

EMPLOYMENT in New York State

Eliot Spitzer, Governor

April 2007

M. Patricia Smith, Commissioner

Emerging Technologies Play Key Role...

A New Model for the New York State Auto Sector

The domestic U.S. automobile manufacturing sector, including auto parts suppliers, has been under increasing financial stress, with many companies reporting record losses in recent years. Seeking a return to profitability, auto manufacturers and parts suppliers have shifted to a leaner workforce, leading to worker layoffs and the transfer of some work off-shore to countries with lower labor costs.

Overview

New York State's auto sector has been no exception to these national trends; employment and total wages have dropped significantly over time. From 2000 to 2005, total statewide auto sec-

tor employment has dropped by almost 20 percent, with inflation-adjusted total industry wages down by almost 25 percent (note: all data presented here refer to transportation equipment manufacturing). Despite this significant downsizing, the automotive sector remains an important economic presence in New York State, with almost 37,000 employees and total payrolls of \$2.22 billion in 2005. Moreover, the state's auto sector continues to pay above-average wages; in 2005, the annual average wage was \$60,500.

Motor vehicle parts manufacturing is, by far, the largest segment of the auto sector in New York State, accounting for

Continued on page 2

At a Glance

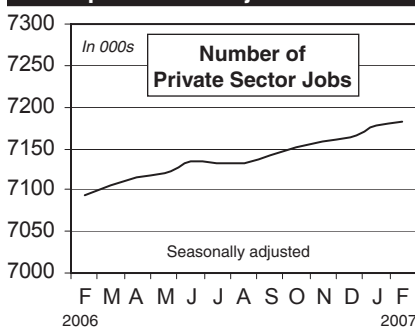
In February 2007, New York's seasonally adjusted unemployment rate was 4.4 percent, up from 4.3 percent in January 2007. (The nation's unemployment rate was 4.5 percent in February.) In February 2007, the state had 8,671,100 non-farm jobs, including 7,182,100 private sector jobs, after seasonal adjustment. The number of private sector jobs in the state increased by 0.1 percent from January. (The nation's private sector job count also increased by 0.1 percent over the month.) From February 2006 to February 2007, the number of private sector jobs increased by 1.4 percent in the state and increased by 1.5 percent in the nation (not seasonally adjusted). In addition, New York's employment-population ratio, a measure of labor force participation, decreased in February.

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

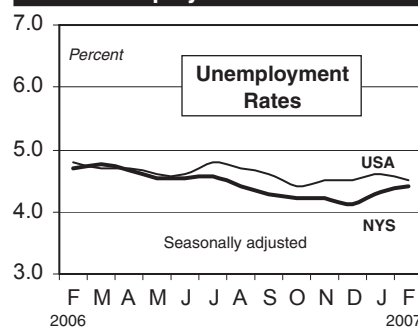
	Net	%
Total Nonfarm Jobs	103.1	1.2
Private Sector	96.1	1.4
Goods-producing	-4.9	-0.6
Nat. res. & mining	0.0	0.0
Construction	8.3	2.8
Manufacturing	-13.2	-2.3
Durable gds.	-0.7	-0.2
Nondurable gds.	-12.5	-5.3
Service-providing	108.0	1.4
Trade, trans., & util.	11.5	0.8
Wholesale trade	0.2	0.1
Retail trade	9.2	1.1
Trans., wrhs., & util.	2.1	0.8
Information	-0.8	-0.3
Financial activities	13.2	1.8
Prof. & bus. svcs.	28.3	2.6
Educ. & health svcs.	31.9	2.0
Leisure & hospitality	12.6	2.0
Other services	4.3	1.2
Government	7.0	0.5

IN FEBRUARY...

