

Employment

IN NEW YORK STATE

David A. Paterson, Governor
Colleen C. Gardner, Commissioner

At a Glance

In July 2010, New York's seasonally adjusted unemployment rate was 8.2 percent, unchanged from June's level. (The nation's unemployment rate was 9.5 percent in July.) In July 2010, the state had 8,529,700 nonfarm jobs, including 7,031,200 private sector jobs, after seasonal adjustment. The number of seasonally adjusted private sector jobs in the state increased by 0.4 percent from June, while the U.S. private sector job count increased by 0.1 percent. From July 2009 to July 2010, the number of private sector jobs increased by 0.5 percent in the state and increased by less than 0.1 percent in the U.S. (not seasonally adjusted). In addition, New York's Index of Coincident Economic Indicators increased at an annual rate of 3.2 percent in July 2010.

Change in Nonfarm Jobs

July 2009 - July 2010

(Data not seasonally adjusted, net change in thousands)

	Net	%
Total Nonfarm Jobs	-31.9	-0.4
Private Sector	34.1	0.5
Goods-producing	-18.3	-2.2
Nat. res. & mining	0.1	1.7
Construction	-9.8	-2.9
Manufacturing	-8.6	-1.8
Durable gds.	-3.8	-1.4
Nondurable gds.	-4.8	-2.5
Service-providing	-13.6	-0.2
Trade, trans. & util.	-14.8	-1.0
Wholesale trade	-5.5	-1.7
Retail trade	-5.7	-0.7
Trans., wrhs. & util.	-3.6	-1.4
Information	-3.5	-1.4
Financial activities	-7.2	-1.1
Prof. & bus. svcs.	8.0	0.7
Educ. & health svcs.	20.4	1.3
Leisure & hospitality	27.4	3.6
Other services	22.1	6.0
Government	-66.0	-4.3

NYC is Center of Key Global Financial Industry...

Hedge Fund Industry Undergoing Many Changes

Money managers, in general, and hedge funds, in particular, get a lot of press coverage -- often for all the wrong reasons. Back in 1998, Long-Term Capital Management (a hedge fund firm) collapsed, losing almost \$6 billion. It required a massive bailout by other financial institutions, led by the Federal Reserve. Bernard Madoff, who did not run a hedge fund but managed accounts inside his own firm, pled guilty in March 2009 to stealing an estimated \$20 billion from clients. He's now serving a 150-year prison sentence. In July 2010, Goldman Sachs settled charges brought by the U.S. Securities and Exchange Commission (SEC) that the mortgage investment vehicle it created for

hedge fund firm Paulson & Co. was secretly designed to fail. Goldman was fined \$550 million, while Paulson made \$1 billion on the deal, according to the SEC.

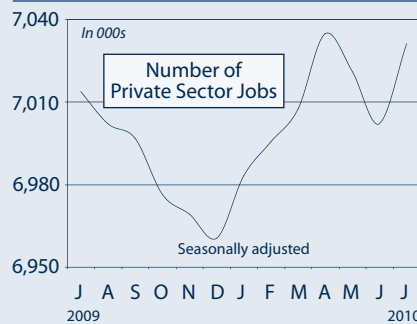
What is a Hedge Fund?

There is no strict legal definition of a hedge fund. Generally, it is a type of investment that targets a certain range of performance, while protecting principal from potential losses. Many funds actually strive to "hedge", or diversify risk. That is, they aim to limit wide swings in the value of a portfolio. There are many types of hedge funds, but most share at least some of these features:

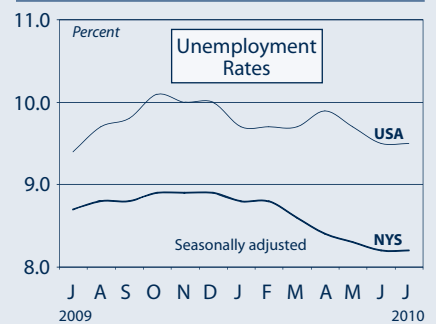
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IN JULY...

