

# Employment

IN NEW YORK STATE

Andrew M. Cuomo, Governor  
Peter M. Rivera, Commissioner

## At a Glance

In October 2013, New York's seasonally adjusted unemployment rate was 7.7%, up from September's 2013's level of 7.6%. The nation's unemployment rate was 7.3% in October 2013. New York State had 8,931,200 nonfarm jobs in October 2013, including 7,490,100 private sector jobs, after seasonal adjustment. The number of seasonally adjusted private sector jobs in the state increased by 0.1% between September 2013 and October 2013, while those in the nation increased by 0.2%. From October 2012 to October 2013, the number of private sector jobs increased by 1.5% in the state and 2.1% in the nation (not seasonally adjusted). New York's Index of Coincident Economic Indicators increased at an annual rate of 0.5% in October 2013.

### Change in Nonfarm Jobs

October 2012 - October 2013

(Data not seasonally adjusted, net change in thousands)

	Net	%
Total Nonfarm Jobs	98.3	1.1
Private Sector	112.7	1.5
Goods-producing	-5.0	-0.6
Nat. res. & mining	-0.2	-3.6
Construction	7.5	2.3
Manufacturing	-12.3	-2.7
Durable gds.	-10.4	-3.9
Nondurable gds.	-1.9	-1.0
Service-providing	103.3	1.3
Trade, trans. & util.	18.8	1.2
Wholesale trade	-1.8	-0.5
Retail trade	17.5	1.9
Trans., wrhs. & util.	3.1	1.2
Information	-2.3	-0.9
Financial activities	0.3	0.0
Prof. & bus. svcs.	27.4	2.3
Educ. & health svcs.	48.0	2.7
Leisure & hospitality	21.8	2.7
Other services	3.7	1.0
Government	-14.4	-1.0

Important Source of Economic Growth...

## Labor Productivity: Why TVs Get Cheaper and Higher Education Doesn't

*"Productivity and the growth of productivity must be the first economic consideration at all times, not the last. That is the source of technological innovation, jobs, and wealth."*

William E. Simon

U.S. Secretary of the Treasury, 1974-77

Why does it seem that manufactured goods like consumer electronics (large screen TVs and computers) drop in price every year, but the costs of many services (higher education and health care) always rise? The *cost disease* model, first described in the mid-1960s by economists William Baumol and William Bowen, offers an interesting explanation as to why these patterns occur.

In short, the nation's factory sector has been

able to take advantage of labor-saving technology and pass on the resulting cost savings to consumers through lower prices. In contrast, production costs in the service sector often rise faster than inflation because these industries are often labor intensive. Service sector employers cannot take full advantage of new technology, so purchasers of these services face persistently higher prices; hence, the name *cost disease* model.

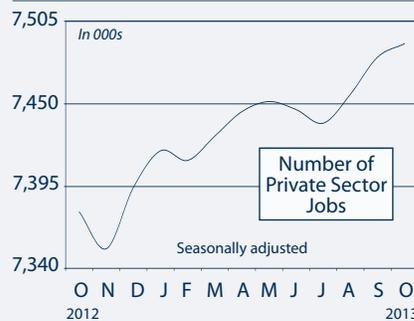
### What is Productivity? Why Does It Matter?

The focal point of the cost disease model is "labor productivity." This is the amount a worker can produce in a set time. If it takes you 20 minutes to wash a car, that is your labor pro-

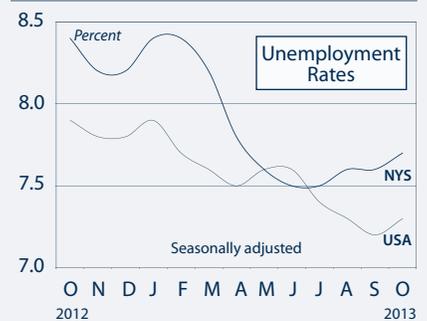
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### IN OCTOBER...