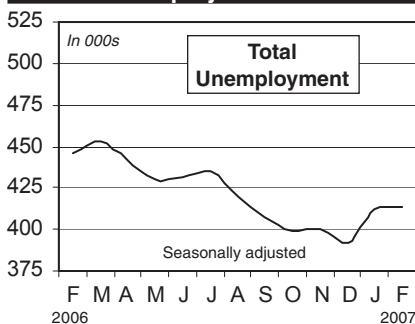
...NYS private sector jobs increased



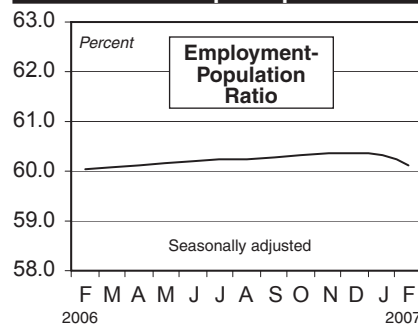
...NYS unemployment rate increased



...NYS unemployment increased



...NYS labor force participation down



Focus on the Mohawk Valley

The Mohawk Valley Economy: 2000-2006

by Mark Barbano, Labor Market Analyst, Mohawk Valley

The nonfarm job count in the six-county Mohawk Valley region peaked at 195,400 in 2000. Employment in the Mohawk Valley region dropped to 190,900 by 2002 due to the combined negative effects of the bursting of the dot-com bubble, the national manufacturing-centered recession of 2001, and the World Trade Center attacks. Between 2003 and 2006, employment in the Mohawk Valley recovered somewhat, rising to 192,600. Despite the recent upturn, employment still remains 2,800, or 1.4 percent, below the peak job count, set in 2000 (note: data presented here refers to the January-September periods between 2000 and 2006, the most recent available).

Growing and Declining Industries

On the positive side, four industries in the Mohawk Valley gained at least 1,000 jobs over the 2000-2006 period. Warehousing and storage grew from 2,000 in 2000 to 4,600 in 2006. Since 2000, two new distribution centers have opened; the Target distribution center in Montgomery County and the Family Dollar distribution center in Oneida County. With an average wage of almost \$31,000, this industry has hired many workers dislocated by downsizing in the manufacturing sector.



“The New York State Department of Labor continues to work with our workforce and economic development partners to create an innovative and creative workforce that will attract and retain jobs in Upstate New York.”

*Kelli Owens,
Regional Administrator,
Central/Mohawk Valley Region*

Employment in the accommodation sector rose from 4,000 in 2000 to 5,900 in 2006. Expansion at the Oneida Indian Nation’s Turning Stone Casino was the impetus for this increase. Employment at non-casino hotels, however, dipped slightly during the period.

The social assistance sector (private sector) also expanded over the period, increasing from 5,800 in 2000 to 7,100 in 2006. Job gains were centered in three main component industries: individual and family services; vocational rehabilitation services; and child day care services. Prevalent oc-

cupations in the social assistance sector include personal and home care aides, home health aides, teacher assistants, preschool teachers, and child care workers.

Reflecting the increase in the area’s number of elderly residents, the job count at nursing and residential care facilities (private sector) rose by 1,200 — from 9,800 in 2000 to 11,000 in 2006. Within the sector, employment gains were greatest in residential mental health facilities and in nursing care facilities. Occupations in this industry include nursing aides, home health aides, licensed practical nurses, registered nurses and personal and home care aides.

On the negative side, two industries recorded losses of at least 1,000 jobs over the six-year period. Administrative and support services declined by 2,600 jobs, from 7,700 in 2000 to 5,100 in 2006. Losses occurred in employment services, primarily in temporary help services, as well as in janitorial services.

Miscellaneous manufacturing declined from 2,700 in 2000 to 900 in 2006, a decline of 67 percent. Layoffs at Oneida Limited and the eventual closing of its manufacturing operations in spring 2005 contributed to the downturn. Oneida Limited’s

Continued on page 3

A New Model

from page 1

about two-thirds of the industry’s total employment. The state’s auto sector is concentrated in three Upstate metro areas: Buffalo-Niagara Falls (Western New York region); Rochester (Finger Lakes region); and Syracuse (Central New York region) (see table on page 3). The major employers in the Buffalo area include General Motors Corp. (GM), Ford Motor Co., Delphi Corp., and American Axle. Representative firms in Rochester include Delphi Corp. and GM, while Syracuse has the New Process Gear plant, which is an affiliate of Canadian firm Magna International.

Several factors, including mounting global competition and the increased utilization of new technology, contributed to the employment industry’s decline. Productivity gains, over the last decade in particular, allowed these manufacturers to produce more products using fewer people. This trend is expected to continue.

