

# Employment Growth in New York and New Jersey

## The Effects of Suburbanization

In New York and New Jersey, as well as in many other states across the country, comparisons of aggregate economic growth have been used as indicators of states' competitive positions relative to one another. Those states in which economic growth has been rapid are believed to have held a competitive edge as a result of lower wages, taxes, and regulatory requirements.<sup>1</sup> In contrast, states with less vigorous economies are thought to have had high costs, causing a competitive disadvantage.

This logic, plus a simple reading of the data, has led many observers to conclude that New Jersey has offered an economic environment generally more hospitable than New York. Over the past three decades, total employment in New Jersey expanded much faster than in New York during periods of both prosperity and decline. For the whole thirty-year period from 1950 to 1980, total nonagricultural employment grew 85 percent in New Jersey but rose only 29 percent in New York (Table 1). During the 1950s, New Jersey's employment growth was double that of New York. Employment gains increased in both states dur-

ing the 1960s, but New Jersey's expansion remained twice as large as New York's. In the 1970s, employment growth slowed in both states, New York hardly gained any jobs, while employment in New Jersey expanded by only 17 percent.

The trouble with using comparisons of aggregate growth to assess states' relative competitive positions, however, is that this approach ignores nationwide phenomena that could themselves cause substantial disparities in states' economic growth rates. In New York and New Jersey, a key factor was the suburbanization of economic activity, a process that has been occurring throughout the nation over the past three decades. This redistribution of economic activity from central cities to suburban areas has had a very different effect on economic expansion in each of these states and accounts for the disparity in their growth. When the differential effects of suburbanization are removed by disaggregating growth on a geographic basis, comparisons between similar types of areas in the two states do not reveal any differences in growth that would indicate an overall competitive edge for New Jersey.<sup>2</sup>

<sup>1</sup> Although these items have received a great deal of attention in the literature, economists have not reached a consensus on how important such factors are in determining a state's economic growth. For extended discussions of the issues involved, see Michael Kieschnick, *Taxes and Growth: Business Incentives and Economic Development* (Washington, D.C.: Council of State Planning Agencies, 1981), and Richard K. Vedder, *State and Local Economic Development Strategy: A "Supply Side" Perspective* (Washington, D.C.: U.S. Government Printing Office, 1981).

<sup>2</sup> Another national trend that has been mentioned as a source of differences in growth rates is the shift from a goods-producing to a service-oriented economy. The impact of this shift depends on the mix of industries in each state. This national trend, however, has had little impact on the relative rates of aggregate employment growth in New York and New Jersey.

**Comparing New York City suburbs in the two states**

One comparison that allows for the effects of suburbanization is between the New York and New Jersey suburbs of New York City. For the past three decades, economic activity in the New York City region, as well as in the rest of the nation, has been shifting to suburban areas. Many factors, including improved transportation, better communications, less expensive land, and greater availability of labor, stimulated the redistribution of employment to the suburbs.

Since New York City is situated along the border of the two states, suburban areas of New York and New Jersey competed with one another during this suburbanization process. If New Jersey offered any overall economic advantages, as suggested by statewide growth, New Jersey would be expected to have attracted a disproportionately large share of the economic expansion in the suburban areas around New York City. On the other hand, if there were no competitive differences, employment in suburban areas in all directions from New York City—i.e., in suburban areas of both New York and New Jersey—would be expected to have grown at approximately equal rates

An examination of growth rates in the suburbs around New York City does not support the view that New Jersey has had a competitive edge.<sup>3</sup> Within the New York City metropolitan region, as defined by the

eighteen-county New York-Northeastern New Jersey Standard Consolidated Area (SCA), the New York suburbs actually grew slightly faster than the New Jersey suburbs.<sup>4</sup> Between 1960 and 1980, employment in the New York portion of the SCA excluding New York City jumped 89 percent, compared with a 78 percent gain in the New Jersey portion excluding the major New Jersey cities in the SCA which were losing jobs (Table 2).<sup>5</sup> During the 1960s, the growth of the New York City suburbs in New York State was 53 percent whereas the New York City suburbs located in New Jersey grew 43 percent. In the 1970s, the growth rates in the suburbs of the two states were practically equal, 24 percent in New York and 25 percent in New Jersey.<sup>6</sup>