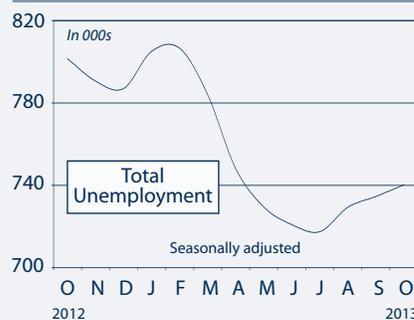
...NYS private sector jobs increased



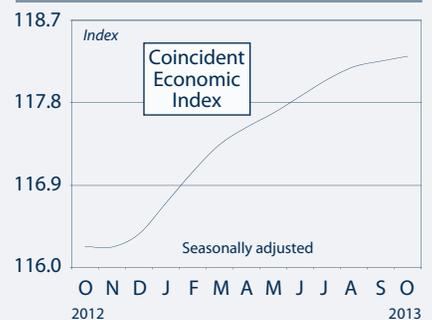
...NYS unemployment rate increased



...NYS unemployment increased



...NYS economic index increased



## Focus on the Mohawk Valley

Nano Utica is Coming

by Mark Barbano, Labor Market Analyst, Mohawk Valley

The Mohawk Valley region (Fulton, Herkimer, Montgomery, Oneida, Otsego and Schoharie counties) continues to regain the jobs lost during the last recession. For the 12-month period ending October 2013, the private sector job count in the Mohawk Valley increased by 2,000, or 1.3 percent, to 150,600, based on data from the Current Employment Statistics survey. Regional job gains were greatest in trade, transportation and utilities (+1,400), leisure and hospitality (+800) and private educational and health services (+300). Losses were focused in manufacturing (-300).

The region's growing private sector job count has helped to lower the Mohawk Valley's unemployment rate. Looking over the past year, the region's unemployment rate fell from 8.3 percent in October 2012 to 7.2 percent in October 2013. In addition, the number of unemployed residents in the region decreased by 2,600 to 16,700 for the 12-month period ending October 2013.

### Nanotechnology Comes to the Mohawk Valley

The region's manufacturing base received some welcome news in October 2013, when state officials announced that a consortium of leading global technology companies will invest \$1.5 billion to create Nano Utica. This is New York State's second major center of nanotechnology research and development. It will be located on a site next to the SUNY Institute of Technology (SUNYIT) in Marcy, just outside of Utica. The undertaking will be a public-private partnership, spearheaded by the SUNY College of Nanoscale

Science and Engineering and SUNYIT. It is expected to create more than 1,000 high-tech jobs.

The site is expected to eventually play host to a total of three large computer chip manufacturing plants, each with more than 1.8 million square feet of space. The new plants will utilize next-generation 450mm computer chip manufacturing technologies.

To gauge the potential impact of the new chip plants on the Mohawk Valley economy, planners should look to the Capital Region. According to published reports, Global Foundries in Malta (Saratoga County) employs 2,200 at its Fab 8 manufacturing complex. Due in large part to the Malta chip plant, the average annual manufacturing wage in the Capital Region jumped from \$56,166 in the second quarter of 2009 to \$68,938 in the second quarter of 2013, a gain of 23 percent!

### Recession Job Losses

Despite the Mohawk Valley's improved private sector jobs and unemployment rate picture, the region has yet to regain its pre-recession peak private sector employment level of 154,100, set in October 2007. Between October 2007 and October 2009, the region's private sector job count fell by 6,500. Losses over this period were largest in manufacturing (-2,500), trade, transportation and utilities (-1,700) and financial activities (-1,200).

Partially offsetting these employment losses were gains in private education and health care services, which continued its long-term



upward trend by adding 1,800 jobs in October 2007-October 2009. About 90 percent of sector employment is in health care and social assistance, while the remaining 10 percent is in educational services. (Note: Jobs at public schools are counted as part of the government sector.)

### Recovery Job Gains

From October 2009 to October 2013, the Mohawk Valley's private sector job count grew by 3,000, or 2.0 percent. During this time frame, the sectors adding the most jobs in the region were leisure and hospitality (+2,100), education and health services (+1,400), trade, transportation and utilities (+1,300) and other services (+500). Regional job losses were largest in manufacturing (-700) and natural resources, mining and construction (-700).

### Summary

The Mohawk Valley continues its long-term rebuilding from the effects of the Great Recession. Plans by some of the world's leading tech companies to invest \$1.5 billion and create more than 1,000 high-tech jobs should give the region's economy a welcome boost. ■

### Labor Productivity... from page 1

ductivity. Put another way, you can wash three cars per hour. If you buy better soap that helps you wash a car in just 10 minutes or six cars per hour, then your labor productivity has doubled.

