

Regional Employment Trends in the Second District

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IT is well known that growth in the Northeast, including the Second Federal Reserve District, has trailed that in the nation as a whole over the last several years. What is less often recognized is that while some parts of the Northeast continue to lag the nation, other parts, including sections of the Second District, are now growing close to or in line with the national average. This tendency to overlook movements in smaller areas is perhaps especially marked in the Second District, where discussions of the regional economy frequently emphasize New York City. Although New York City commands attention as the major employment and population center of the Second District, the economy of the District is far more than the city writ large.

This article attempts a more balanced assessment of economic developments in the District by considering New York City alongside three other important regions. We focus on job growth, giving particular attention to the factors that have given rise to diverse employment trends within the District. Our analysis draws on the Bureau of Labor Statistics' nonfarm payroll employment series, a source notable for comprehensive and timely data at the local level.

In addition to New York City, the large regions examined are 1) the environs of New York City, consisting of Long Island, the northern metropolitan area, and northern New Jersey, 2) midstate New York—the large region stretching north from the city suburbs to the Canadian border and west past Syracuse; and 3) Western New York (Figure 1). Since developments in the agricultural sector contribute only modestly to overall employment trends in the heavily urbanized Second District, we focus on the major metropolitan areas in the four regions. The table lists these areas and gives the 1993 size of aggregate nonfarm payroll employment and

manufacturing employment in each. Taken as a whole, aggregate payroll employment in these metropolitan areas accounts for more than 90 percent of that in the District as a whole.

In general, job growth in the District has not kept pace with national trends,¹ and in some important regions such as Rochester and Long Island, employment has recently faltered. Some signs of progress have emerged, however: employment has risen throughout most of the District, and in northern New Jersey and Albany, the gaps with the national data have been either small or narrowing.

NEW YORK CITY

The city's economy has improved somewhat over the last year. Employment finally bottomed out in mid-1993, and year-to-year gains in jobs moved up to the neighborhood of 0.5 percent in early 1994 (Chart 1). Recent job growth, however, falls far short of that in the nation as a whole and only begins to counter the city's losses since 1989. In June 1994, for instance, payroll employment in the city was 3.3 million—8 percent less than its 1989 high.

The unemployment rate in New York City has recently declined more rapidly than in the nation as a whole. The city's rate fell from 11.4 percent in the first quarter of 1993 to 9 percent in the second quarter of 1994, while the national rate dropped from 6.9 percent to 6.2 percent over the same period. A shrinking labor force, however, has contributed significantly to the city's declining unemployment rate.

The city's recent employment gains have also been unevenly distributed across industries. Manufacturing employment, which still accounts for about 9 percent of the city's job total, has continued falling at a moderate pace

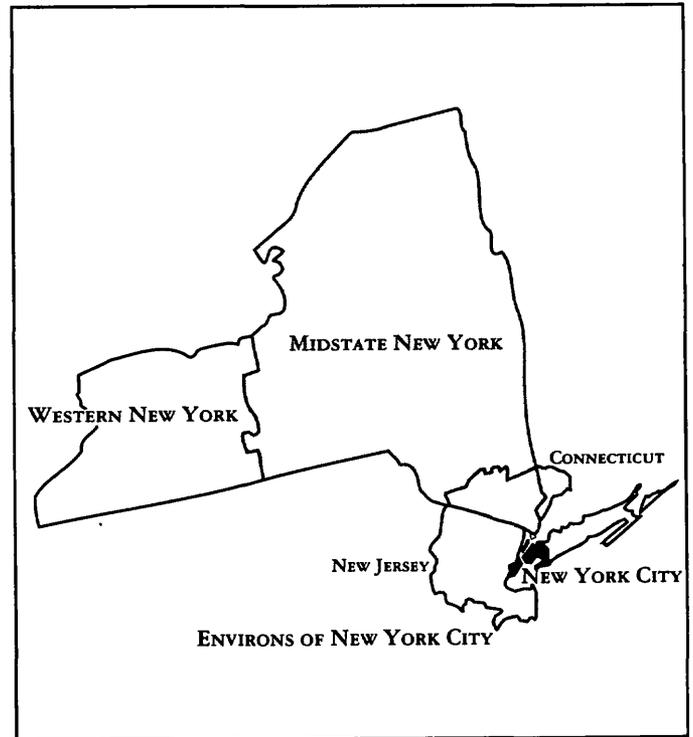
(Chart 2). Encouragingly, however, changes in manufacturing employment in the city over the last year more closely matched national developments rather than trailing them badly, as had been the case for a number of years. Thus, the manufacturing sector is currently not a source of weakness for the city *relative* to the nation. (See Moss 1994 for a discussion of recent developments in the city's manufacturing sector.) A large portion of the recent payroll growth in the city can be traced to the securities sector and to health, social, and business services. But with the city's employment recovery just starting to take root and advance beyond Wall Street, reports that some early 1994 trading losses were leading securities firms to reevaluate expansion plans or cut staff (Raghavan 1994) suggest that the city is still some distance from a full-fledged expansion.