<sup>4</sup> According to the Bureau of Labor Statistics (U.S. Department of Labor) definition, the SCA contains the New York counties of the Bronx, Kings, Nassau, New York, Putnam, Queens, Richmond, Rockland, Suffolk, and Westchester, and the New Jersey counties of Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset, and Union

<sup>5</sup> The major New Jersey cities in the SCA—Elizabeth, Jersey City, Newark, and Paterson—are excluded because they suffered, rather than benefited, from suburbanization. Their omission tends to favor New Jersey in this comparison, since the New Jersey suburbs were attracting employment from these cities as well as from New York City

<sup>6</sup> Both the New York and New Jersey growth rates are based on establishment data but rely on data sources which differ slightly in coverage. The New York data are total nonagricultural employment. The New Jersey data are private employment covered under the Federal Insurance Compensation Act (FICA)

<sup>3</sup> This analysis is based on employment data. Population data present a similar picture. See the box

Table 1  
**Employment Growth in New Jersey and New York, 1950-80**

Percentage change from beginning to end of decade

Area	Percentage change in nonagricultural employment				
	1950-60	1960-70	1970-80	Total 1950-70	Total 1950-80
New Jersey .....	22	29	17	57	85
New York .....	11	16	1	28	29
<b>Six largest cities:</b>					
New Jersey .....	-11	- 8	*	-18	*
New York .....	0	- 4	*	- 4	*
<b>Rest of state:</b>					
New Jersey .....	33	31	*	75	*
New York .....	38	28	*	77	*

\* Not available.

Sources: Statewide growth is based on location of the employer. The sources are the establishment surveys of the U.S. Department of Labor, Bureau of Labor Statistics. Since establishment data are not available for New York's cities, growth of the six largest cities and the rest of each state is based on residence of the employee. The sources are the decennial *Census of Population and Housing* of the U.S. Department of Commerce, Bureau of the Census. Employment data from the 1980 Census are not yet available

Table 2

**Employment Growth in the New York-Northeastern New Jersey Standard Consolidated Area, 1960-80**

Percentage change from beginning to end of decade

Area	Percentage change in nonagricultural employment		
	1960-70	1970-80	Total 1960-80
New York-Northeastern New Jersey Standard Consolidated Area (SCA) . . . . .	17	0	17
New York portion excluding New York City . . . . .	53	24	89
New Jersey portion excluding major cities* . . . . .	43	25	78

\* Elizabeth, Jersey City, Newark, and Paterson

Sources SCA and New York data are total nonagricultural employment based on establishment data. The source is the U S Department of Labor, Bureau of Labor Statistics. New Jersey data are private employment covered by the Federal Insurance Compensation Act (FICA), based on establishment surveys. The source is the State of New Jersey, Department of Labor.

**Employment growth inside and outside the major cities of New York and New Jersey**

The economic performance of the major cities within both New York and New Jersey has been much worse than that of the rest of each state. Reflecting the national redistribution of economic activity from central cities to suburban areas, the major cities in both states have suffered employment declines since 1950, while outside the cities the number of jobs has soared.<sup>7</sup>

Looking at the major cities alone, New York actually fared somewhat better than New Jersey between 1950 and 1970 (Comparable data from the 1980 Census are not yet available.) The six largest cities in New York lost only 4 percent of their employment between 1950 and 1970, while the six in New Jersey shrank 18 percent (Table 1).<sup>8</sup> In the 1950s, employment was virtually unchanged in New York's cities but declined 11 percent in New Jersey's cities. During the 1960s, New York's cities also lost jobs, but the

<sup>7</sup> Major cities are defined as those with populations exceeding 100,000 in 1970, of which there are six in each state. The six in New York are Albany, Buffalo, New York City, Rochester, Syracuse, and Yonkers. The six in New Jersey are Camden, Elizabeth, Jersey City, Newark, Paterson, and Trenton.