The U.S. Bureau of Labor Statistics reports that from 1987 to 2012, nonfarm productivity in the U.S. grew by 2.2%/year. At that rate, it would take about 33 years for output levels to double. Factors that affect labor productivity include:

- Changes in technology
- Capital investment
- Natural resources
- Entrepreneurship
- Better skills for managers and workers

Increased labor productivity over time drives economic growth in the U.S. It also raises our

nation's standard of living. Further, better labor productivity is tied to higher wages.

### A Tale of Two Sectors: Progressive and Stagnant

The cost disease model divides our economy into two broad sectors: progressive and stagnant. In general, progressive industries tend to be manufacturers with high labor productivity. They can take advantage of labor-saving technologies and automation tools, such as robots. Progressive industries have become faster and more efficient over time. They can produce more output with fewer workers. This saves money, which means lower prices for consumers.

Recent trends in U.S. manufacturing underscore this point. Between 1990 and 2012, real output rose by 83% while the number of factory workers

fell by over 30%. As a result, productivity in U.S. manufacturing increased by 164% over this period. Such productivity gains also created higher wages for the remaining workers. Between 2001 and 2012, inflation-adjusted wages in U.S. manufacturing rose 8.6%.

The stagnant sector is made up of labor-intensive service industries. According to Baumol, by their very nature these industries "permit only sporadic increases in productivity." He cites the case of classical music to illustrate. Today, it takes four musicians just as much time to play a Bach string quartet as when he composed it in the 1700s. Although the salaries of classical musicians have increased over the past 300 years, their productivity has not, making concert tickets more expensive.

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## Unemployment Rates in New York State

Data Not Seasonally Adjusted

	OCT '12	OCT '13		OCT '12	OCT '13		OCT '12	OCT '13
<b>New York State</b>	<b>8.1</b>	<b>7.5</b>	<b>Hudson Valley</b>	<b>7.3</b>	<b>6.3</b>	<b>Finger Lakes</b>	<b>7.6</b>	<b>6.6</b>
<b>Capital</b>	<b>7.2</b>	<b>6.1</b>	Dutchess	7.4	6.7	Genesee	7.2	6.1
Albany	7.1	6.1	Orange	7.9	6.9	Livingston	7.1	6.4
Columbia	7.0	6.0	Putnam	6.5	5.5	Monroe	7.7	6.8
Greene	8.9	7.3	Rockland	6.6	5.7	Ontario	6.6	5.6
Rensselaer	7.2	6.2	Sullivan	9.1	8.1	Orleans	10.0	8.5
Saratoga	6.6	5.5	Ulster	8.3	7.2	Seneca	7.3	6.0
Schenectady	7.5	6.5	Westchester	7.0	6.0	Wayne	7.6	6.3
Warren	7.6	6.5	<b>Mohawk Valley</b>	<b>8.3</b>	<b>7.2</b>	Wyoming	7.6	6.5
Washington	7.3	6.2	Fulton	10.0	8.1	Yates	6.5	5.2
<b>Central New York</b>	<b>7.9</b>	<b>6.9</b>	Herkimer	7.9	7.2	<b>Western New York</b>	<b>8.0</b>	<b>7.0</b>
Cayuga	7.4	6.5	Montgomery	9.5	8.2	Allegany	7.4	6.8
Cortland	7.6	7.1	Oneida	8.1	7.2	Cattaraugus	8.2	7.3
Madison	7.8	6.7	Otsego	7.2	6.2	Chautauqua	8.2	7.4
Onondaga	7.7	6.7	Schoharie	7.8	6.5	Erie	7.9	7.0
Oswego	9.4	8.0	<b>North Country</b>	<b>9.1</b>	<b>8.1</b>	Niagara	8.2	7.1
<b>Southern Tier</b>	<b>7.8</b>	<b>6.9</b>	Clinton	9.0	7.7	<b>Long Island</b>	<b>7.0</b>	<b>5.9</b>
Broome	8.3	7.4	Essex	8.8	7.4	Nassau	6.8	5.7
Chemung	8.5	7.8	Franklin	9.0	8.1	Suffolk	7.1	6.1
Chenango	7.8	6.2	Hamilton	7.1	5.3	<b>New York City</b>	<b>9.0</b>	<b>8.9</b>
Delaware	8.2	7.1	Jefferson	9.4	8.7	Bronx	12.3	12.2
Schuyler	7.6	6.6	Lewis	8.8	8.0	Kings	9.7	9.6
Steuben	9.2	8.0	St. Lawrence	9.4	8.3	New York	7.7	7.4
Tioga	8.1	7.2				Queens	8.1	8.0
Tompkins	5.5	4.8				Richmond	8.2	7.9