NEW YORK CITY ENVIRONS²

The region surrounding New York City can be subdivided into three segments: Long Island, the northern metropolitan

Figure 1

REGIONS OF THE SECOND DISTRICT



COMPOSITION OF PAYROLL EMPLOYMENT, 1993

THOUSANDS

	Total	Manufacturing	Percentage of Total Jobs in Manufacturing
United States	110521	18005	16
New York City	3275	290	9
New York City Environs			
Northern Metropolitan Area*	672	90	13
Nassau-Suffolk MSA (Long Island)	1054	122	12
Northern New Jersey†	2287	388	17
Midstate New York			
Dutchess County MSA (Poughkeepsie)	104	18	18
Binghamton MSA	113	27	24
Utica-Rome MSA	124	21	17
Syracuse MSA	330	50	15
Albany-Schenectady-Troy MSA	426	44	10
Western New York			
Rochester MSA	515	130	25
Buffalo-Niagara Falls MSA	528	90	17

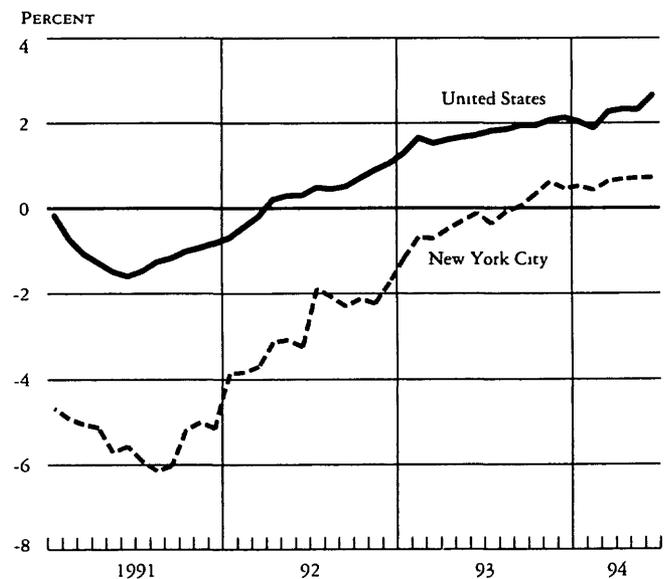
Note MSAs are metropolitan statistical areas

*Comprises Putnam, Rockland, and Westchester counties and the Stamford-Norwalk metropolitan statistical area

†Comprises the Newark, Bergen-Passaic, Middlesex-Somerset-Hunterdon, and Jersey City metropolitan statistical areas

Chart 1

TRENDS IN NEW YORK CITY PAYROLL EMPLOYMENT Twelve-Month Percent Changes



Sources U S Department of Labor, Bureau of Labor Statistics, state employment security agencies

Note Chart shows data through June 1994

area of Rockland, Westchester, Orange, and Putnam counties in New York and Fairfield County in Connecticut, and the twelve counties of northern New Jersey included in the Second District (Figure 2). Taken as a whole, the environs of New York City have a considerably larger population and even employ more people than the city proper. In fact, the region contains four metropolitan statistical areas (MSAs) with 1990 populations above 1 million.³

