

# EMPLOYMENT in New York State

David A. Paterson, Governor

August 2008

M. Patricia Smith, Commissioner

## Department Introduces New Economic Index (Part 1)...

### Tracking the New York State Economy

**T**he increasing likelihood that the U.S. economy entered a recession in late 2007 or early 2008 underscores the need for timely and reliable indicators of the direction and strength of current economic activity. While there are well-known summary variables that track the health of the national economy (e.g., Gross Domestic Product), there are few comparable summary measures at the state level. Under recently enacted state budget reform legislation, the New York State Department of Labor is required to publish a composite index of business cycle indicators each month. Here, in a two-part series, we examine some of the challenges involved in measuring state-

level economies and provide background information on the department's new economic index.

#### Defining and Measuring Recessions

The National Bureau of Economic Research (NBER) is the organization that determines the official starting (peak) and ending (trough) dates of recessions in the U.S. Contrary to what is taught in economics textbooks, a recession is not two consecutive quarters of declining GDP. The NBER's definition of a recession is much more comprehensive. They define it as "a significant decline in economic activity spread across the economy, lasting more than a few months." Interestingly, the NBER looks almost exclusively at

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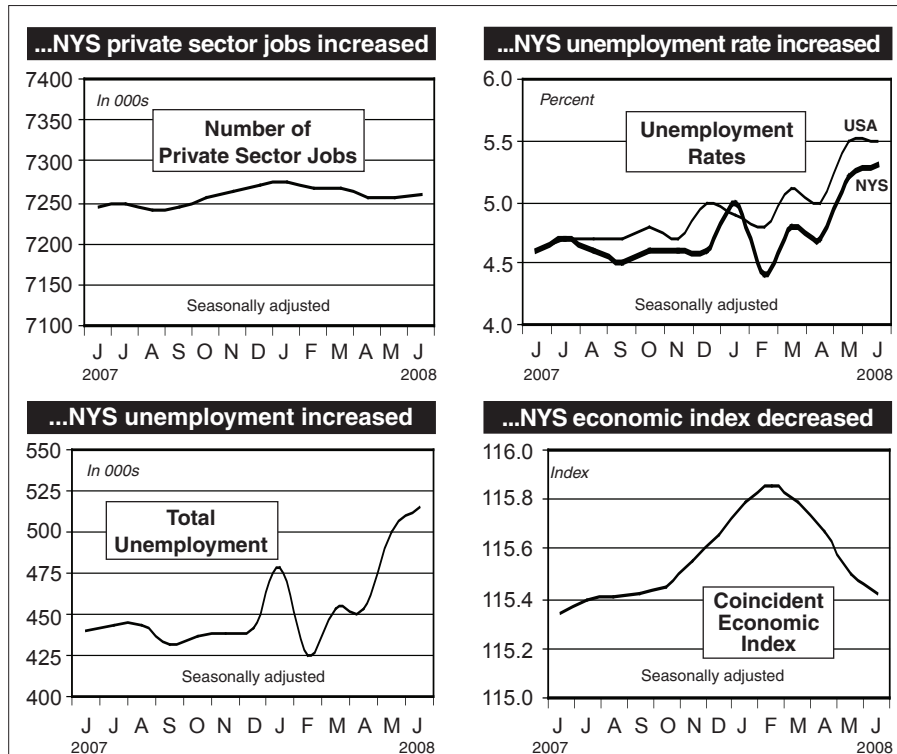
#### At a Glance

In June 2008, New York's seasonally adjusted unemployment rate was 5.3 percent, up from 5.2 percent in May 2008. (The nation's unemployment rate was 5.5 percent in June.) In June 2008, the state had 8,777,000 nonfarm jobs, including 7,259,900 private sector jobs, after seasonal adjustment. The number of private sector jobs in the state increased by 0.1 percent from May. (The private sector jobs in the U.S. count decreased by 0.1 percent over the month.) From June 2007 to June 2008, the number of private sector jobs increased by 0.2 percent in the state and decreased by 0.4 percent in the U.S. (not seasonally adjusted). In addition, New York State's Index of Coincident Economic Indicators decreased in June.

