

EMPLOYMENT in New York State

George E. Pataki, Governor

December 2006

Linda Angello, Commissioner

Technology Transforming the Financial Marketplace...

The Changing Face of Wall Street

Over the long term, the securities and commodities industry has been a big winner for New York City. Employment and payrolls have grown far faster than the overall economy despite periodic downturns. For the first 10 months of 2006, Wall Street's average job count was 177,300, an increase of 7,200, or 4.2 percent, over the same period in 2005. This translated into 5.7 percent of the City's private sector employment in 2006, compared with 5.2 percent in 1990 and just 3.0 percent in 1980 (note: 1980 data are based on the old SIC system classification for Wall Street, which

is similar, but not identical to the current NAICS-based definition).

The remarkably high wages paid out by securities firms (average pay including bonuses was just over \$290,000 in 2005) were more than four times the average private sector wage (\$70,800) in the Big Apple, and accounted for almost one-quarter (23.4 percent) of New York City's total private sector wages in 2005. This was a significant increase from 1990, when Wall Street paid out 12.0 percent of the City's total private sector wages.

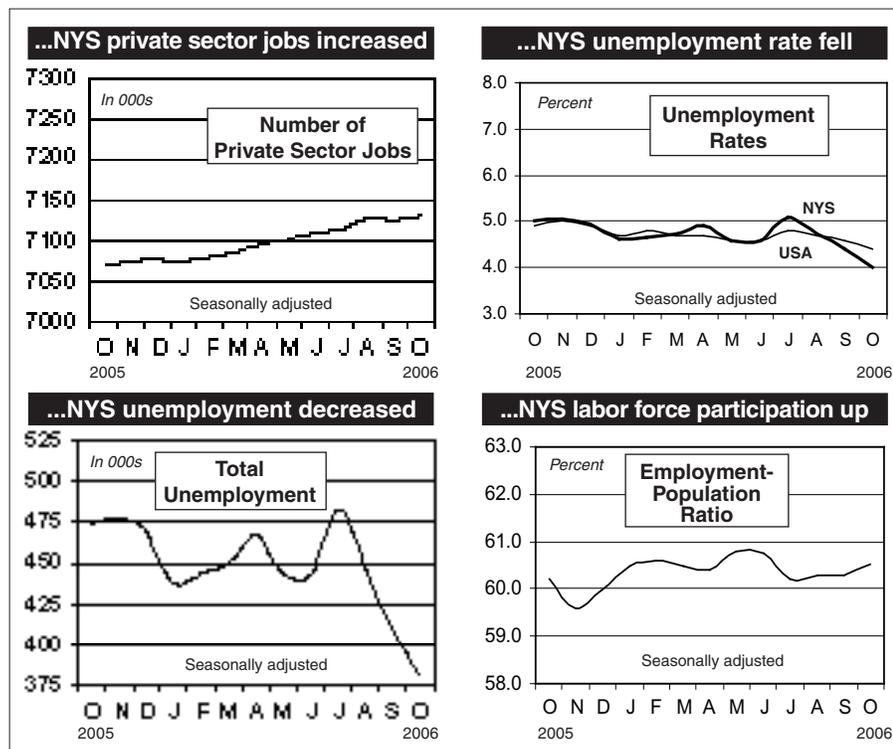
While these data may present a picture of prosperity and success, the underlying situation is more complex. The securities

Continued on page 2

At a Glance

In October 2006, New York's seasonally adjusted unemployment rate was 4.0 percent, down from 4.4 percent in September 2006. (The nation's unemployment rate was 4.4 percent in October.) In October 2006, the state had 8,625,700 nonfarm jobs, including 7,130,500 private sector jobs, after seasonal adjustment. The number of private sector jobs in the state increased by 0.1 percent from September. (The nation's private sector job count also increased by 0.1 percent over the month.) From October 2005 to October 2006, the number of private sector jobs increased by 0.9 percent in the state, and increased by 1.5 percent in the nation (not seasonally adjusted). New York's employment-population ratio also increased in October.

IN OCTOBER...