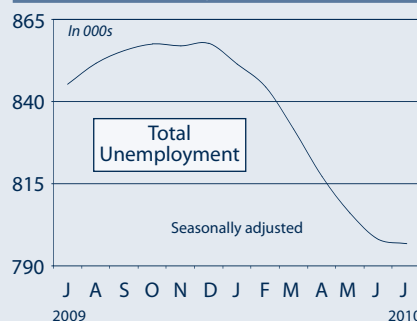
...NYS private sector jobs increased



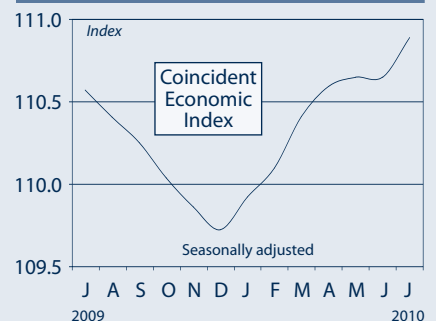
...NYS unemployment rate unchanged



...NYS unemployment decreased



...NYS economic index increased



Focus on the Finger Lakes

The "Great Recession" -- the Aftermath

by Tammy Marino, Labor Market Analyst, Finger Lakes

Like a fierce storm, the "Great Recession" -- the nation's worst economic downturn since the 1930s -- hit the Rochester metropolitan area with tremendous force. (Note: The Rochester metro area includes Livingston, Monroe, Ontario, Orleans and Wayne counties.) The storm cost the local area thousands of jobs. As a result, record numbers of area residents found themselves out of work.

After more than a year of severe layoffs, job cuts in the area have slowed dramatically in recent months. This provides hope that the local job market will eventually turn around. Over-the-year private sector job losses in the Rochester area peaked at more than 18,000 in June 2009. They remained above 10,000 through early 2010. By July 2010, over-the-year job losses narrowed to less than 3,000.

Aftermath of the Storm

While the worst of the storm appears to be behind us, the region must now cope with its aftermath. As of July 2010, 41,500 metro area residents were unemployed. This figure is up significantly from July 2008, when it was 29,500. People out of work increased more than 40% over the past two years. This led to a spike in the area's unemployment rate -- from 5.4% in July 2008 to 8.2% in July 2009. It has since retreated to 7.8% in July 2010.

While Rochester was not spared from the effects of the recession, we fared better than the nation as a whole. From July 2008 to July 2010, the local private sector job count declined at a slower

pace (-4.6%) than the U.S. (-5.7%). Over this two-year period, the Rochester area's average unemployment rate (7.5%) was much lower than the comparable U.S. figure (8.8%).

A Look at the Numbers

While some segments of the local economy are still shedding jobs, declines in these sectors have narrowed considerably in recent months. Manufacturing lost the most jobs (-2,000) over the past 12 months. But layoffs in the factory sector have

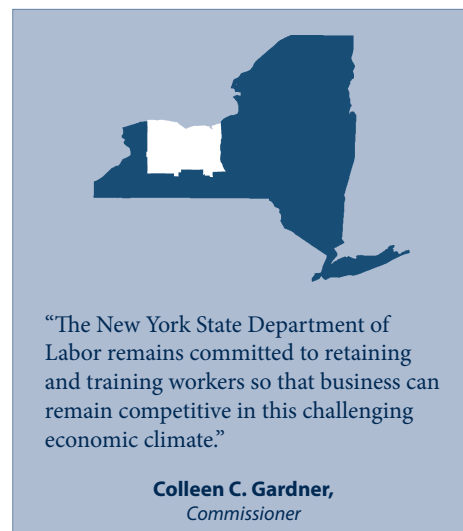
"Job cuts in the area slowed dramatically in recent months."

slowed dramatically. Back in July 2009, over-the-year manufacturing job losses stood at 8,500.