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

	Net	%
Total Nonfarm Jobs	30.1	0.3
Private Sector	12.9	0.2
Goods-producing	-20.9	-2.2
Nat. res. & mining	0.1	1.5
Construction	-3.1	-0.8
Manufacturing	-17.9	-3.2
Durable gds.	-7.3	-2.2
Nondurable gds.	-10.6	-4.6
Service-providing	51.0	0.6
Trade, trans., & util.	-3.1	-0.2
Wholesale trade	-3.9	-1.1
Retail trade	-1.7	-0.2
Trans., whrs., & util.	2.5	0.9
Information	1.9	0.7
Financial activities	-10.3	-1.4
Prof. & bus. svcs.	2.3	0.2
Educ. & health svcs.	33.4	2.1
Leisure & hospitality	7.4	1.0
Other services	2.2	0.6
Government	17.2	1.1

### IN JUNE...



# Focus on the Hudson Valley

## A Mid-year Report on the Region

by John Nelson, Labor Market Analyst, Hudson Valley

**L**ike New York State and the nation as a whole, economic conditions in the Hudson Valley region slowed considerably during the first half of 2008. This article reviews the industry sectors that were the major contributors and detractors to regional job growth between the first half of 2007 and the first half of 2008.

From the first half of 2007 to the first half of 2008, the region's private sector count grew by 3,400 jobs, or 0.5 percent, to 749,800 (not seasonally adjusted). This represented a significant slowing from the 1.2 percent rate of job growth between the first half of 2006 and the first half of 2007. Over the same period, the rate of private sector job growth also dropped in both New York State (from 1.5 percent in 2006-07 to 0.7 percent in 2007-08) and the United States (from 1.3 percent in 2006-07 to 0.2 percent in 2007-08).

Another sign that the Hudson Valley's economic engine has slowed is a higher unemployment rate. From the first half of 2007 to the first half of 2008, the region's unemployment rate bumped up from 3.9 percent to 4.7 percent. Despite this over-the-year increase, the Hudson Valley's rate remained below the comparable rates for New York State (5.1 percent) and the United States (5.3 percent) in the first six months of 2008.

### Job Contributors

Educational and health services added the most jobs (+2,500) from the first half of 2007 to the first half of 2008. With an average job count of 176,100 during the first six months of 2008, educational



**"One-Stop staff in the Hudson Valley are ready to help our customers during these challenging economic times."**

*Donald Lucarello,  
Employment Services Team Leader,  
Hudson Valley Region*

and health services accounted for almost one out of every four private sector jobs in the region. Job growth in this sector is often driven more by demographic trends than by changing economic conditions. Cornell University projects population growth at both ends of the age spectrum over the next decade, which should translate into increased future demand for workers in both education and health care.

Over the last year, professional and business services accounted for the second-highest gain in jobs (+2,300). Firms in this sector typically sell to other businesses rather than to consumers. Recessionary fears and diminishing corporate profits have yet to noticeably impact job growth in this sector in the Hudson Valley. However, it is likely that many businesses will cut back on their purchases, as the overall economy continues to slow. Such actions, in turn, could eventually lead to job reductions in this sector.

The natural resources, mining and construction sector added 1,300 jobs over the period, as strength in commercial building overshadowed weakness in residential construction. One of the largest projects in the pipeline is the \$3 billion makeover of the downtown Yonkers waterfront and Hudson River shoreline (Westchester County). One of the key components of the Yonkers project is the proposed River Park Center, which is a mixed-use retail-residential-office complex with approximately one million square feet of space. Plans call for the \$850 million center to occupy a full city block. A minor league baseball park is also planned.

Governor Paterson recently signed legislation paving the way for the \$1 billion "Entertainment City" project to get underway. The project involves the relocation of Monticello Gaming and Raceway to the site of the historic Concord Hotel in Sullivan County. Construction will begin later this year, with a grand opening in 2010. The project is viewed as a major economic boost to both Sullivan County and the region, as it is expected to create 2,000-3,000 jobs.

On the downside, financial problems and a poor housing market led to the cancellation of the \$100 million Encore Palisades project, a proposed 500-unit housing and retail complex in Rockland County.

### Job Detractors

Financial services (-1,600) and manufacturing (-1,300) were the largest sources of

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### Comparison of U.S. and New York State Recessions

Dates in U. S. (Peak-Trough)	U.S. Length (months)	Dates in NYS (Peak-Trough)	NYS Length (months)	NYS Change in Jobs: Net (in 1000s)      Percent	
Dec. '69–Nov. '70	11	Oct. '69–Nov. '71	25	-318.8	-5.3%
Nov. '73–Mar. '75	16	Mar. '73–Nov. '75	32	-396.1	-6.7%
Jan. '80 – Jul. '80	6	Feb. '80–Jul. '80	5	-67.1	-1.1%
Jul. '81–Nov. '82	16	Sep. '81–Jan. '83	16	-88.5	-1.5%
Jul. '90–Mar. '91	8	Mar. '89–Nov. '92	44	-544.7	-8.0%
Mar. '01–Nov. '01	8	Dec. '00–Jul. '03	31	-329.6	-4.6%

Sources: National Bureau of Economic Research and New York State Department of Labor, Division of Research & Statistics