Recent employment trends have diverged across the three segments of this region. In the spring of 1994, overall job growth on Long Island and in the northern metropolitan area actually turned negative on a year-to-year basis, while northern New Jersey growth maintained a pace only moderately below the national norm (Chart 3). These differences in part reflect differences in the manufacturing sector. Job cuts—some attributable to corporate restructuring, others to layoffs at defense contractors—continue to be significant at Long Island and northern metropolitan manufacturers (Chart 4). Northern New Jersey, by contrast, has experienced fewer manufacturing job losses, apparently because job cre-

ation by smaller firms has largely offset cutbacks by large corporations.

Retail employment has risen markedly in most parts of the region. Much of this increase stems, of course, from

Figure 2

ENVIRONS OF NEW YORK CITY

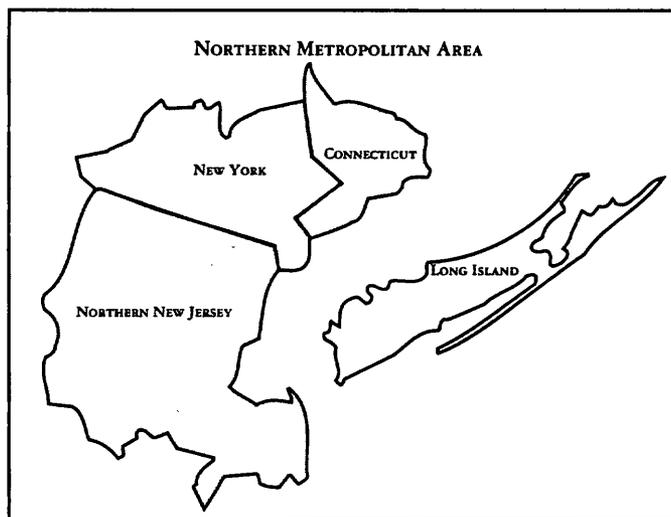
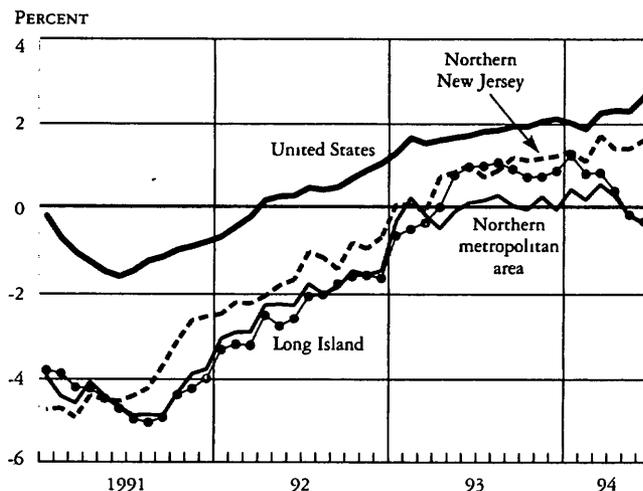


Chart 3

TRENDS IN PAYROLL EMPLOYMENT IN NEW YORK CITY

ENVIRONS

Twelve-Month Percent Changes



Sources U S Department of Labor, Bureau of Labor Statistics, state employment security agencies

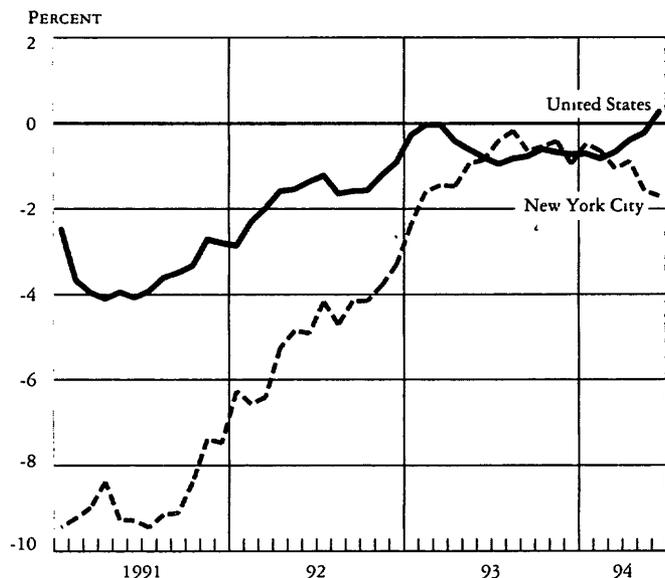
Note Northern New Jersey comprises the Newark, Bergen-Passaic, Middlesex-Somerset-Hunterdon, and Jersey City metropolitan statistical areas Long Island refers to the Nassau-Suffolk metropolitan statistical area The northern metropolitan area comprises Putnam, Rockland, and Westchester counties and the Stamford-Norwalk metropolitan statistical area Chart shows data through June 1994