A recent report from the Federal Reserve suggests the area's manufacturing sector is beginning to turn around. The Empire State Manufacturing Survey shows economic conditions have improved, orders and shipments have increased, and prices paid to manufacturers are at their highest level in more than a year.

Construction also experienced a large job loss (-1,400) over the past year. Employment in this industry is expected to receive a much needed boost as expansion projects at area schools and hospitals get underway.

Educational and health services (+1,700) added the most new jobs in the Rochester area over the past year. In fact, this sector is the area's largest employer, with 105,600 jobs, or one out of every four private sector workers. Employment growth in this sector is driven more by demographics than by economic conditions.



"The New York State Department of Labor remains committed to retaining and training workers so that business can remain competitive in this challenging economic climate."

Colleen C. Gardner,
Commissioner

It responds to trends such as more school-age children and aging Baby Boomers. Area colleges and hospitals are currently undergoing expansion projects valued at more than \$940 million. Demand for health care workers, especially nurses, nursing aides and various health care technicians and therapists, remains especially robust.

Other data suggest the local economy is stabilizing and beginning to move in a more positive direction. For example, fewer businesses have announced layoffs and more are planning to hire. The number of current job openings listed with the State Department of Labor in the Rochester area now exceeds 6,600. It grew by more than 50 percent during the past year.

Brighter Days Ahead

Despite some lingering weakness in the regional economy, there are promising signs that a recovery is underway. The rate of job loss has slowed in recent months, while there are more job opportunities available. These all point to an improving local labor market.

Hedge Fund Industry.. from page 1

- Only open to a few wealthy, experienced investors
- Use flexible, sophisticated investment strategies
- Try to have low correlation with the overall stock market
- Not allowed to promote themselves, leading to a "low" public profile
- Can make money when share prices either rise or fall (mutual funds usually only profit when prices go up)

Fund managers often earn 2% of fund assets for "management fees" and 20% of a fund's profits as a "performance fee." This fee structure offers potentially huge paydays. *AR* magazine estimated that in 2009 the 25 highest-paid hedge

fund managers earned \$25.3 billion total. The highest salary in this group was \$4 billion, while the lowest was \$350 million.

Hedge Funds by the Numbers

Hedge funds are big business, and New York City is a magnet for hedge fund managers. Data from *Barron's* show that overall assets in global hedge funds grew to \$1.67 trillion this year. That exceeds the combined economies of South Korea, Indonesia and South Africa.

A report from International Financial Services-London notes that 41% of global hedge fund assets in 2009 were managed from the Big Apple. (This is down from 50% in 2000.) New York City was home to about 120 hedge fund managers with at least \$1 billion in assets, ac-

cording to *Hedge Funds Review*. New York City is home to 9 of the 18 hedge fund firms with at least \$15 billion in assets. See the table on page 3.

Here in New York

Hedge fund firms are found in many industries like *securities brokerage and investment banking and securities dealing*. Many are in the catch-all *other financial investment activities* industry (NAICS 5239). In 2009, the statewide job count in this industry was at 63,900, down from 66,700 the previous year. As expected, New York City has the lion's share of jobs (85%). The industry's average statewide wage was \$306,400 in 2009, down from 2008's \$351,700.