## Unemployment Rates in New York State

Data Not Seasonally Adjusted

	JUN '07	JUN '08		JUN '07	JUN '08		JUN '07	JUN '08
<b>New York State</b>	<b>4.4</b>	<b>5.2</b>	<b>Hudson Valley</b>	<b>3.8</b>	<b>5.0</b>	<b>Finger Lakes</b>	<b>4.3</b>	<b>5.4</b>
<b>Capital District</b>	<b>3.8</b>	<b>4.9</b>	Dutchess	3.9	5.2	Genesee	3.9	5.0
Albany	3.8	5.0	Orange	4.2	5.5	Livingston	4.4	5.7
Columbia	3.8	4.9	Putnam	3.3	4.4	Monroe	4.3	5.5
Greene	4.5	5.8	Rockland	3.8	4.9	Ontario	3.8	4.8
Rensselaer	4.1	5.1	Sullivan	4.8	6.2	Orleans	5.1	6.3
Saratoga	3.4	4.5	Ulster	4.2	5.3	Seneca	3.9	5.3
Schenectady	4.0	5.1	Westchester	3.6	4.8	Wayne	4.2	5.4
Warren	3.6	4.8	<b>Mohawk Valley</b>	<b>4.4</b>	<b>5.5</b>	Wyoming	4.0	5.1
Washington	3.8	4.8	Fulton	5.1	5.8	Yates	3.8	4.7
<b>Central New York</b>	<b>4.3</b>	<b>5.4</b>	Herkimer	4.2	5.5	<b>Western New York</b>	<b>4.6</b>	<b>5.7</b>
Cayuga	4.1	5.1	Montgomery	5.4	6.3	Allegany	5.6	6.6
Cortland	4.9	5.9	Oneida	4.0	5.2	Cattaraugus	4.8	5.7
Madison	4.1	5.2	Otsego	4.1	5.3	Chautauqua	4.1	5.3
Onondaga	4.0	5.1	Schoharie	5.0	6.0	Erie	4.5	5.6
Oswego	5.4	6.6	<b>North Country</b>	<b>5.1</b>	<b>6.2</b>	Niagara	4.7	6.2
<b>Southern Tier</b>	<b>4.3</b>	<b>5.3</b>	Clinton	5.6	6.4	<b>Long Island</b>	<b>3.6</b>	<b>4.7</b>
Broome	4.3	5.5	Essex	4.9	5.7	Nassau	3.7	4.7
Chemung	4.6	5.4	Franklin	4.9	6.3	Suffolk	3.6	4.8
Chenango	4.5	5.7	Hamilton	2.9	3.8	<b>New York City</b>	<b>5.0</b>	<b>5.3</b>
Delaware	4.1	5.8	Jefferson	4.6	5.8	Bronx	6.8	7.0
Schuyler	4.4	4.9	Lewis	4.2	5.4	Kings	5.4	5.6
Steuben	4.6	5.6	St. Lawrence	5.7	6.9	New York	4.4	4.6
Tioga	4.4	4.8				Queens	4.5	4.7
Tompkins	3.7	4.7				Richmond	4.5	4.8

**Hudson Valley..**

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job losses when comparing the first half of 2007 to the first half of 2008. The Hudson Valley, in particular, has been affected by the collapse of the sub-prime mortgage industry, as eight mortgage-related institutions filed mass layoff notices. Companies such as Argent Mortgage and WMC-GEMB Mortgage laid off more than 700 employees over the past year. Moving forward, more financial layoffs could loom on the horizon because financially-strapped Wall Street firms have many back-office jobs in the region.

Despite the drop in the region's manufacturing job count over the past year, there was good news at one of the Hudson Valley's largest private sector employers -- IBM. The company will invest more than \$1.6 billion to expand its chip manufacturing and research operations. The effort is expected to create at least 325 new jobs at the University at Albany's nanotechnology center and another 675 jobs at the company's East Fishkill chip-making and research facility in Dutchess County. The investment and job creation are expected to begin in 2009 and wrap up by 2011.

**Looking Ahead**

National economic forces have already led to slower job growth in the Hudson Valley, a trend which is expected to continue. However, the region's diversified employment base means it is well-positioned to weather a national economic downturn.

**Tracking the NYS Economy...**

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monthly indicators, so it gives little consideration to GDP, which is only reported quarterly and is subject to large, ongoing revisions.

There are four main monthly economic measures tracked by the NBER to determine if the U.S. economy is in recession. These include: industrial production; non-farm employment; real (inflation-adjusted) income less transfer payments (e.g., Social Security); and manufacturing/trade sales. It is important to note that all four measures have fallen from their recent peaks (set in late 2007 or early 2008), meeting the NBER definition of a recession.