Recent Developments

In 2006, GM, Ford, and Delphi all posted massive financial losses, collectively losing more than \$20 billion. As a result, Delphi filed for bankruptcy protection. In an attempt to reduce labor costs and to return to profitability, Delphi offered retirement and severance packages to eligible employees. Employees with 30+ years of service were offered a \$35,000 incentive to retire, while severance packages ranged from \$70,000 to \$140,000. Soon after, GM and Ford followed suit, offering similar options to their workers. In total, several thousand workers took advantage of these offers and left the companies. Many were replaced with new workers at lower starting wages.

Downsizing in the auto sector often leads to employment cutbacks in many other industries in the affected regions. Reductions occur at a wide range of industry sectors — from banking to retail trade — due to

the workings of the economic multiplier. Often times, the multiplier’s “ripple effect” leads to larger employment losses outside of the affected sector than within. For example, the employment multiplier for motor vehicle parts manufacturing in New York State is 3.17, according to the IMPLAN software program. This means that for every job lost in that industry, an additional 2.17 jobs are lost across a wide spectrum of industries.

It’s not all bad news. Some plants, such as Delphi in Rochester and New Process Gear in Syracuse, are adding workers. Delphi has gone through a major restructuring worldwide. As a result, the production of fuel injectors is being shifted to the Rochester plant from a shuttered plant in Michigan, bringing in an additional 300 jobs. An increase in customer orders induced New Process Gear to add 100 workers so far this year.

Continued on page 3

Unemployment Rates in New York State

Data Not Seasonally Adjusted

	FEB '06	FEB '07		FEB '06	FEB '07		FEB '06	FEB '07
New York State	5.3	4.9	Hudson Valley	4.4	4.1	Southern Tier	5.5	5.3
Capital	4.6	4.6	Dutchess	4.3	4.1	Broome	5.5	5.2
Albany	4.2	4.2	Orange	4.8	4.6	Chemung	5.8	5.5
Columbia	4.6	4.5	Putnam	3.9	3.5	Chenango	6.3	6.4
Greene	5.5	5.4	Rockland	4.1	3.8	Delaware	5.5	5.9
Rensselaer	4.8	4.8	Sullivan	6.1	6.2	Otsego	5.7	5.4
Saratoga	4.3	4.2	Ulster	4.8	4.4	Schuyler	6.9	7.4
Schenectady	4.6	4.4	Westchester	4.4	3.9	Steuben	6.6	6.1
Warren	6.3	5.9	Mohawk Valley	6.1	6.0	Tioga	5.4	5.5
Washington	5.4	5.1	Fulton	6.9	7.3	Tompkins	3.6	3.3
Central New York	5.6	5.2	Herkimer	6.7	7.1	Western New York	6.0	5.5
Cayuga	5.9	6.0	Madison	6.0	6.1	Allegany	6.6	6.6
Cortland	6.6	6.3	Montgomery	7.3	7.2	Cattaraugus	6.4	6.0
Onondaga	4.9	4.6	Oneida	5.4	4.9	Chautauqua	5.6	5.2
Oswego	7.5	6.7	Schoharie	6.7	6.7	Erie	5.8	5.2
Finger Lakes	5.3	5.1	North Country	7.2	7.0	Niagara	6.8	6.3
Genesee	6.5	5.8	Clinton	6.3	6.7	Long Island	4.4	4.1
Livingston	6.1	6.1	Essex	7.4	7.6	Nassau	4.2	3.9
Monroe	4.8	4.7	Franklin	7.2	6.7	Suffolk	4.6	4.3
Ontario	5.8	5.3	Hamilton	8.9	8.2	New York City	5.6	5.1
Orleans	7.2	6.6	Jefferson	7.5	7.2	Bronx	7.4	6.8
Seneca	5.9	5.6	Lewis	8.1	7.6	Kings	6.0	5.5
Wayne	6.0	5.6	St. Lawrence	7.1	6.7	New York	4.9	4.4
Wyoming	7.1	6.5				Queens	5.1	4.5
Yates	5.6	5.2				Richmond	5.0	4.5

Mohawk Valley...

from page 2

A New Model...

from page 2

distribution and shipping facility is expected to close in the near future.