Change in Nonfarm Jobs Oct. 2005 - Oct. 2006 (Data not seasonally adjusted, numbers in thousands)

	Net	%
Total Nonfarm Jobs	68.5	0.8
Private Sector	60.9	0.9
Goods-producing	-7.5	-0.8
Nat. res. & mining	0.3	4.6
Construction	8.0	2.4
Manufacturing	-15.8	-2.7
Durable gds.	-5.6	-1.7
Nondurable gds.	-10.2	-4.2
Service-providing	76.0	1.0
Trade, trans., & util.	3.7	0.2
Wholesale trade	-3.8	-1.1
Retail trade	5.5	0.6
Trans., whrs., & util.	2.0	0.7
Information	-1.4	-0.5
Financial activities	6.1	0.8
Prof. & bus. svcs.	18.0	1.6
Educ. & health svcs.	28.2	1.8
Leisure & hospitality	10.0	1.5
Other services	3.8	1.1
Government	7.6	0.5

Focus on the Hudson Valley

The Last 10 Years...A Retrospective

by John Nelson, Labor Market Analyst, Hudson Valley

Over the past decade, the Hudson Valley has enjoyed robust, broad-based job growth. From October 1996 to October 2006, the region's private sector job count increased by 100,400, or 15.2 percent, to 759,400, outstripping the U.S. growth rate (12.6 percent) over the same period. Buoyed by this strong private sector job growth, the Hudson Valley's unemployment rate dropped to 3.4 percent (not seasonally adjusted) in October 2006. This was not only the lowest October unemployment rate in the region since 2000, but it was well below the comparable national rate (4.1 percent).

The four sectors adding the most jobs in the Hudson Valley over the past decade were: educational and health services (+30,400), professional and business services (+25,000), trade, transportation and utilities (+21,400), and natural resources, mining and construction (+19,600). The region's manufacturing base remains the principal source of concern, which like the nation, saw its job count drop (-17,500) between October 1996 and October 2006.

Job gains in the educational and health services sector were driven, in part, by demographic changes occurring at both ends of the age spectrum. From 2000 to 2005, the



"With the region's current low unemployment rate, workforce partners need to work together to provide the qualified labor supply needed by businesses to continue to thrive and grow."

Frank Surdey,
Regional Administrator,
Hudson Valley Region

college aged population (18-24 years) in the region jumped by 14.8 percent, propelling the local demand for educational services. This trend should continue, evidenced by over 100,000 students enrolled at local colleges and strong population growth. Over the same period, the number of people aged 65+ increased by 3.4 percent, boosting demand for health care services and workers.

The region's professional and business services sector, containing a wide set of industries ranging from temp agencies to management consulting, benefited from expanded business spending over the past

decade. Recent record-level corporate profits only served to reinforce this trend. Companies such as Morgan Stanley have relocated their data center operations to Westchester County in recent years. Goldman Sachs also is looking at Westchester County as a possible site for disaster recovery offices.

Most of the job growth in the trade, transportation and utilities sector occurred in retail trade (+16,900). This increase reflects both the region's strong population growth (up 150,000 between 1996 and 2005) and its above-average per capita income (\$44,830), which was 36 percent higher than the U.S. average in 2004. Big-box retailers such as Wal-Mart, Target, Home Depot, and Lowe's opened numerous stores in the area over the past decade, and have announced plans to further expand in the Hudson Valley region. Expansion in transportation and warehousing, taking advantage of the region's proximity to major highways, also contributed to this sector's growth. Many of these big-box retailers have set up distribution centers in the area.

Over the past decade, the Hudson Valley's natural resources, mining and construction sector benefited from the confluence of

continued on page 3

The Changing Face...

from page 1

industry in New York has been constantly reshaping itself due to competitive pressures. During the sharp industry downturn that began in the late 1980s, many brokerage houses relocated significant numbers of workers out of Manhattan to cut costs. One result: New Jersey's share of U.S. securities employment climbed from 4.3 percent in 1990 to 5.7 percent by 1995. More recently, the 1999 repeal of the Glass-Steagall Act removed the legal wall between commercial banking and investment banking activities and resulted in a series of large financial services mergers. These mergers often led to layoffs of management and support staff.

In response to the World Trade Center attacks in 2001, many securities firms expanded their disaster recovery operations, which require the relocation of staff to sites outside of New York City

(see related items in Hudson Valley regional article above). The last industry downturn, which began in 2000, saw another round of cost cutting with particular emphasis on outsourcing or relocating information technology functions. Because of these and other factors, New York City's share of U.S. securities employment declined over time, from 33.8 percent in 1990 to 21.8 percent in 2005.

