

EMPLOYMENT in New York State

David A. Paterson, Governor

July 2008

M. Patricia Smith, Commissioner

Understanding the Financial Sector Meltdown (Part 2)...

The Credit Crisis and NY's Financial Services Sector

Last month, we discussed the origins of the current problems in the nation's housing, credit and financial markets. This month we continue with a look at their impact on employment in New York's financial services sector.

The downturn in the state's financial sector actually surfaced first at mortgage finance companies located in the Downstate suburbs. During 2007, 10 separate mortgage-related companies filed mass layoff notices in the Long Island and Hudson Valley regions. These announcements -- covering more than 3,000 workers -- started in spring 2007, before layoff notices began spreading on Wall Street.

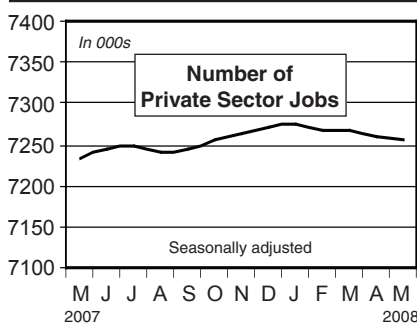
Since the financial problems have been concentrated in the credit markets, large commercial banks like JPMorgan Chase and Citigroup, which offer many and varied financial services, have taken the broadest hit. They have announced company-wide layoffs that will affect their banking and credit card operations as well as their securities subsidiaries.

Many of the first cutbacks announced by the major investment houses targeted their mortgage-related operations, which were primarily located outside New York City. However, as the turmoil in the credit markets spread during the second half of 2007, layoffs on Wall Street became more common. Perhaps the highest profile casu-

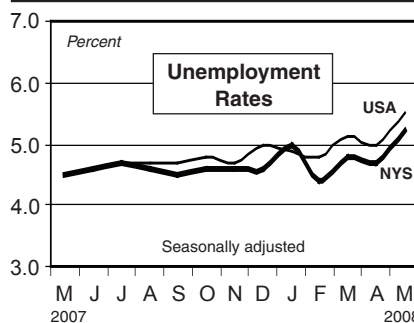
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IN MAY...

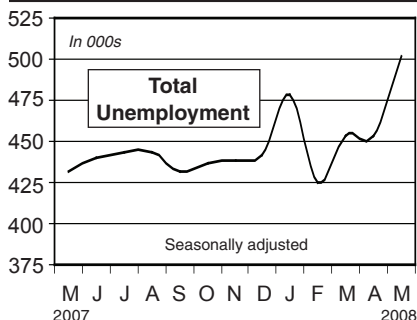
...NYS private sector jobs decreased



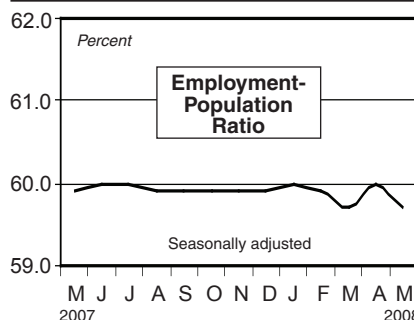
...NYS unemployment rate increased



...NYS unemployment increased



...NYS labor force participation down



At a Glance

In May 2008, New York's seasonally adjusted unemployment rate was 5.2 percent, up from 4.7 percent in April 2008. (The nation's unemployment rate was 5.5 percent in May.) In May 2008, the state had 8,770,900 nonfarm jobs, including 7,256,600 private sector jobs, after seasonal adjustment. The number of private sector jobs in the state decreased by less than 0.1 percent from April. (The U.S. private sector job count decreased over the month by 0.1 percent.) From May 2007 to May 2008, the number of private sector jobs increased by 0.4 percent in the state and decreased by 0.1 percent in the U.S. (not seasonally adjusted). In addition, New York's employment-population ratio, a measure of labor force participation, decreased in May.