High-Tech Industries

The high-tech sector is a compilation of many industries. Here we use a list from the U.S. Bureau of Labor Statistics, which defines a high-tech industry as one in which the proportion of jobs in technology-related occupations is at least five times the average for all industries combined. Locally, high-tech fared better than all other industries combined over the 2000-2006 period, growing from 5,400 to 5,700, while the job count in all other industries declined from 190,000 to 186,900. High-tech gains were greatest in computer systems design and related services and in data processing, hosting, and related services. The average wage in high-tech industries was \$47,450 in 2006, significantly higher than the average in all other industries, \$30,270.

Summary

Although employment levels in the Mohawk Valley Region remain below peak levels achieved in 2000, there is progress. Employment gains in 2004, 2005 and 2006 followed employment declines in the previous three years. Following national trends, staff reductions at area manufacturers are expected to continue. However, growth in health care, transportation and warehousing, accommodation, and federal government gains at the Defense Finance and Accounting Services in Rome are expected to help offset the losses and continue the growth trend that started in 2004.

Changing Technology

Industry observers expect that new technological developments will help this mature industry to remain viable in New York. For example, the GM engine plant in the Town of Tonawanda (Erie County) will be producing the new global engine, which will be used in GM vehicles around the world. In addition, the Tonawanda plant will be the source of the new e85 engine (85 percent ethanol) that is now available in vehicles sold in Ohio. This engine plant is the world's largest and also one of the cleanest environmentally. The plant received landfill-free status in 2006, recycling 95 percent of its waste and converting the other 5 percent to energy.

More futuristic is the research being done on fuel cells, one of the most promising alternative energy methods on the horizon. The technology generates electricity by combining hydrogen with oxygen, and the only exhaust product is water. Both GM and Delphi have research facilities in the Rochester area working on fuel cell development. These companies partnered with MTI Micro-Fuel Cells Inc. of Albany, Plug Power Inc. of Latham and Albany NanoTech's Energy and Environmental Technology application center to form the New York Fuel Cell Network. The network is working collaboratively to hasten the development of this promising technology. While there are still hurdles to the

application of this technology, it could very well lead to a bright and "green" future for automobile manufacturing in New York State.

Employment Trends in New York's Auto Sector*, 2000-2005

	2000	2005
New York State	45,100	36,700
Central NY	4,790	3,780
Finger Lakes	7,820	5,970
Western NY	15,720	10,890

*Refers to NAICS Industry 336 (transportation equipment manufacturing)

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and Karen Knapik-Scalzo

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FINGER LAKES TAMMY MARINO 585-258-8870

Private sector employment in the Rochester metro area rose over the year by 700, or 0.2 percent, to 425,600 in February 2007. Gains were concentrated in professional and business services (+2,100), educational and health services (+800), and leisure and hospitality (+800). Losses were centered in manufacturing (-2,400).

CENTRAL NY ROGER EVANS 315-479-3388

For the 12-month period ending February 2007, the private sector job count in the Syracuse metro area rose 1,000, or 0.4 percent, to 259,400. Growth was focused in educational and health services (+1,200), and professional and business services (+900). Job losses were largest in trade, transportation, and utilities (-1,300).

MOHAWK VALLEY MARK BARBANO 315-793-2282

For the 12-month period ending February 2007, the private sector job count in the Utica-Rome metro area rose 300, or 0.3 percent, to 96,400. Growth was largest in educational and health services (+400) and natural resources, mining and construction (+300). Losses were greatest in trade, transportation, and utilities (-400).

NORTH COUNTRY ALAN BEIDECK 518-891-6680

Private sector employment in the North Country region rose over the year by 1,200, or 1.1 percent, to 111,700 in February 2007. The largest gains were in educational and health services (+700) and natural resources, mining, and construction (+700). Losses were focused in leisure and hospitality (-900).

CAPITAL DISTRICT JAMES ROSS 518-462-7600

From February 2006 to February 2007, the number of private sector jobs in the Albany-Schenectady-Troy area increased by 700, or 0.2 percent, to 333,200. Job gains were greatest in educational and health services (+2,300) and leisure and hospitality (+900). Losses were concentrated in financial activities (-700), professional and business services (-700).