The latest challenge facing the industry involves the marketplaces themselves. The securities industry is undergoing a worldwide technological revolution with an increasing share of trading occurring through electronic matching rather than on the floors of the exchanges. Much of this development traces back to the mid-1990s, when the U. S. securities markets were the only major markets still pricing stocks in fractions (1/8s, 1/16s, etc.) rather than

in decimals (pennies). This issue emerged with the globalization of the securities markets whereby many stocks traded in multiple countries, resulting in the need for more uniform pricing. In response, the Common Cents Stock Pricing Act was signed into law in 1997, requiring decimal pricing for all U.S. stock trades. While many investors benefited from lower transaction costs and more efficient pricing due to narrower spreads between a stock's "bid" and "ask" prices, an ever-increasing portion of the trading in NYSE-listed securities is now occurring on markets other than the NYSE.

At the same time, most of the major securities and commodities exchanges have themselves become publicly-traded corporations. This development has, in turn, spurred a global wave of consolidation among exchanges, such as the recent

continued on page 3

Unemployment Rates in New York State

Data Not Seasonally Adjusted

	OCT '05	OCT '06		OCT '05	OCT '06		OCT '05	OCT '06
New York State	4.7	3.8	Hudson Valley	3.8	3.4	Southern Tier	4.0	3.6
Capital	3.5	3.3	Dutchess	3.6	3.3	Broome	4.3	3.7
Albany	3.5	3.3	Orange	3.9	3.6	Chemung	4.5	4.2
Columbia	3.4	3.2	Putnam	3.4	3.0	Chenango	4.2	3.9
Greene	4.1	3.9	Rockland	3.8	3.2	Delaware	3.7	3.3
Rensselaer	3.7	3.3	Sullivan	4.3	4.1	Otsego	3.7	3.1
Saratoga	3.2	2.9	Ulster	3.9	3.5	Schuyler	4.3	3.9
Schenectady	3.8	3.5	Westchester	3.8	3.3	Steuben	4.7	4.2
Warren	3.9	3.6	Mohawk Valley	4.2	3.8	Tioga	4.0	3.5
Washington	3.6	3.1	Fulton	4.9	4.4	Tompkins	2.9	2.6
Central New York	4.3	3.8	Herkimer	4.3	4.1	Western New York	4.5	4.2
Cayuga	4.2	3.8	Madison	3.9	3.4	Allegany	4.4	3.7
Cortland	4.4	3.8	Montgomery	4.7	4.5	Cattaraugus	4.5	4.1
Onondaga	4.1	3.7	Oneida	4.1	3.5	Chautauqua	4.2	3.7
Oswego	5.2	4.3	Schoharie	4.0	3.8	Erie	4.5	4.3
Finger Lakes	4.1	3.8	North Country	4.7	4.3	Niagara	4.8	4.3
Genesee	4.0	3.8	Clinton	4.5	4.2	Long Island	3.8	3.3
Livingston	4.2	3.9	Essex	4.2	4.2	Nassau	3.8	3.3
Monroe	4.2	3.9	Franklin	4.9	4.4	Suffolk	3.8	3.3
Ontario	3.8	3.3	Hamilton	3.7	3.5	New York City	5.8	4.1
Orleans	4.5	4.1	Jefferson	5.1	4.4	Bronx	7.5	5.5
Seneca	4.0	3.6	Lewis	4.6	3.8	Kings	6.3	4.5
Wayne	4.0	3.6	St. Lawrence	4.8	4.2	New York	5.2	3.7
Wyoming	4.1	3.8				Queens	5.3	3.7
Yates	3.5	3.1				Richmond	5.1	3.6

Hudson Valley...

from page 2

several factors including a strong national economy, a growing local population, and favorable mortgage interest rates. All of these contributed to a red-hot local residential and commercial real estate market that led to record construction employment totals. Although the local housing market has cooled in recent months, commercial construction remains strong, with a slew of projects in the pipeline. Among the notable are several developments in Westchester County including the massive \$3 billion makeover of commercial areas in Yonkers, the \$400 million Renaissance Square Complex in White Plains, and the \$500 million LeCount Square in New Rochelle.