<sup>8</sup> Employment within and outside each state's major cities are from the U S Department of Commerce, Bureau of the Census, *Census of Population and Housing* (1950, 1960, and 1970) and are based on residence of the employee.

4 percent employment decline was only half the drop in New Jersey's cities.

Outside the major cities, employment gains were roughly equivalent in the two states between 1950 and 1970, 77 percent in New York versus 75 percent in New Jersey (Table 1). New York led New Jersey somewhat during the 1950s but trailed slightly during the 1960s.

The data for the 1970s, though incomplete, also fail to indicate a definitive edge for New Jersey. No employment data are yet available for individual cities in New York State other than for New York City.<sup>9</sup> Nevertheless, judging by what little evidence there is, the cities in New York State seem to have fared considerably better than those in New Jersey over the decade. New York City's loss of 12 percent between 1970 and 1980 was less than the decline of 25 percent in New Jersey's cities. The five other major New York cities would have had to lose over 90 percent of their employment during this period for the aggregate drop in the six New York cities to have matched the decline in the major cities of New Jersey. On the other hand, New Jersey appears to have grown markedly faster than New York outside the cities. Employment in New Jersey excluding the six largest cities expanded 33 percent, compared with a 15 percent increase in New York excluding New York City.

**Why suburbanization caused the disparity in aggregate growth**

With similar types of areas growing at roughly equal rates for much of the past thirty years, the question remains why aggregate growth for New York and New Jersey diverged so sharply. The explanation appears to lie in the region's geography, which caused the suburbanization of economic activity to have very different overall impacts on the two states.

As an integrated economic region, the development of downstate New York and northern New Jersey centered around New York City. With New York City alone accounting for about half of New York State's employment, 67 percent of the state's jobs was concentrated in its six largest cities in 1950. In contrast, New Jersey contained substantial parts of two large metropolitan areas whose dominant central cities lay just outside the state, namely, New York City and Philadelphia. This geographic configuration lowered the proportion of New Jersey's economic activity located in its major cities. In 1950, only 27 percent of New Jersey's employment was in its six largest cities.

<sup>9</sup> The data on New Jersey cities are available from the New Jersey Department of Labor which reports local private employment based on FICA records. The New York State Department of Labor does not provide comparable data.

## Population Gains Parallel the Patterns of Employment Growth

Population data provide another measure of growth in New York and New Jersey. Population and employment growth are interdependent, with households migrating in pursuit of job opportunities and employment rising to service the needs of an expanding population.

The patterns of population growth in New York and New Jersey over the past three decades closely resemble those of employment growth. At the statewide level, New Jersey outpaced New York (Table 3). The former state's total population jumped 52 percent between 1950 and 1980, while New York's grew 18 percent. During the 1950s and 1960s, New Jersey's population expanded twice as fast as that of New York. In the 1970s, New Jersey population growth slowed to a 2 percent increase for the decade as a whole, while New York lost 4 percent of its population.

A comparison of suburban growth around New York City, however, exhibited the opposite pattern with the better performance on the New York side of the border (Table 4). Between 1950 and 1980, the population of the New York portion of the New York-Northeastern New Jersey Standard Consolidated Area (SCA) excluding New York City expanded 126 percent, compared with a 53 percent increase in the New Jersey portion excluding the major cities.\* In the 1950s, New York's gains were more than double those of New Jersey, and a wide gap remained in the 1960s. New York's edge was much smaller in the 1970s, when its suburbs in the SCA grew 2 percent, while the New Jersey suburbs lost 2 percent of their residents.