Change in Nonfarm Jobs May 2007 - May 2008 (Data not seasonally adjusted, numbers in thousands)

	Net	%
Total Nonfarm Jobs	42.8	0.5
Private Sector	26.8	0.4
Goods-producing	-19.7	-2.1
Nat. res. & mining	0.3	4.7
Construction	-2.5	-0.7
Manufacturing	-17.5	-3.1
Durable gds.	-6.6	-2.0
Nondurable gds.	-10.9	-4.8
Service-providing	62.5	0.8
Trade, trans., & util.	0.3	0.0
Wholesale trade	-2.2	-0.6
Retail trade	-0.3	0.0
Trans., whrs., & util.	2.8	1.0
Information	2.4	0.9
Financial activities	-4.4	-0.6
Prof. & bus. svcs.	3.2	0.3
Educ. & health svcs.	34.7	2.2
Leisure & hospitality	7.8	1.1
Other services	2.5	0.7
Government	16.0	1.1

Focus on the Southern Tier

Region Enjoys Balanced Growth, But Challenges Remain

by Christian Harris, Labor Market Analyst, Souther Tier

Job growth in the Southern Tier (Broome, Chemung, Chenango, Delaware, Schuyler, Steuben, Tioga and Tompkins counties) has slowed in recent months, reflecting the nation's deteriorating labor market.

Between the first quarter of 2007 and the first quarter of 2008, the region's total nonfarm (private and public) job count increased by 2,100 or 0.7 percent. This represented a significant drop from the 1.4 percent year-over-year growth rate registered in the fourth quarter of 2007. However, unlike many areas of the country, both the service-providing sector (+1,600) and the goods-producing sector (+500) contributed to local job growth in the first quarter of 2008.

Manufacturing Stays Strong

Over the course of 2006 and 2007, an expanding manufacturing sector contributed to regional job growth -- a trend which ran counter to factory job losses experienced in both the state and nation. Although over-the-year job growth in the Southern Tier's factories was flat in the first quarter of 2008, the region easily outperformed both the state (-2.9 percent) and the U.S. (-2.1 percent).

Within the Southern Tier, recent strength in the manufacturing sector has been centered in the western end of the region (Chemung and Steuben counties), especially at transportation equipment companies. Local firms that are involved in this field to some degree include Schweizer Aircraft (Black Hawk helicopters), Corning Inc. (maker



"Throughout the Southern Tier, the Department of Labor and our workforce system partners are working together to meet the needs of our most promising industry sectors."

*John Rossi,
Employment Services Team Leader,
Southern Tier Region*

of ceramic catalytic converters for diesel trucks), and Alstom Inc. (rail equipment).

Despite the recent slowdown in the U.S. housing market, the local construction sector added 500 new jobs over the year, as of the first quarter of 2008. The 6.6 percent construction job growth rate in the Southern Tier over the past year significantly outpaced comparable changes in the state (+2.0 percent) and nation (-4.0 percent). We expect this trend to continue throughout 2008 if local workloads remain steady. The area's housing markets are stable, which contributes to the relative strength of the region's construction sector.

A recent report from the National Association of Realtors found that home prices in the Binghamton metro area experienced the strongest appreciation (+11.8 percent) between the first quarter of 2007 and the first quarter of 2008

among 150 metro areas in the nation. By comparison, home sales in the nation dropped by 7.7 percent over the same period. One factor contributing to the growth in home prices in Binghamton was their relative affordability; the area's median home price was only \$109,700, while the median price in the nation was \$196,300. In addition, Elmira registered growth of 9.6 percent, which placed it among the top 10 areas.

Services Also Robust

The service-providing sector now accounts for about five in six nonfarm jobs (83 percent) in the region, a proportion that has steadily risen over the past few decades. In the first quarter of 2008, the region's service-providing sector job count increased over the year to 244,300, an all-time high (current data extend back to 1990).

Over the last year, the educational and health services sector (+600) was the single largest source of new jobs among service-providing industries. Job growth in educational and health services is often driven more by demographic trends than by changing economic conditions.

Much of the local strength in educational services is due to expansion in higher education, especially at large employers such as Cornell University in the Ithaca metropolitan area. State and national industry projections expect this trend to remain in place over the next decade.

