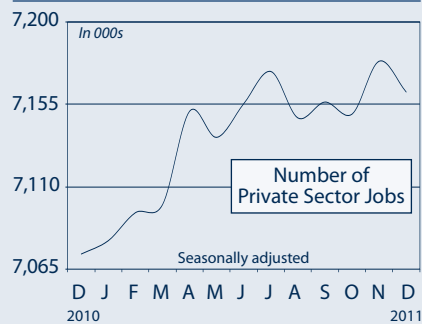
- How large is a "small" business?
- How do we measure "job growth"?
- Is the age of the business considered?

This article takes a closer look at the issues outlined above, using New York State data from the Census Bureau's Business Dynamics Statistics (BDS). The BDS series is unique because it includes both the age and size of the firm. New York State businesses churn constantly -- some grow, others shrink and yet others close. New businesses ("start-ups") open, replacing those that close. The BDS series provides annual statistics on gross job gains and losses by firm size and age. These data shed light on the underlying dynamics

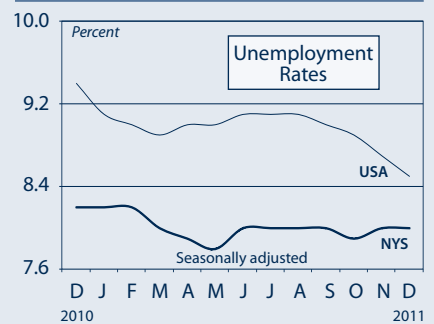
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IN DECEMBER...

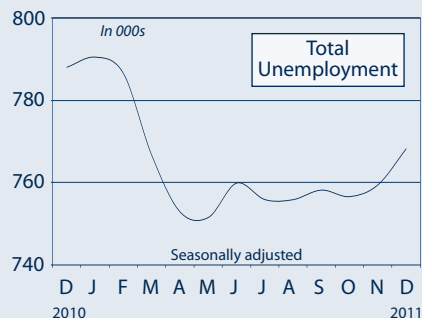
...NYS private sector jobs decreased



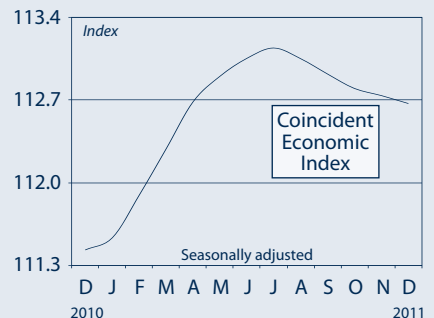
...NYS unemployment rate unchanged



...NYS unemployment increased



...NYS economic index decreased



Focus on Long Island

Economic Development Comes to Long Island

By Shital Patel, Labor Market Analyst, Long Island and Michael Crowell, Senior Economist

Long Island's economy still suffers from the effects of the "Great Recession." In 2009, the region lost 40,100 private sector jobs. While the state and national economies were in recovery mode in 2010-2011, Long Island continued to lose private sector jobs – 3,100 in 2010 and 200 in 2011. Four local sectors did manage to add jobs on Long Island in 2011:

- Educational and health services (+2,500)
- Professional and business services (+1,900)
- Trade, transportation and utilities (+1,500)
- Other services (+300)

The region's unemployment rate stood at 7.0% in 2011. This was down from its peak level of 7.4% in 2010. However, it was still almost double the pre-recession rate of 3.8% in 2007. While a falling jobless rate usually is good news, part of the local rate drop comes from a shrinking labor force. Since 2008, Long Island has lost 41,600 potential workers. This is due to several reasons. Some discouraged workers have stopped looking for work. An aging local population also may play a role, as some Long Island workers decide to retire and move to warmer climates with a lower cost of living.

Regional Economic Development Gets A Lift

Long Island's Regional Economic Development Council (REDC), one of 10 public-private groups across the state, developed a strategic plan to capitalize on the region's assets. In fact, the Long Island REDC's economic plan was recently awarded grants totaling \$101.6 million. The funded projects fall into four major categories:

- Innovative Economy

- Smart Growth for Communities
- Natural Assets
- Workforce and Education

Long Island: The Next Silicon Valley?

Long Island is home to world-class research centers, including two nationally-recognized laboratories and three research universities. The groundbreaking "Accelerate Long Island" initiative aims to bring locally developed innovations to market. The initiative focuses on three broad areas: biotechnology, energy research and information technology. Local economic developers hope that Long Island can tap the economic potential of its research and ideas as Silicon Valley did to create high-paying jobs. Accelerate Long Island received REDC grants totaling \$3.5 million.