Continued on page 3

Unemployment Rates in New York State

Data Not Seasonally Adjusted

	JUL '09	JUL '10		JUL '09	JUL '10		JUL '09	JUL '10
New York State	8.8	8.4	Hudson Valley	7.6	7.4	Finger Lakes	8.1	7.7
Capital District	7.0	6.9	Dutchess	8.0	7.6	Genesee	7.1	6.5
Albany	7.0	6.9	Orange	8.2	8.1	Livingston	8.1	7.6
Columbia	7.5	7.1	Putnam	7.0	6.6	Monroe	8.4	7.9
Greene	8.2	7.9	Rockland	7.4	7.1	Ontario	6.9	6.5
Rensselaer	7.7	7.4	Sullivan	7.9	8.0	Orleans	9.3	9.7
Saratoga	6.2	6.1	Ulster	8.1	7.9	Seneca	7.2	7.2
Schenectady	7.3	7.3	Westchester	7.4	7.0	Wayne	7.9	7.7
Warren	6.5	6.6	Mohawk Valley	7.6	7.6	Wyoming	8.1	8.0
Washington	7.0	7.0	Fulton	9.2	9.1	Yates	6.4	5.9
Central New York	8.2	7.9	Herkimer	7.0	6.9	Western New York	8.4	8.1
Cayuga	8.0	7.6	Montgomery	9.0	8.9	Allegany	9.1	9.3
Cortland	9.0	8.4	Oneida	7.2	7.2	Cattaraugus	8.4	8.4
Madison	7.9	7.3	Otsego	7.1	7.0	Chautauqua	8.1	7.9
Onondaga	7.8	7.6	Schoharie	8.4	8.2	Erie	8.3	7.9
Oswego	9.4	9.8	North Country	8.5	8.9	Niagara	9.2	8.6
Southern Tier	8.2	7.9	Clinton	9.3	9.8	Long Island	7.4	7.2
Broome	8.3	8.2	Essex	7.5	7.3	Nassau	7.3	6.9
Chemung	9.2	8.1	Franklin	7.9	8.0	Suffolk	7.6	7.4
Chenango	8.5	8.1	Hamilton	4.5	5.2	New York City	10.2	9.6
Delaware	8.4	8.1	Jefferson	7.8	8.3	Bronx	12.9	13.0
Schuyler	7.5	7.1	Lewis	7.2	7.7	Kings	11.0	10.5
Steuben	9.5	9.1	St. Lawrence	9.8	10.3	New York	9.2	7.8
Tioga	8.0	7.6				Queens	9.2	8.6
Tompkins	6.5	6.3				Richmond	9.3	9.3

Hedge Fund Industry... from page 2

Hedge Fund Firms with \$15 Billion or More in Assets, December 31, 2009

Hedge Fund Firms, Headquarters	Assets Under Management, (in \$ Billions)
JPMorgan, New York City	\$53.5
Bridgewater Associates, Westport, CT	\$43.6
Paulson & Co., New York City	\$32.0
Brevan Howard, London	\$27.0
Soros Fund Mgmt, New York City	\$27.0
Man Group, London	\$25.3
Och-Ziff Capital Mgmt. Group, New York City	\$23.1
D.E. Shaw Group, New York City	\$23.0
BlackRock, New York City	\$21.0
Farallon Capital Mgmt., San Francisco	\$20.7
Baupost Group, Boston	\$20.0
King Street Capital Mgmt., New York City	\$19.0
Goldman Sachs, New York City	\$17.8
BlueCrest Capital Mgmt., Guernsey, Channel Islands	\$17.3
Canyon Partners, Los Angeles	\$17.0
Elliott Management Corp., New York City	\$16.2
Lansdowne Partners, London	\$15.0
Renaissance Technologies, E. Setauket, NY	\$15.0

Source: Pensions & Investments

Now, all advisors who manage more than \$150 million must register with the SEC. Also, now the SEC can force hedge funds to give information on clients and their portfolios. Before, this information was closely guarded. In addition, Dodd-Frank makes it harder for people to qualify as "accredited investors" in hedge funds. The Act also requires banks to "spin off" their proprietary trading desks, which make trades on behalf of the bank rather than its customers. Now, these traders will be in stand-alone hedge funds.

In spite of these changes, hedge funds likely will continue to grow in size and importance, making them a key part of the global financial industry.

by Kevin Jack and Edward Ohanian

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A Look Ahead

In July 2010, the Dodd-Frank Act passed. It is the most sweeping overhaul of the U.S. finan-

cial industry since the 1930s. It will have long-term impacts on the hedge fund industry. One important change is more regulation.