The Southern Tier region's population is aging. In 2005, about 15 percent of the area's population was 65 years of age

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ality of the crisis so far is investment bank Bear Stearns, which was purchased by JPMorgan Chase.

We define a significant downturn as a loss of at least 20 percent of the industry's workforce. There have been four significant downturns on Wall Street that meet this definition over the last 40 years (see table). Although the length of these downturns has varied greatly, the relative size of job losses is similar. A loss of at least 20 percent during this downturn could result in nearly 40,000 layoffs or relocations in New York City.

History shows that most layoffs occur

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Major Wall Street Downturns, New York City, 1969-2008*

Downturn Dates (Peak-Trough)	Peak Employment Level	Trough Employment Level	Net Job Loss	Percent Job Loss
July 1969 – October 1970	111,600	82,900	-28,700	-25.7%
July 1971 – January 1975	90,000	65,300	-24,700	-27.4%
December 1987 – October 1991	163,000	127,800	-35,200	-21.6%
December 2000 – April 2003	200,300	159,000	-41,300	-20.6%
August 2007 - **	191,800	**	**	**

Source: Current Employment Statistics survey

* Data are not seasonally adjusted. For dates prior to 2000, data refer to SIC industry 62. For 2000 and later, data refer to NAICS industry 523.

**Data not yet available

Unemployment Rates in New York State

Data Not Seasonally Adjusted

	MAY '07	MAY '08		MAY '07	MAY '08		MAY '07	MAY '08
New York State	4.2	4.9	Hudson Valley	3.6	4.8	Finger Lakes	4.1	5.3
Capital District	3.7	4.8	Dutchess	3.6	5.0	Genesee	3.9	5.2
Albany	3.6	4.8	Orange	4.0	5.3	Livingston	4.3	5.6
Columbia	3.7	4.6	Putnam	3.2	4.3	Monroe	4.1	5.3
Greene	4.5	5.7	Rockland	3.6	4.7	Ontario	3.7	4.7
Rensselaer	3.8	5.0	Sullivan	4.9	6.2	Orleans	5.1	6.5
Saratoga	3.3	4.4	Ulster	3.9	5.1	Seneca	3.9	5.3
Schenectady	3.8	5.0	Westchester	3.4	4.5	Wayne	4.2	5.3
Warren	4.0	5.1	Mohawk Valley	4.3	5.5	Wyoming	4.2	5.4
Washington	3.8	5.1	Fulton	4.9	6.1	Yates	3.6	4.4
Central New York	4.1	5.2	Herkimer	4.3	5.6	Western New York	4.4	5.7
Cayuga	3.9	4.9	Montgomery	5.3	6.5	Allegany	5.1	5.9
Cortland	4.5	5.4	Oneida	3.9	5.1	Cattaraugus	4.6	5.8
Madison	3.9	4.9	Otsego	4.0	5.2	Chautauqua	4.0	5.2
Onondaga	3.9	4.9	Schoharie	4.5	5.7	Erie	4.3	5.6
Oswego	5.0	6.5	North Country	5.1	6.2	Niagara	4.7	6.7
Southern Tier	4.1	5.1	Clinton	5.4	6.1	Long Island	3.7	4.6
Broome	4.0	5.1	Essex	5.2	6.2	Nassau	3.4	4.5
Chemung	4.5	5.3	Franklin	4.9	6.5	Suffolk	3.5	4.6
Chenango	4.4	6.1	Hamilton	4.7	5.9	New York City	4.7	4.8
Delaware	3.9	5.8	Jefferson	4.7	6.0	Bronx	6.3	6.5
Schuyler	4.3	4.9	Lewis	4.7	5.7	Kings	5.0	5.1
Steuben	4.7	5.5	St. Lawrence	5.2	6.6	New York	4.1	4.2
Tioga	4.5	4.8				Queens	4.1	4.3
Tompkins	3.2	3.9				Richmond	4.1	4.4

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or older, which was higher than the comparable figures for the state (13.0 percent) and nation (12.4 percent). This trend is expected to continue.