Building on a Highly-Educated Workforce

One of Long Island's biggest competitive advantages is its highly-educated workforce. The region boasts a number of first-class research institutions. More than 40% of the people in Nassau County (ages 25+) have a bachelor's degree or higher, as do 32% of Suffolk County. This compares to 32% for New York State and 28% in the nation. If Long Island aims to be the next Silicon Valley, it is critical for the region to focus on increasing the skill levels of its workers.

The region received several grants to support local research universities. First, Stony Brook University received two large grants that totaled \$185 million. A \$150 million grant from the Simons Foundation will help expand the university's medical school. Merit-based scholarships



will attract highly qualified graduate and undergraduate students. Another \$35 million from the State will pay to hire nearly 650 new staff, and increase school enrollment by 1,500.

Almost \$4 million of the REDC grants will go to educate high-tech workers. These projects include a partnership among Long Island's three workforce investment boards. It will fund training focused on science, technology, engineering and mathematics (STEM) and improve engineering programs at Hofstra and Stony Brook University.

Looking Ahead

Long Island's economy still shows the effects of the Great Recession. The region's job market remains below pre-recession levels. However, there is good news; public and private stakeholders are working together to take advantage of the region's assets, to bring more jobs and economic activity to Long Island. Successful innovations, developed at local research institutions and supported by a highly educated workforce, could power Long Island's economy in the years ahead. ■

Who Creates Jobs... from page 1

in our labor market. For example, between 1984 and 2009, on an annual average basis, New York State businesses:

Created 1,082,900 gross jobs

- 384,200 due to new firms opening
- 698,700 due to existing firms adding jobs

Destroyed 1,027,400 jobs

- 348,500 due to firms closing
- 678,900 due to existing firms cutting jobs

On average, the New York State economy netted 55,500 jobs per year in 1984-2009. Churning in the state's labor market (gross job creation plus destruction) was equal to 30% of jobs in the state.

A Little History

In the early 1930s, French economist Robert Gi-

brat held that a firm's size had no bearing on its rate of growth. "Gibrat's rule" as it was known, held sway for many years. However, in the late 1970s, economist David Birch challenged the prevailing wisdom. He found that small businesses created the most jobs in the U.S.

Subsequent research on the role of firm size in employment growth has been mixed. Part of the confusion is that some studies looked at "gross job creation," while others focused on "net job creation." Nevertheless, most policymakers continue to believe that small businesses grow faster than larger firms do, and thus create most of the jobs in this country.

How Small is Small?

The U.S. Small Business Administration counts

"small" businesses as those with less than 500 employees. By this definition, small businesses make up 99% of all firms, employ 53% of workers, and account for 61% of gross job creation and 92% of net new jobs in 1984-2009.

Other countries use different size cutoffs. For example, the European Union defines "small" firms as having less than 50 workers. Using this alternative measure, "small" firms in New York employed 31% of workers, and created 40% of gross jobs and 44% of net new jobs in 1984-2009.

Age Matters

A 2010 study by HJM found that business size does not really matter when it comes to job cre-

Continued on page 3

Unemployment Rates in New York State

Data Not Seasonally Adjusted

	DEC '10	DEC '11		DEC '10	DEC '11		DEC '10	DEC '11
New York State	8.0	8.0	Hudson Valley	7.2	6.9	Finger Lakes	7.8	7.4
Capital	7.3	7.1	Dutchess	7.4	7.2	Genesee	7.9	7.4
Albany	6.9	6.7	Orange	7.8	7.4	Livingston	8.7	8.4
Columbia	7.3	7.2	Putnam	6.4	6.1	Monroe	7.5	7.1
Greene	8.5	8.8	Rockland	6.8	6.5	Ontario	7.6	7.4
Rensselaer	7.4	7.4	Sullivan	9.4	9.3	Orleans	10.2	8.8
Saratoga	6.6	6.5	Ulster	8.0	7.8	Seneca	7.8	7.5
Schenectady	7.4	7.2	Westchester	6.8	6.5	Wayne	8.7	7.7
Warren	9.4	9.2	Mohawk Valley	8.6	8.5	Wyoming	9.5	8.9
Washington	7.6	7.5	Fulton	10.1	10.0	Yates	6.8	7.2
Central New York	8.4	8.0	Herkimer	8.7	8.5	Western New York	8.2	7.9
Cayuga	8.1	7.7	Montgomery	9.6	9.7	Allegany	9.3	8.6
Cortland	9.0	8.6	Oneida	8.0	7.9	Cattaraugus	9.1	8.6
Madison	8.8	8.3	Otsego	7.9	8.0	Chautauqua	8.4	7.9
Onondaga	7.5	7.3	Schoharie	9.6	9.6	Erie	7.9	7.7
Oswego	11.2	10.2	North Country	10.0	9.6	Niagara	8.9	8.6
Southern Tier	8.1	7.8	Clinton	10.0	9.1	Long Island	7.0	6.9
Broome	8.7	8.2	Essex	9.7	9.5	Nassau	6.6	6.6
Chemung	8.0	7.9	Franklin	9.0	8.9	Suffolk	7.3	7.2
Chenango	8.9	8.2	Hamilton	10.0	10.0	New York City	8.6	8.8
Delaware	8.4	8.3	Jefferson	10.3	10.1	Bronx	12.0	12.4
Schuyler	8.7	8.3	Lewis	10.0	9.9	Kings	9.3	9.5
Steuben	9.7	9.1	St. Lawrence	10.3	10.0	New York	7.1	7.3
Tioga	8.0	8.0				Queens	7.7	7.9
Tompkins	5.6	5.5				Richmond	7.8	7.9