Chart 2

TRENDS IN NEW YORK CITY MANUFACTURING

PAYROLL EMPLOYMENT

Twelve-Month Percent Changes



Sources U S Department of Labor, Bureau of Labor Statistics, state employment security agencies

Note Chart shows data through June 1994

economic recovery and increased household spending. In addition, several parts of the region have recently seen the introduction of large “warehouse” retail outlets of national chains. Although this restructuring of the retail sector may have no permanent positive effect on employment, the construction and staffing of the new stores have generated jobs over the short term.

MIDSTATE NEW YORK

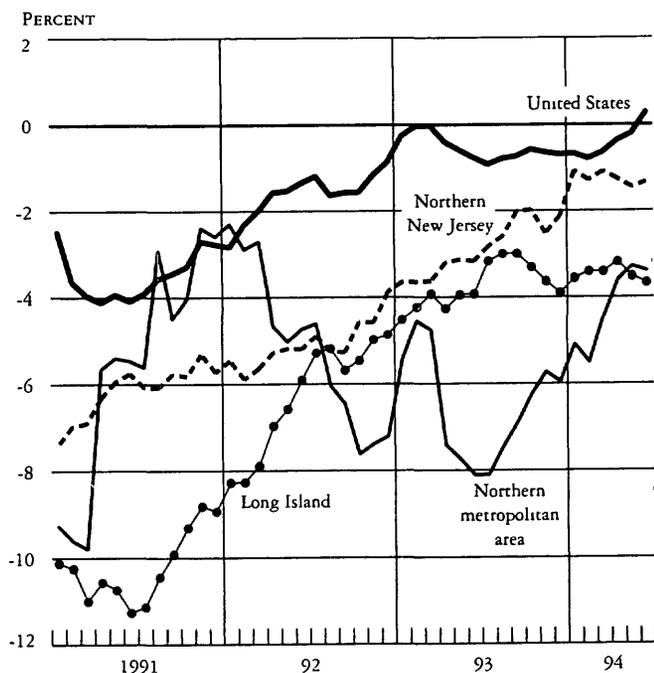
This large region (Figure 3), dominated by the Catskills and Adirondacks, resists generalization.⁴ The metropolitan areas in the region are dispersed along the lakes and rivers surrounding the mountains. Nevertheless, discussing this region as a unit rather than treating each MSA separately makes some sense given the small size of the MSAs relative to

those in other parts of the District. In 1990, the largest mid-state MSA, Albany-Schenectady-Troy, had a population of only 861,000, placing it ninth among the District MSAs.

The employment picture has varied sharply around the region. The Dutchess County MSA (Poughkeepsie), exemplifying the mid-Hudson Valley area, and the more westerly Binghamton MSA are faring quite poorly (Chart 5), largely because corporate restructuring moves have depressed manufacturing employment (Chart 6).⁵ The pace of job loss in the Poughkeepsie area, however, did moderate somewhat in the spring of 1994. The area along the Mohawk River west to Lake Ontario—here illustrated by data for the Syracuse and Utica-Rome MSAs—shows somewhat more strength. Syracuse employment has been flat, while Utica job growth has recently moved in line with the national trend. Scheduled job cuts at a major military installation in the Utica-Rome MSA, however, will hurt that labor market. Manufacturing employment, though not rising, has held up better in Syracuse and Utica than in the more southerly parts of the region,