REGIONAL ANALYSTS' CORNER

CAPITAL DISTRICT

James Ross — 518-462-7600

From July 2009 to July 2010, the number of private sector jobs in the Albany-Schenectady-Troy area rose 1,300, or 0.4 percent, to 336,100. Gains were largest in educational and health services (+2,200), professional and business services (+2,000), and leisure and hospitality (+1,000). Job losses were greatest in trade, transportation and utilities (-3,100), manufacturing (-800), and financial activities (-500).

CENTRAL NY

Roger Evans — 315-479-3388

For the 12-month period ending July 2010, the private sector job count in the Syracuse metro area rose 1,700, or 0.7 percent, to 257,600. Job growth was concentrated in educational and health services (+1,400), leisure and hospitality (+1,000), and other services (+400). The largest job losses were in trade, transportation and utilities (-700) and manufacturing (-500).

FINGER LAKES

Tammy Marino — 585-258-8870

Private sector jobs in the Rochester metro area declined over the year by 2,900, or 0.7 percent, to 419,400 in July 2010. Gains were concentrated in educational and health services (+1,700), other services (+700) and professional and business services (+600). Job losses were greatest in manufacturing (-2,000), trade, transportation and utilities (-1,500), and construction (-1,400).

HUDSON VALLEY

John Nelson — 914-997-8798

Private sector jobs in the Hudson Valley decreased 7,800, or 1.1 percent, to 718,900 for the 12-month period ending July 2010. Employment gains were focused in leisure and hospitality (+2,000) and educational and health services (+1,300). Losses were greatest in natural resources, mining and construction (-4,300), trade, transportation and utilities (-2,300), professional and business services (-1,600), and manufacturing (-1,400).

LONG ISLAND

Gary Huth — 516-934-8533

The private sector job count on Long Island rose over the year by 8,600, or 0.8 percent, to 1,039,400 in July 2010. The largest job gains were in trade, transportation and utilities (+3,100), other services (+2,600), educational and health services (+2,500) and leisure and hospitality (+2,000). Losses were greatest in financial activities (-1,300) and natural resources, mining and construction (-700).

MOHAWK VALLEY

Mark Barbano — 315-793-2282

For the 12-month period ending July 2010, the private sector job count in the Utica-Rome metro area decreased by 300, or 0.3 percent, to 98,100. Job gains were centered in educational and health services (+800). Losses occurred in natural resources, mining and construction (-400), manufacturing (-300), and trade, transportation and utilities (-300).

NEW YORK CITY

James Brown — 212-775-3330

Private sector employment in New York City rose by 33,500, or 1.1 percent, to 3,128,600 for the 12-month period ending July 2010. Adding the most jobs were educational and health services (+19,900), leisure and hospitality (+13,000), other services (+10,300), and professional and business services (+2,300). Losses were greatest in natural resources, mining and construction (-5,300), manufacturing (-2,200) and information (-2,100).

NORTH COUNTRY

Alan Beideck — 518-523-7157

Private sector employment in the North Country fell over the year by 2,300, or 2.0 percent, to 113,700 in July 2010. The largest declines were in manufacturing (-1,100), natural resources, mining and construction (-700), trade, transportation and utilities (-400), and professional and business services (-200).

SOUTHERN TIER

Christian Harris — 607-741-4485

Private sector employment in the Southern Tier declined over the year by 700, or 0.3 percent, to 228,200 in July 2010. Employment gains were largest in educational and health services (+700) and professional and business services (+700). Job losses were greatest in manufacturing (-1,700) and trade, transportation and utilities (-300).

WESTERN NY

John Slenker — 716-851-2742

Private sector jobs in the Buffalo-Niagara Falls metro area increased by 400, or 0.1 percent, to 444,600 over the 12 months ending July 2010. Job gains were centered in leisure and hospitality (+1,300), professional and business services (+1,200), and other services (+1,000). Losses occurred in manufacturing (-1,900), financial activities (-500), educational and health services (-300), and information (-300).