There is often quite a time lag, before the NBER officially determines a recession. For the last official U.S. recession, the NBER announced the March 2001 peak in November 2001 and the November 2001 trough in July 2003. As of July 2008, the NBER had not yet announced that the national economy was in recession.

**Measuring State Economies**

A lack of comprehensive local data is often one of the major obstacles to assessing the health of state economies. When detailed data are not available, a common default strategy is to use payroll employment as a proxy for overall economic activity in a region or state. Even when detailed data are available, they often give conflicting signals.

Some advocate using measures of the

U.S. economy to analyze state economies. These national measures, however, are often of limited use when patterns in the state's economy differ significantly from those in the nation. This point is underscored by the data in the table on Page 2, which lists recession dates in the U.S. and New York over the last 40 years. New York's recessions have lasted much longer than their national counterparts -- on average almost three times as long. This trend has become much more pronounced over the past 20 years. These are some of the challenges involved in measuring state economies. (*Editor's note: In our next issue, we conclude with a discussion regarding the Department of Labor's new monthly composite economic index.*)

by Kevin Jack

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Division of Research and Statistics  
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Director	Peter A. Neenan
Editor	Kevin Jack
Director of Communications	Leo Rosales
Graphic Design	Jeff Mosher
Labor Publications Supervisor	Christine Perham



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## REGIONAL ANALYSTS' CORNER

### FINGER LAKES Tammy Marino 585-258-8870

Private sector employment in the Rochester metro area declined over the year by 3,800, or 0.9 percent, to 436,400 in June 2008. Employment gains occurred in educational and health services (+2,800). Declines were largest in manufacturing (-3,000), trade, transportation and utilities (-1,100), and professional and business services (-1,000).

### CENTRAL NY Roger Evans 315-479-3388

For the 12-month period ending June 2008, the private sector job count in the Syracuse metro area rose 200, or 0.1 percent, to 268,400. Job growth was concentrated in educational and health services (+800) and natural resources, mining and construction (+300). Job losses occurred in manufacturing (-700).

### MOHAWK VALLEY Mark Barbano 315-793-2282

For the 12-month period ending June 2008, the private sector job count in the Utica-Rome metropolitan area decreased by 1,000, or 1.0 percent, to 100,000. Job gains were focused in educational and health services (+800). The greatest job losses were in manufacturing (-600) and financial activities (-500).

### 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 119,700 in June 2008. The largest gains were in educational and health services (+600), trade, transportation and utilities (+300), and natural resources, mining and construction (+200). Other services (-400) suffered the largest loss.

### CAPITAL DISTRICT James Ross 518-462-7600

From June 2007 to June 2008, the number of private sector jobs in the Albany-Schenectady-Troy area fell by 300, or 0.1 percent, to 343,900. Gains were largest in educational and health services (+1,400) and professional and business services (+600). Losses were greatest in financial activities (-1,000) and leisure and hospitality (-800).

### HUDSON VALLEY John Nelson 914-997-8798

Private sector jobs in the Hudson Valley increased over the year by 500, or 0.1 percent, to 767,700 in June 2008. Job gains were greatest in educational and health services (+2,500) and professional and business services (+1,600). Losses were largest in financial activities (-1,500), manufacturing (-1,400), and other services (-1,000).

### WESTERN NY John Slenker 716-851-2742

Private sector jobs in the Buffalo-Niagara Falls area increased by 1,300, or 0.3 percent, to 458,600 over the 12 months ending June 2008. Gains were greatest in leisure and hospitality (+3,300) and professional and business services (+1,000). Losses were centered in natural resources, mining and construction (-2,100) and manufacturing (-1,900).

### SOUTHERN TIER Christian Harris 607-741-4485

Private sector employment in the Southern Tier declined over the year by 200, or 0.1 percent, to 238,900 in June 2008. Job gains were largest in educational and health services (+800). Losses were greatest in manufacturing (-400), trade, transportation and utilities (-300), and financial activities (-200).

### NEW YORK CITY James Brown 212-775-3330

Private sector jobs in New York City rose by 20,700, or 0.6 percent, to 3,231,100 for the 12-month period ending June 2008. Gains were largest in trade, transportation and utilities (+7,900), educational and health services (+7,600), and leisure and hospitality (+6,200). The largest losses were in manufacturing (-8,100) and financial activities (-2,000).

### LONG ISLAND Gary Huth 516-934-8533

The number of private sector jobs on Long Island increased over the year by 2,400, or 0.2 percent, to 1,088,000 in June 2008. The largest gains occurred in educational and health services (+5,700) and leisure and hospitality (+2,200). Employment losses were greatest in financial activities (-2,600) and manufacturing (-2,000).