As with employment, the cities lost substantial numbers of their residents while the population in the rest of each state soared (Table 3). But for the 1950-to-1980 period as a whole, as well as during each decade, New York's cities retained their population better. The cities' declines over the three decades were 13 percent in New York and 22 percent in New Jersey. Outside the cities, population gains were similar in the two states between 1950 and 1980, with New York

growing 71 percent and New Jersey growing 77 percent.

Table 3  
**Population Growth in New Jersey and New York, 1950-80**

Percentage change from beginning to end of decade

Area	Percentage change in population			
	1950-60	1960-70	1970-80	Total 1950-80
New Jersey .....	26	18	2	52
New York .....	13	9	- 4	18
Six largest cities:				
New Jersey* .....	- 6	- 5	-12	-22
New York† .....	- 2	0	-11	-13
Rest of state				
New Jersey .....	37	24	5	77
New York .....	38	19	4	71

\* Includes all cities with populations exceeding 100,000 in 1970  
Camden, Elizabeth, Jersey City, Newark, Paterson, and Trenton

† Includes all cities with populations exceeding 100,000 in 1970  
Albany, Buffalo, New York City, Rochester, Syracuse, and Yonkers.

Source: U.S. Department of Commerce, Bureau of the Census,  
*Census of Population and Housing* (1950, 1960, 1970, 1980)

Table 4  
**Population Growth in the New York-Northeastern New Jersey Standard Consolidated Area, 1950-80**

Percentage change from beginning to end of decade

Area	Percentage change in population			
	1950-60	1960-70	1970-80	Total 1950-80
SCA .....	14	10	- 6	18
New York portion excluding New York City .. .	75	27	2	126
New Jersey portion excluding major cities* .....	32	18	- 2	53

\* Elizabeth, Jersey City, Newark, and Paterson

Source: U.S. Department of Commerce, Bureau of the Census,  
*Census of Population and Housing* (1950, 1960, 1970, 1980)

\* These cities are Elizabeth, Jersey City, Newark, and Paterson  
See also footnote 5 in text

The redistribution of economic activity from central cities to suburban areas therefore hit New York particularly hard. Since the cities contained such a large proportion of New York's jobs, their losses severely depressed that state's overall employment gains, even though their rate of decline was somewhat less than that of New Jersey's cities. The location of New York's largest city along the two states' border compounded the impact of the redistribution. A sizable part of the economic activity shifting out of New York City moved to New Jersey simply because of that state's proximity, depressing New York State's overall employment gains further.

New Jersey was in an opposite position and consequently fared rather well during the redistribution to suburban areas. Since the bulk of New Jersey's employment was located outside its cities, the cities' losses did not pull down its aggregate growth rate to a great extent. And the suburbanization of economic activity across state lines—from New York City in the north and from Philadelphia and, to a lesser degree, Wilmington and Allentown-Easton in the south—inflated New Jersey's employment gains.

#### **Conclusion**

When employment data in New York and New Jersey are disaggregated to control for the effects of subur-

banization, a comparison of growth rates reveals a pattern very different from the wide gap in overall job gains. In the New York City metropolitan area, the New York suburbs grew more rapidly than the New Jersey suburbs over the past two decades. New York's major cities performed better than New Jersey's, and growth outside the cities was roughly equivalent in the two states for the bulk of the 1950-to-1980 period. New York's slower aggregate employment growth could indeed have resulted simply because the national redistribution of economic activity from the cities to suburban areas had such an adverse impact on the state.

Thus, New Jersey's greater aggregate employment gains since 1950 do not provide sufficient evidence to conclude that New Jersey has possessed a net competitive advantage over New York. Moreover, while the analysis in no way refutes the contention that the overall business climate or individual factors, such as taxes, have significantly influenced the economic growth rates in the two states, it raises serious questions about the use of aggregate growth differentials to support that proposition. For New York and New Jersey, substantial differences in economic environments may have existed, but the disparity between their overall growth rates cannot clearly be attributed to such differences.

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