Who Creates Jobs... from page 2

Average Annual Gross and Net Job Gains by Firm Size and Firm Age, New York State, 1984-2009

Firm Size (employees)	% Share of Jobs*	Average Job Change (in 1000s) Per Year	
		Gross	Net
1 - 9	12.8%	223.2	12.6
10-49	17.7%	206.9	11.9
50 - 99	7.2%	79.0	7.3
100-249	8.8%	94.1	11.7
250 - 499	6.2%	60.7	7.6
500+	47.3%	419.0	4.4
Total	100.0%	1,082.9	55.5

Firm Age (years)	% Share of Jobs*	Average Job Change (in 1000s) Per Year	
		Gross	Net
0	2.8%	196.4	196.4
1 - 3	8.1%	127.3	-24.8
4 - 5	4.7%	54.9	-16.7
6 - 10	10.1%	101.3	-24.3
11+	74.3%	602.9	-75.0
Total	100.0%	1,082.9	55.5

*Private sector only
Source: Division of Research and Statistics analysis of Business Dynamics Statistics data.

ation – what counts, is the age of the firm. Put another way: if firm age is taken into consideration, there is little statistical connection between firm size and job growth.

Business start-ups (i.e., firms 0 years old) have a disproportionately large impact on job creation in New York State. They only employ 3% of workers in the state, but were responsible for 18% of gross job creation in 1984-2009.

Even more striking – business start-ups account for all of the net job creation in the New York State over the past quarter century. This is also true for the nation as a whole. New firms added, on average, 196,400 jobs per year in the state in 1984-2009. Older firms (i.e., at least 1 year old), however, collectively shed more than 140,000 jobs each year over this period. Most of these job losses (75,000 per year) were at firms at least 11 years old.

Most jobs at business start-ups are with small firms. In 2009, 58% of jobs with start-ups were at firms with less than 10 workers, while firms with less than 50 workers accounted for 84% of start-up employment.

Summary

Overall, these statistics underscore the important role of start-ups and young businesses to the New York State economy. Smaller firms (however defined) do make substantial contributions to both gross and net job creation in the state. However, it is their age – not their size – that matters most to explain their outsized impact on the state's labor market.

See the data used in this analysis at: www.ces.census.gov/index.php/bds/bds_home. ■

by Kevin Jack

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REGIONAL ANALYSTS' CORNER

CAPITAL

James Ross — 518-462-7600

Private sector jobs in the Albany-Schenectady-Troy metro area increased by 4,300, or 1.3 percent, to 338,000 for the 12-month period ending December 2011. Job growth was centered in natural resources, mining and construction (+1,800), educational and health services (+1,600) and professional and business services (+1,200). Losses were greatest in trade, transportation and utilities (-1,500).

CENTRAL NY

Karen Knapik-Scalzo — 315-479-3391

For the 12-month period ending December 2011, the private sector job count in the Syracuse metro area rose 900, or 0.3 percent, to 258,900. Job growth was concentrated in professional and business services (+4,000). Job losses were focused in educational and health services (-1,500), manufacturing (-1,000), leisure and hospitality (-500), and natural resources, mining and construction (-300).

FINGER LAKES

Tammy Marino — 585-258-8870

Private sector jobs in the Rochester metro area increased over the year by 12,500, or 2.9 percent, to 440,600 in December 2011. Gains were concentrated in professional and business services (+7,100), trade, transportation and utilities (+3,400), construction (+1,500), and manufacturing (+1,500). Losses were centered in educational and health services (-1,100).