Preliminary population estimates from Cornell University's Program on Applied Demographics project that between 2005 and 2020, the Southern Tier's working-age population (ages 16-64) will decrease by more than 50,000 (-12 percent). This development will add to possible worker shortages in certain industries. Over the same time period, Cornell estimates the region's 65 and older population will increase by more than 18,000 (+19 percent). These developments should greatly increase the demand for workers in health care and related occupations in the region.

Looking Ahead

The Southern Tier has enjoyed balanced job growth over the past two years. But we expect job growth in the region to slow over the next year as the national economy continues to slump.

Over the longer term, the major obstacles to economic growth in the region include the impending retirements of Baby Boomers, many of whom are employed in high-skill manufacturing positions, and the lack of replacement workers in the talent pipeline. Attracting and retaining a skilled workforce in sufficient numbers to satisfy the needs of local businesses remains a top local priority.

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during the first 18-24 months. Since cumulative job losses during the current downturn are still less than 11 percent through May 2008, this suggests that Wall Street could eliminate 25,000 additional jobs by the middle of 2009.

Over time, the securities and commodities industry has been a major contributor to both New York State and New York City. Employment and wages on Wall Street have grown far faster than the overall economy.

Despite its long-term success, Wall Street is a highly cyclical industry, which periodically suffers through sharp retrenchments. Since compensation is high – average pay was just under \$400,000 per employee in 2007 – salaries represent a large part of securities firms' costs. Thus, business downturns on Wall Street can trigger large-scale layoffs. Because of the recent financial losses related to mortgage-backed securities and the resulting turmoil in the credit markets, it is clear that Wall Street is now in one of those down periods.

Any substantial workforce reduction on Wall Street today will lead to significant job losses in other industries, as well. The securities industry employment multiplier (direct plus secondary effects) in New York City is 3.0. This means that a 40,000 job loss on Wall Street could eventually translate into a total decline of 120,000 jobs throughout the city's economy.

The impact of a downturn on Wall Street will be most obvious in New York City, but

the economic fallout will be felt throughout the Downstate region. Banks and insurance carriers are the dominant employers in the financial sector in the Hudson Valley and on Long Island. While these firms are also experiencing layoffs, the cutbacks are not expected to be as severe as at securities firms. Layoffs of 10 percent of the workforce in these industries would be in line with those experienced in the early 1990s.

In summary, the depth and duration of the current credit crunch will ultimately determine the number of jobs lost in New York's financial services sector. Nonetheless, the securities industry – which has constantly reshaped itself due to competitive pressures – will continue as an essential part of the New York economy.

by Kevin Jack and James Brown

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FINGER LAKES Tammy Marino 585-258-8870

Private sector jobs in the Rochester metro area declined by 3,200, or 0.7 percent, over the year to 434,600 in May 2008. Educational and health services (+2,200) added jobs. Declines were largest in manufacturing (-2,800), trade, transportation and utilities (-1,200), professional and business services (-700), and leisure and hospitality (-500).

CENTRAL NY Roger Evans 315-479-3388

For the year ending May 2008, the private sector job count in the Syracuse metro area rose 1,300, or 0.5 percent, to 267,600. Growth was centered in educational and health services (+1,000) and trade, transportation and utilities (+600). Most job losses were in manufacturing (-500).

MOHAWK VALLEY Mark Barbano 315-793-2282

For the 12-month period ending May 2008, the private sector job count in the Utica-Rome metro area decreased by 600, or 0.6 percent, to 99,300. Job gains were focused in educational and health services (+600). Financial activities (-500) and manufacturing (-500) experienced the largest over-the-year job losses.

NORTH COUNTRY Alan Beideck 518-891-6680

Private sector employment in the North Country rose over the year by 700, or 0.6 percent, to 117,500 in May 2008. The largest gains were in educational and health services (+400), natural resources, mining and construction (+400), and trade, transportation and utilities (+300).

CAPITAL DISTRICT James Ross 518-462-7600

From May 2007 to May 2008, the number of private sector jobs in the Albany-Schenectady-Troy area fell 400, or 0.1 percent, to 341,400. Job gains were largest in professional and business services (+1,300) and educational and health services (+1,100). Financial activities (-1,100), leisure and hospitality (-800), and trade, transportation and utilities (-500) had the greatest losses.