Chart 4

TRENDS IN MANUFACTURING PAYROLL EMPLOYMENT IN NEW YORK CITY ENVIRONS
Twelve-Month Percent Changes

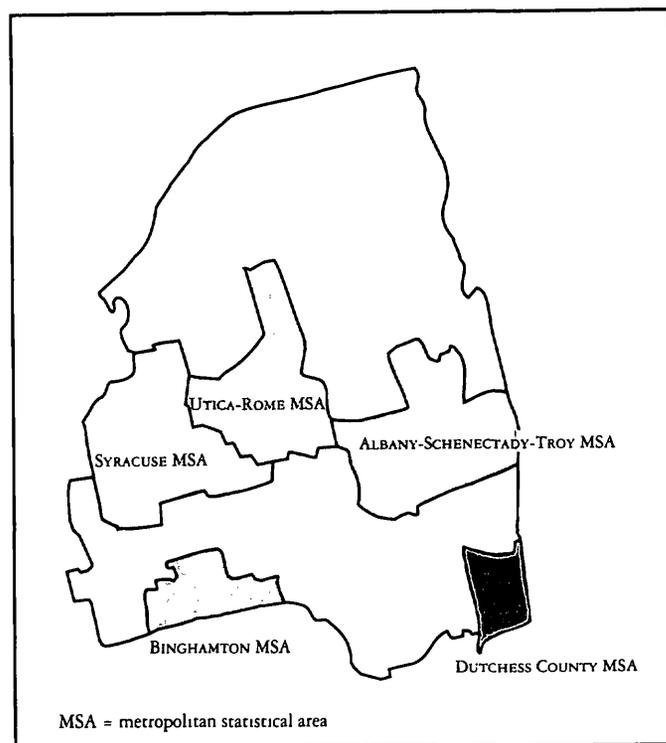


Sources: U.S. Department of Labor, Bureau of Labor Statistics, state employment security agencies

Note: Northern New Jersey comprises the Newark, Bergen-Passaic, Middlesex-Somerset-Hunterdon, and Jersey City metropolitan statistical areas. Long Island refers to the Nassau-Suffolk metropolitan statistical area. The northern metropolitan area comprises Putnam, Rockland, and Westchester counties and the Stamford-Norwalk metropolitan statistical area. Chart shows data through June 1994.

Figure 3

MIDSTATE NEW YORK



and some service industries, such as wholesale and retail trade, have been growing.

The strongest portion of the midstate region, however, is probably the Albany MSA. Of all the major parts of the Second District, Albany alone consistently experienced job growth ahead of the national pace from early 1993 through April 1994. The apparent slippage in Albany's year-to-year job gains in May and June of 1994 may simply reflect comparisons with unusually strong months in 1993, rather than a recent deterioration in that area. Manufacturing employment in the Albany area has proven more resilient than in some other parts of the midstate area, such as Binghamton and Dutchess County, although manufacturing is clearly not an important source of job growth in Albany. Employment growth in the Albany area has been centered in health care, retailing (with most months in early 1994 seeing job gains in this sector in the 3 to 5 percent range on a year-to-year basis), and the diversified service sector. The development of new large retail outlets has been especially pronounced in the Albany MSA. Adding to the growth of this

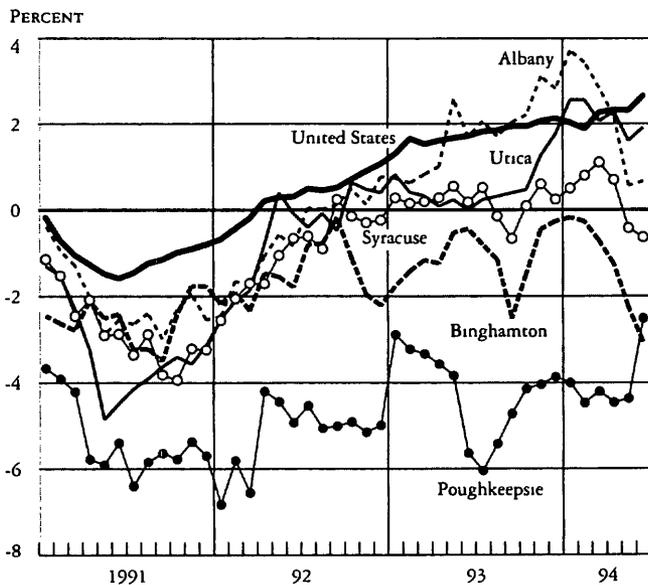
area have been recent increases in employment by both the state and the local government.