HUDSON VALLEY

John Nelson — 914-997-8798

Private sector jobs in the Hudson Valley increased over the year by 5,600, or 0.8 percent, to 736,600 in December 2011. Job gains were greatest in educational and health services (+5,600), trade, transportation and utilities (+1,800), financial activities (+900), and leisure and hospitality (+800). Losses were centered in natural resources, mining and construction (-1,800) and professional and business services (-1,000).

LONG ISLAND

Shital Patel — 516-934-8533

The private sector job count on Long Island fell over the year by 6,800, or 0.7 percent, to 1,025,300 in December 2011. The largest job gains were in educational and health services (+1,800) and professional and business services (+900). Losses occurred in leisure and hospitality (-3,700), other services (-2,500), manufacturing (-2,100), information (-700), and natural resources, mining and construction (-700).

MOHAWK VALLEY

Mark Barbano — 315-793-2282

For the 12-month period ending December 2011, the private sector job count in the Utica-Rome metro area rose by 1,900, or 2.0 percent, to 98,300. Job gains were focused in educational and health services (+700), leisure and hospitality (+600), trade, transportation and utilities (+500) and professional and business services (+400). Losses were greatest in natural resources, mining and construction (-300).

NEW YORK CITY

James Brown — 212-775-3330

Private sector employment in New York City rose by 38,900, or 1.2 percent, to 3,249,000 for the 12-month period ending December 2011. Growth was greatest in professional and business services (+19,200), trade, transportation and utilities (+16,000), educational and health services (+9,900), and leisure and hospitality (+8,400). Losses were focused in information (-4,900), natural resources, mining and construction (-4,600) and manufacturing (-4,000).

SOUTHERN TIER

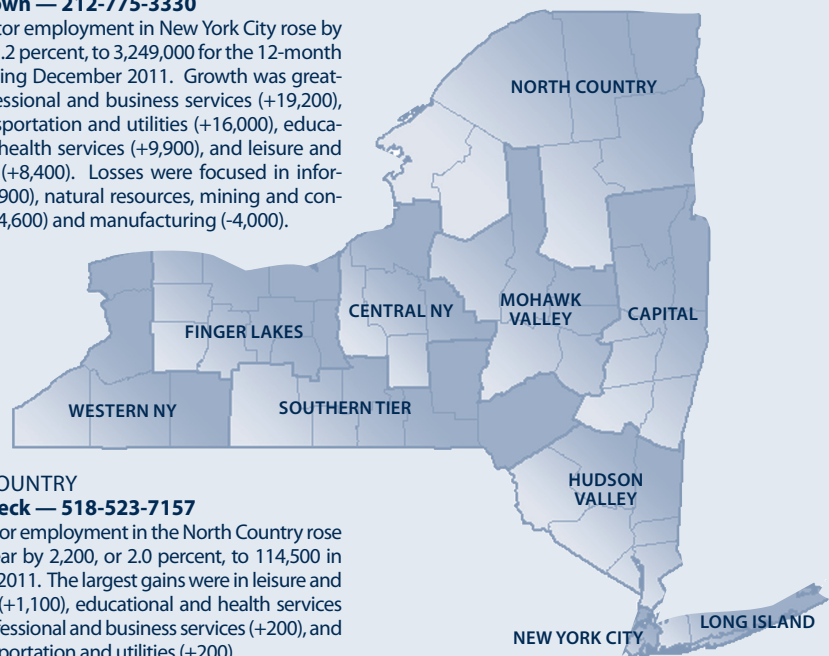
Christian Harris — 607-741-4485

Private sector employment in the Southern Tier declined over the year by 100 to 231,100 in December 2011. Job gains were largest in manufacturing (+800), professional and business services (+500), trade, transportation and utilities (+500), and financial activities (+200). Employment losses were centered in educational and health services (-2,200).

WESTERN NY

John Slenker — 716-851-2742

Private sector jobs in the Buffalo-Niagara Falls metro area decreased by 1,300, or 0.3 percent, to 448,900 over the 12 months ending December 2011. Job gains were centered in natural resources, mining and construction (+2,700) and educational and health services (+1,100). Losses were greatest in professional and business services (-3,200) and leisure and hospitality (-700).



NORTH COUNTRY

Alan Beideck — 518-523-7157

Private sector employment in the North Country rose over the year by 2,200, or 2.0 percent, to 114,500 in December 2011. The largest gains were in leisure and hospitality (+1,100), educational and health services (+600), professional and business services (+200), and trade, transportation and utilities (+200).