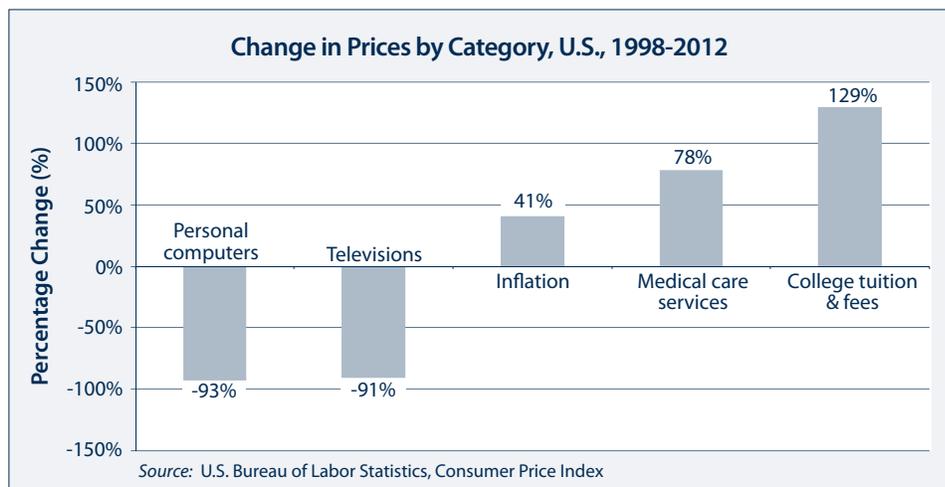
### Labor Productivity... from page 2

A 2012 Georgetown University report found many large U.S. service industries had declining labor productivity in 1990-2011. These industries and their annual drop in productivity included: education (-2.3%); personal care (-1.2%); health care & social assistance (-0.9%); and arts, entertainment & recreation (-0.3%). Due to their falling productivity, these industries must hire more workers just to keep output level.

### Some Costs Rise, Others Fall

As employment in stagnant sector industries grows, production costs often climb faster than inflation. Consumers absorb these higher costs. For example, between 1998 and 2012 both the cost of college tuition and fees (+129%) and medical care services (+78%) climbed two to three times faster than overall inflation (+41%). Going in the opposite direction were prices of personal computers (-93%) and TVs (-91%).

The long-term decline in the price and the improved quality of TVs shows the power of better labor productivity. In 1948, a tabletop black and white model from DuMont with a 12" screen cost more than \$4,000 in today's dollars. Innovation and technological advancement in that industry were rapid, bringing prices down to the point where most households now can afford TVs. Today, \$4,000 will get you features that were unimaginable in 1948. For example, an online merchant recently offered for sale a



Sharp Aquos 3D high-definition TV with an 80" screen for \$4,000.

### Summary

Labor productivity is a powerful economic force. It helps explain why the prices of manufactured products tend to drop over time, while the prices of many labor-intensive services rise faster than the overall cost of living. These trends are likely to continue as technological advances in areas like nanotechnology, clean energy and advanced manufacturing spur on the American economy. ■

by Megan Olsen and Kevin Jack

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## REGIONAL ANALYSTS' CORNER

### CAPITAL

**James Ross — 518-462-7600**

Over the past year, the Capital Region's private sector job count grew by 3,800, or 0.9 percent, to 422,900 in October 2013. Gains were greatest in educational and health services (+2,700), leisure and hospitality (+1,600) and natural resources, mining and construction (+1,600). Losses were centered in financial activities (-500), professional and business services (-500) and trade, transportation and utilities (-500).

### CENTRAL NY

**Karen Knapik-Scalzo — 315-479-3391**

For the 12-month period ending October 2013, the private sector job count in the Syracuse metro area rose by 2,600, or 1.0 percent, to 263,100. Job growth was concentrated in educational and health services (+1,700), trade, transportation and utilities (+1,200) and natural resources, mining and construction (+500). The largest loss occurred in manufacturing (-600).

### FINGER LAKES

**Tammy Marino — 585-258-8870**

Private sector jobs in the Rochester metro area increased over the year by 2,700, or 0.6 percent, to 441,000 in October 2013. Gains were concentrated in construction (+2,100), trade, transportation and utilities (+1,300), leisure and hospitality (+1,100) and financial activities (+900). Losses were greatest in manufacturing (-3,400).