WESTERN NEW YORK

We define Western New York as the fourteen counties in the Buffalo Branch area of the Second District (Figure 4). The economy of Western New York is dominated by the large Buffalo and Rochester MSAs. The two areas have fared somewhat differently in recent years, and their economies tend to belie their popular reputations. Buffalo, like many other large cities along the Great Lakes, has gradually transformed its economy from one based on durable goods manufacturing to a more diversified, service-centered one, though manufacturing remains an important sector (the early stages of this transformation were described in Doolittle 1985-86). A special factor aiding Buffalo in this transition was the U.S.-

Chart 5

TRENDS IN MIDSTATE NEW YORK PAYROLL EMPLOYMENT
Twelve-Month Percent Changes

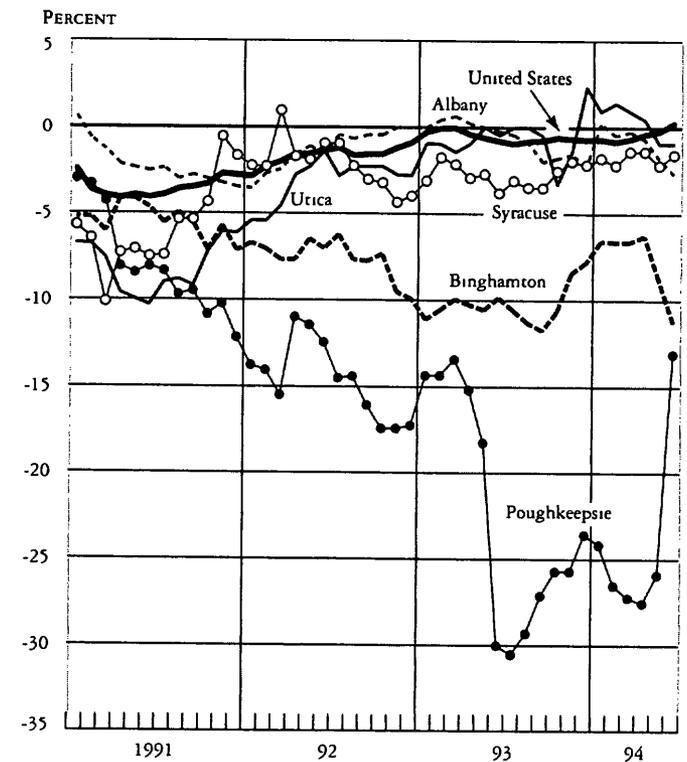


Sources U.S. Department of Labor, Bureau of Labor Statistics, state employment security agencies

Note Chart shows data through June 1994

Chart 6

TRENDS IN WESTERN NEW YORK PAYROLL EMPLOYMENT
Twelve-Month Percent Changes



Sources U.S. Department of Labor, Bureau of Labor Statistics, state employment security agencies

Note Chart shows data through June 1994

Canada Free Trade Agreement of 1989, which encouraged Canadian firms to locate operations in the relatively low-cost Buffalo area and Canadian shoppers to patronize the area's stores. Subsequently, Buffalo had a slow exit from the national recession (Chart 7), partly because the decline of the Canadian dollar starting in the second half of 1991 weakened the incentives for Canadians to shop and set up business in the Buffalo area. More recently, a leveling-off in manufacturing employment (Chart 8) and the stimulus provided by new retail outlets have helped job growth to resume in the Buffalo MSA, though retail sales to Canadian buyers still appear to be weak (Linstedt 1994).