As noted above, manufacturing employment in the Hudson Valley followed national trends, declining over the 1996-2006 period. This drop, combined with concurrent job growth in other industries, resulted in manufacturing's share of local private sector jobs falling, from 11.6 percent in October 1996 to 7.8 percent in October 2006. Relocation and downsizing by companies such as IBM, General Motors, and Kraft Foods contributed to the sector's job reduction over the past decade.

Looking ahead, the Hudson Valley's future economic prospects appear bright. The region's employment base has experienced strong growth, accompanied by lower unemployment rates. Moreover, the region's economy is now more diversified, making it less susceptible to future business downturns.

The Changing Face...

from page 2

agreement to combine the Chicago Mercantile Exchange and the Chicago Board of Trade; the NYSE's plan to merge with Euronext, a Pan-European stock exchange; and the NASDAQ stock market's current ownership of nearly 30 percent of the London Stock Exchange, and its offer to buy the balance. In the City, the New York Stock Exchange in March 2006 became a publicly-traded entity by merging with a fast-growing electronic exchange, Archipelago, and renaming itself the NYSE Group. One reason for the merger was to gain access to Archipelago's trading technology.

The NYSE recently started using a so-called "hybrid" system, which combines staff, or specialists, trading on the exchange floor with more electronic trading. The combination of increased technological competition and a greater emphasis on the bottom line by new stockholders has led to a series of cost-cutting moves. The parent company of the NYSE announced in early November that it will cut more than 500 jobs in order to trim \$200 million in expenses within the next two years and to leverage its acquisition of Archipelago.

Similarly, the New York Mercantile Exchange, which held its initial public offering in November, offered its employees a buyout package at the end of the summer aimed at eliminating up to one-quarter of its staff. Several firms, including LaBranche & Co., which runs the largest floor-trading business at the

NYSE, and Van der Moolen Holdings, another specialist firm, have either announced or warned of impending layoffs. There have also been layoffs or transfers in the specialist operations of larger firms such as Merrill Lynch and Credit Suisse.

One thing is clear: if a denizen of Wall Street in the 1970s or 1980s was transported to today's Wall Street, many aspects of the business would be unrecognizable to him. The recent changes sweeping the financial marketplaces themselves ensure that the Wall Street of the future will be just as unrecognizable.

by James Brown

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REGIONAL ANALYSTS' CORNER

CENTRAL NY
ROGER EVANS
315-479-3388

For the 12-month period ending October 2006, the private sector job count in the Syracuse metro area rose 3,500, or 1.3 percent, to 271,200. Job growth was concentrated in educational and health services (+1,400), natural resources, mining and construction (+800), leisure and hospitality (+600), and professional and business services (+600). Losses occurred in manufacturing (-200).

MOHAWK VALLEY
MARK BARBANO
315-793-2282

Private sector employment in the Utica-Rome metro area decreased 700, or 0.7 percent, to 101,100 for the 12-month period ending October 2006. Job gains were largest in educational and health services (+300) and financial activities (+200). Losses were centered in manufacturing (-600).

NORTH COUNTRY
ALAN BEIDECK 518-891-6680

Private sector employment in the North Country rose over the year by 2,000, or 1.7 percent, to 117,600 in October 2006. Gains were focused in trade, transportation, and utilities (+1,400), natural resources, mining, and construction (+500), and professional and business services (+400). Losses were centered in manufacturing (-500).

FINGER LAKES
TAMMY MARINO
585-258-8870

Private sector employment in the Rochester metropolitan area declined by 2,300, or 0.5 percent, to 431,100 over the year ending October 2006. Gains in educational and health services (+3,700) were more than offset by losses in manufacturing (-3,400), construction (-900), and trade, transportation and utilities (-700).

CAPITAL DISTRICT
JAMES ROSS
518-462-7600

From October 2005 to October 2006, the number of private sector jobs in the Albany-Schenectady-Troy area increased by 2,900, or 0.8 percent, to 345,300. Gains were centered in professional and business services (+1,200) and trade, transportation and utilities (+1,200). Losses occurred in manufacturing (-1,300) and financial activities (-400).