### HUDSON VALLEY

**John Nelson — 914-997-8798**

For the 12-month period ending October 2013, private sector jobs in the Hudson Valley increased by 300 to 751,400. Gains were greatest in professional and business services (+2,200), other services (+900) and trade, transportation and utilities (+700). Losses were centered in manufacturing (-1,600), leisure and hospitality (-800), educational and health services (-600) and information (-600).

### LONG ISLAND

**Shital Patel — 516-934-8533**

The number of private sector jobs on Long Island increased over the year by 25,400, or 2.4 percent, to 1,103,700 in October 2013. The largest gains occurred in professional and business services (+11,200), educational and health services (+8,100) and natural resources, mining and construction (+5,600). The largest employment loss was in manufacturing (-2,900).

### MOHAWK VALLEY

**Mark Barbano — 315-793-2282**

For the 12-month period ending October 2013, the private sector job count in the Mohawk Valley increased by 2,000, or 1.3 percent, to 150,600. Job gains were greatest in trade, transportation and utilities (+1,400), leisure and hospitality (+800) and educational and health services (+300). Losses were centered in manufacturing (-300).

### NEW YORK CITY

**James Brown — 212-775-3330**

Private sector jobs in New York City rose by 82,800, or 2.5 percent, to 3,457,500 for the 12-month period ending October 2013. Job gains were greatest in educational and health services (+38,700), trade, transportation and utilities (+14,700), leisure and hospitality (+11,100), professional and business services (+11,000) and financial activities (+5,400). Losses were centered in information (-1,500) and manufacturing (-1,500).

### SOUTHERN TIER

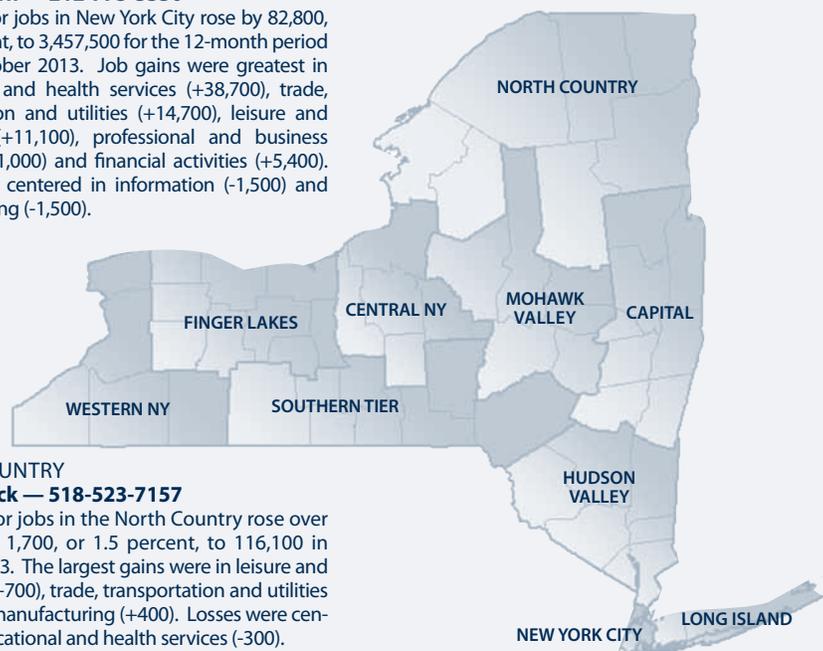
**Christian Harris — 607-741-4485**

Private sector jobs in the Southern Tier rose over the year by 800, or 0.3 percent, to 238,100 in October 2013. Job gains were largest in leisure and hospitality (+1,400) and natural resources, mining and construction (+600). Losses were centered in educational and health services (-500), manufacturing (-400) and financial activities (-300).

### WESTERN NY

**John Slenker — 716-851-2742**

The private sector job count in the Buffalo-Niagara Falls metro area increased by 6,600, or 1.4 percent, to 470,200 over the 12 months ending October 2013. Gains were centered in educational and health services (+3,800), professional and business services (+2,300) and leisure and hospitality (+900). Losses were greatest in manufacturing (-500) and natural resources, mining and construction (-300).



### NORTH COUNTRY

**Alan Beideck — 518-523-7157**

Private sector jobs in the North Country rose over the year by 1,700, or 1.5 percent, to 116,100 in October 2013. The largest gains were in leisure and hospitality (+700), trade, transportation and utilities (+400) and manufacturing (+400). Losses were centered in educational and health services (-300).