HUDSON VALLEY JOHN NELSON 914-997-8798

Private sector jobs in the Hudson Valley increased over the year by 9,100, or 1.3 percent, to 732,800 in February 2007. Gains were largest in educational and health services (+3,300), trade, transportation and utilities (+1,900), professional and business services (+1,800), and leisure and hospitality (+1,400). Losses occurred in manufacturing (-1,300) and information (-400).

WESTERN NY JOHN SLENKER 716-851-2742

Private sector jobs in the Buffalo-Niagara Falls metro area increased by 1,200, or 0.3 percent, to 444,100 over the 12-month period ending February 2007. Job gains were centered in educational and health services (+1,300), trade, transportation and utilities (+1,200), financial activities (+900), and professional and business services (+900). Losses were largest in manufacturing (-2,300).

SOUTHERN TIER CHRISTIAN HARRIS 607-741-4485

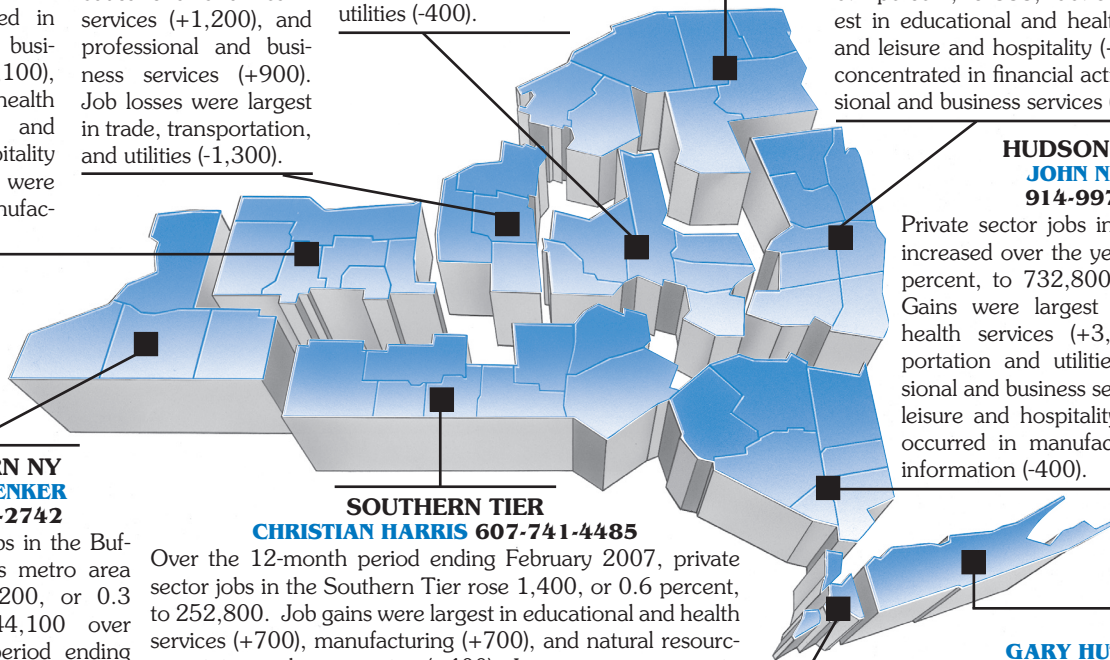
Over the 12-month period ending February 2007, private sector jobs in the Southern Tier rose 1,400, or 0.6 percent, to 252,800. Job gains were largest in educational and health services (+700), manufacturing (+700), and natural resources, mining and construction (+400). Losses were greatest in leisure and hospitality (-600).

NEW YORK CITY JAMES BROWN 212-621-9353

Private sector employment in New York City rose 62,200, or 2.0 percent, to 3,111,500 for the 12-month period ending February 2007. Job growth was highest in professional and business services (+17,700), educational and health services (+16,600), financial activities (+12,700), leisure and hospitality (+6,900), and trade, transportation and utilities (+6,600). Manufacturing (-6,400) lost jobs over the year.

LONG ISLAND GARY HUTH 516-934-8533

Private sector jobs on Long Island increased over the year by 12,900, or 1.3 percent, to 1,023,200 in February 2007. Gains were largest in professional and business services (+5,000), educational and health services (+4,400), trade, transportation and utilities (+2,200), and leisure and hospitality (+1,800). Job declines were focused in manufacturing (-1,700) and financial activities (-1,100).



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