Buffalo is today primarily service-oriented, but it is still perceived as a blue-collar town. In contrast, Rochester, often considered a white-collar city, has an extraordinary 25 percent of its MSA payroll employment in manufacturing! Of course, many of these manufacturing jobs are high-income ones in the headquarters and research and development units of major high-tech corporations. Recently, responding in part to intensified foreign competition, several of these firms have undertaken sizable restructuring operations and have been reducing their employment in the Rochester area. The deterioration in manufacturing employment has contributed to an erosion in overall job growth in

Figure 4

WESTERN NEW YORK

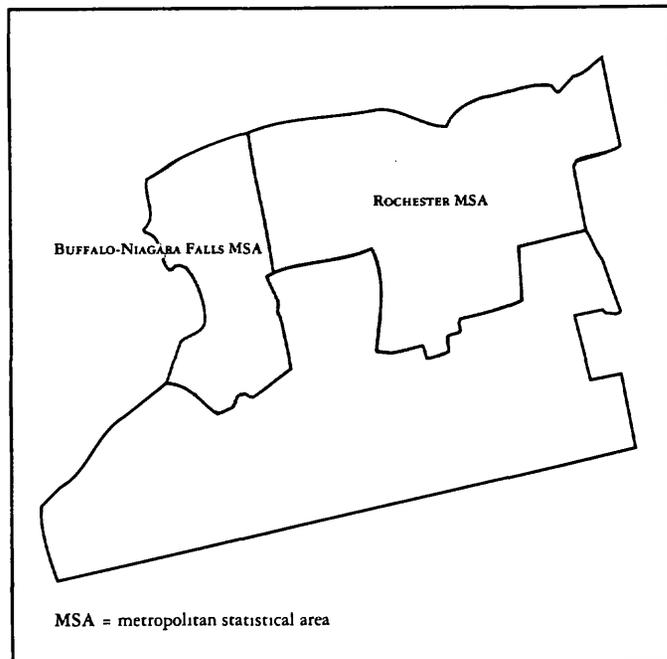
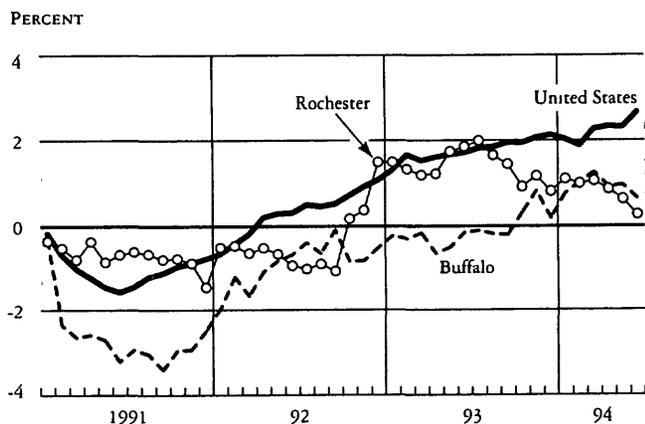


Chart 7

TRENDS IN WESTERN NEW YORK PAYROLL EMPLOYMENT
Twelve-Month Percent Changes

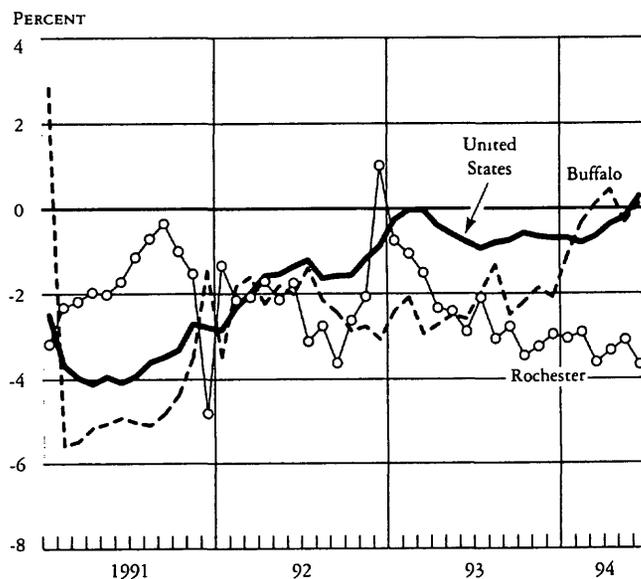


Sources: U.S. Department of Labor, Bureau of Labor Statistics, state employment security agencies