HUDSON VALLEY John Nelson 914-997-8798

Private sector jobs in the Hudson Valley rose over the year by 1,800, or 0.2 percent, to 760,300 in May 2008. Gains were largest in educational and health services (+2,300) and professional and business services (+1,700). Job losses were centered in financial activities (-1,500) and manufacturing (-1,400).

WESTERN NY John Slenker 716-851-2742

Over the 12 months ending May 2008, the private sector job count in the Buffalo-Niagara Falls metro area was unchanged at 455,100. Job gains were centered in leisure and hospitality (+1,800), professional and business services (+1,600), and financial activities (+900). Losses occurred in natural resources, mining and construction (-2,400) and manufacturing (-1,700).

SOUTHERN TIER Christian Harris 607-741-4485

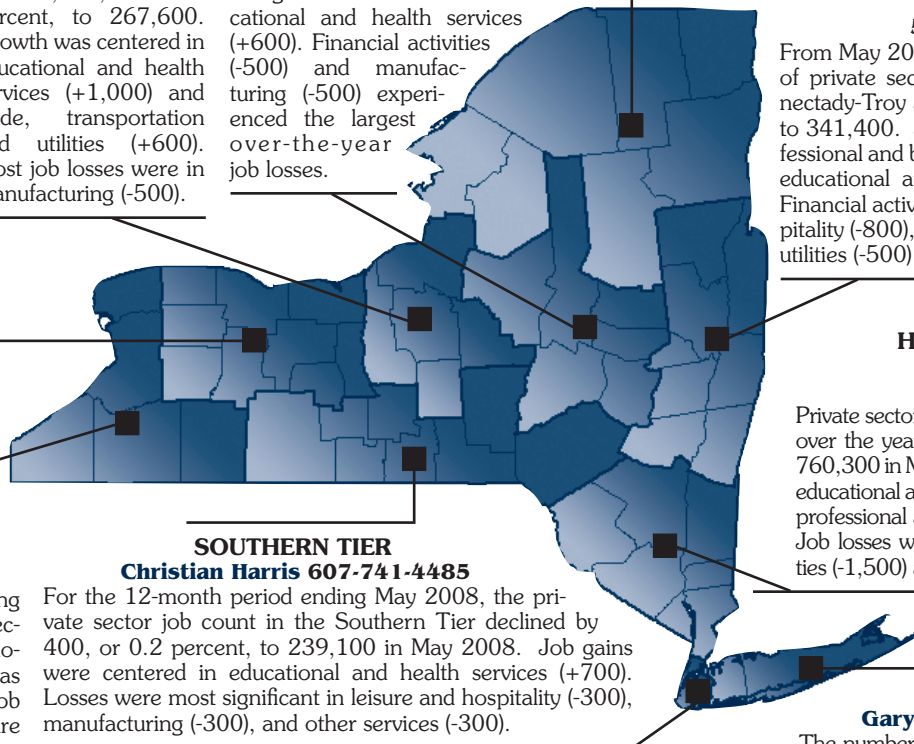
For the 12-month period ending May 2008, the private sector job count in the Southern Tier declined by 400, or 0.2 percent, to 239,100 in May 2008. Job gains were centered in educational and health services (+700). Losses were most significant in leisure and hospitality (-300), manufacturing (-300), and other services (-300).

NEW YORK CITY James Brown 212-775-3330

Private sector employment in New York City rose 31,300, or 1.0 percent, to 3,219,200 for the 12-month period ending May 2008. Growth was largest in trade, transportation and utilities (+9,800), educational and health services (+9,100), information (+7,000), leisure and hospitality (+5,300), and financial activities (+2,500). Manufacturing lost jobs over the year (-8,400).

LONG ISLAND Gary Huth 516-934-8533

The number of private sector jobs on Long Island increased over the year by 1,900, or 0.2 percent, to 1,072,900 in May 2008. Jobs rose in educational and health services (+3,900) and leisure and hospitality (+2,500). Financial activities (-2,700), manufacturing (-1,700), and trade, transportation and utilities (-800) had the greatest losses.



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