HUDSON VALLEY
JOHN NELSON
914-997-8798

Private sector employment in the Hudson Valley increased over the year by 6,700, or 0.9 percent, to 759,400 in October 2006. Adding the most jobs were natural resources, mining and construction (+2,800), professional and business services (+2,300), and educational and health services (+1,400). Manufacturing (-1,400) and leisure and hospitality (-1,100) declined over the year.

WESTERN NY
JOHN SLENKER
716-851-2742

Private sector employment in the Buffalo-Niagara Falls area decreased by 1,800, or 0.4 percent, to 457,800 over the 12 months ending October 2006. Job gains were centered in professional and business services (+1,500) and educational and health services (+1,300). Losses were largest in manufacturing (-2,000), trade, transportation and utilities (-1,000), and leisure and hospitality (-800).

SOUTHERN TIER
JOSEPH KOZLOWSKI 607-741-4485

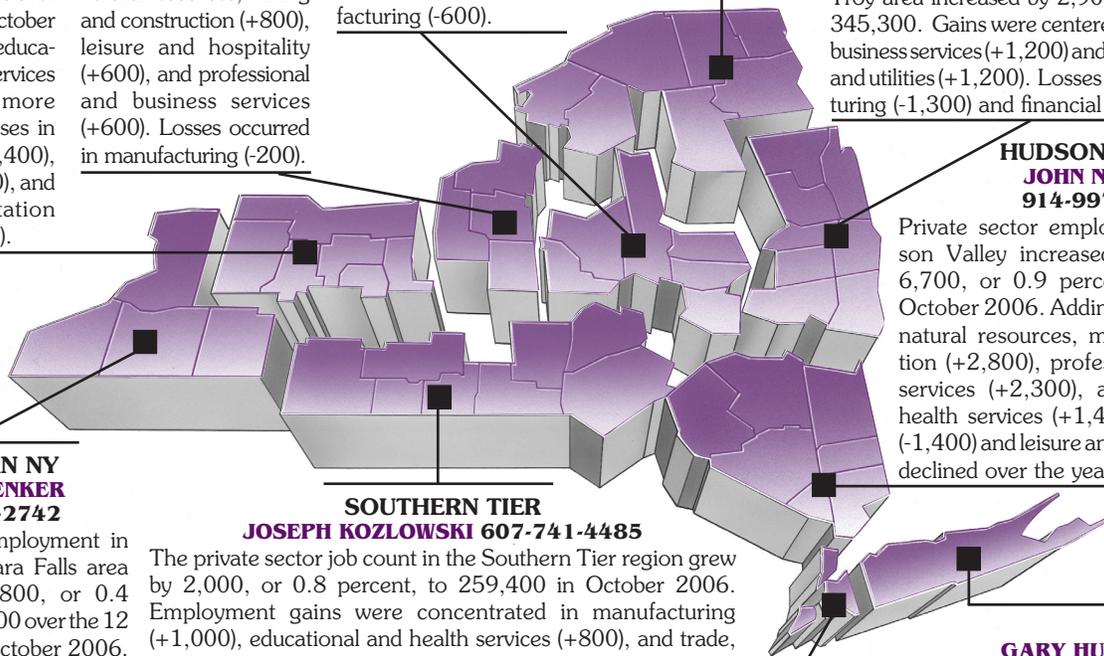
The private sector job count in the Southern Tier region grew by 2,000, or 0.8 percent, to 259,400 in October 2006. Employment gains were concentrated in manufacturing (+1,000), educational and health services (+800), and trade, transportation and utilities (+400). Losses were centered in financial activities (-200).

NEW YORK CITY
JAMES BROWN 212-621-9353

Private sector employment in New York City rose 47,700, or 1.5 percent, to 3,131,400 for the 12-month period ending October 2006. Job growth was focused in educational and health services (+16,700), leisure and hospitality (+9,300), professional and business services (+8,700), financial activities (+6,200), and trade, transportation and utilities (+5,300). Manufacturing (-3,500) and information (-700) lost jobs over the year.

LONG ISLAND
GARY HUTH 516-934-8533

Private sector jobs on Long Island increased over the year by 1,900, or 0.2 percent, to 1,057,500 in October 2006, a new record for the month. Gains were largest in professional and business services (+2,900), educational and health services (+1,700), and natural resources, mining and construction (+800). Declines were centered in trade, transportation and utilities (-2,200) and manufacturing (-1,500).



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