Note: Chart shows data through June 1994

Chart 8

TRENDS IN WESTERN NEW YORK MANUFACTURING
PAYROLL EMPLOYMENT
Twelve-Month Percent Changes



Sources: U.S. Department of Labor, Bureau of Labor Statistics, state employment security agencies

Note: Chart shows data through June 1994

Rochester, by the middle of 1994, the growth rate was barely positive. To date, segments of Rochester's service sector such as business, health, and retailing have expanded sufficiently to offset the increased drag from manufacturing.

CONCLUSION

Employment trends have differed across regions and metropolitan areas in the Second District. The Binghamton and Poughkeepsie areas continue to experience significant job losses, and growth has faltered on Long Island, in the northern metropolitan area, and in the Rochester and Syracuse MSAs. New York City and the Buffalo MSA, by contrast, are seeing modest but real job growth, and the job gains in northern New Jersey and the Albany and Utica areas have been quite respectable.

Developments in manufacturing to some extent explain these differing employment patterns. Areas that continue to face substantial cutbacks in manufacturing employment—Long Island, the northern metropolitan area, Binghamton, Poughkeepsie, and Rochester—have tended to trail much of the rest of the District and the nation as a whole.

A second factor that has contributed to the differential experience of areas within the District is the performance of the service sector. New York City's financial sector dominates the District's service economy, and job gains in this industry have been a particular spur to the city's economy. Service employment in other areas, most notably the outskirts of New York City and the Albany MSA, has benefited from new large-scale operations in retailing. Because the warehouse-type chains have been relatively late coming to the Northeast, hiring by these outlets will probably continue to be stronger in the District than in other parts of the nation.

Despite the regional differences detailed in this article, the Second District as a whole shows some signs of recovery (Rosen and Wenninger 1994). Although job growth in the District continued to trail national trends through the middle of 1994, aggregate employment has been expanding. The areas in the District that are lagging are mainly those feeling the effects of corporate restructuring and defense cuts. While these ills will continue to be felt in the short run, over the medium and longer term they should abate, setting the stage for healthier growth.

ENDNOTES

1 Comparing District and national trends is complicated by the inclusion of an explicit "bias adjustment" in the national data for the period since March 1993. This adjustment, designed to account for job growth at new firms not yet included in the monthly payroll employment survey, currently adds about one percentage point to the national payroll annual growth rate. Since the data from New York and New Jersey do not include such explicit bias adjustments, it is conceivable that recent District employment trends are being understated (assuming the national bias adjustment is roughly correct, as is usually the case). Nevertheless, District employment data are modified to reflect some information about hiring at new firms and job counts from ongoing unemployment insurance tax reports, so the understatement is probably small.

2. We use the term "environs" rather than "suburbs" to denote this region both because significant parts of it—for instance, Newark, New Jersey, the north fork of Long Island, and the Delaware Water Gap—are hardly "suburban" in appearance in any ordinary sense of the word, and, more fundamentally, because certain key sectors of the region's economy—for example, the pharmaceutical industry in New Jersey and the aerospace industry

Note 2 continued

on Long Island—have little to do with short- or medium-term developments in New York City.

3. The MSAs are Newark, Bergen-Passaic, and Middlesex-Somerset-Hunterdon—all in New Jersey—and Nassau-Suffolk in New York. These areas plus the Monmouth-Ocean MSA in New Jersey and the bulk of the northern metropolitan area are included in the "New York Consolidated MSA."

4. It also lacks an accepted name. The obvious term "upstate" includes Western New York, a region treated separately in this article. Another logical choice is "central New York," but this term is used by the New York State Labor Department to refer more narrowly to the area around Syracuse.

5. The Census Bureau includes Dutchess County in the large New York Consolidated MSA. The significance of the sharp drop in manufacturing employment for the Hudson Valley would be obscured, however, if we were to consider Dutchess County a part of the northern New York City suburbs.

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