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Upstate New York Employment Trends

The upstate New York economy has been undergoing significant restructuring, with job gains in services sectors such as health care, education, business services, and leisure and hospitality offsetting losses in manufacturing. A modest upward trend is continuing in 2007, with the creation of 20,000 net new jobs—but results will be mixed across upstate metro areas. This issue of Upstate New York At-a-Glance reviews recent employment trends, highlights industry and area developments, and presents an outlook for the year.

Employment Trends: 2000-07

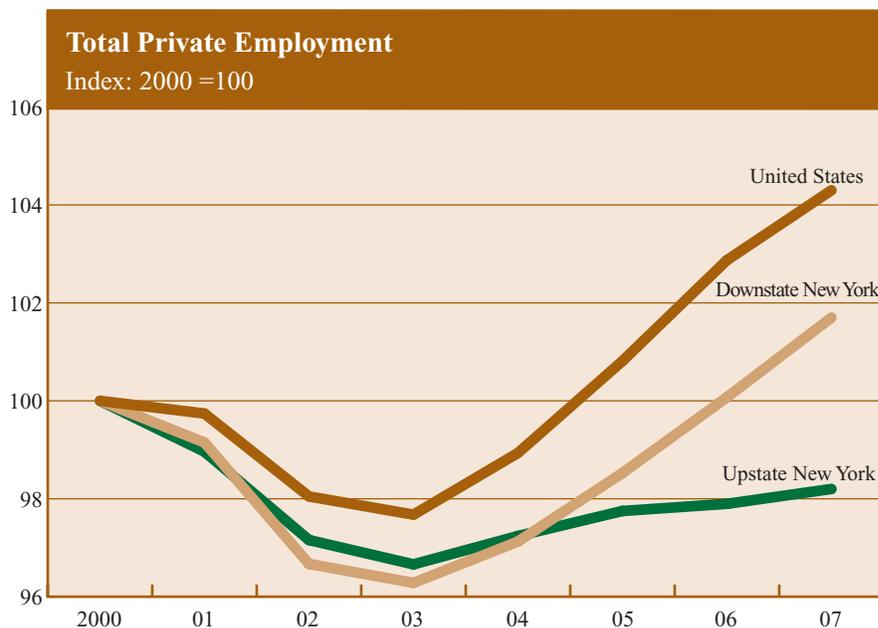
Employment across upstate New York has been on a modest upward trend following a decline earlier in the decade.¹ After peaking in 2000, private sector employment—about 80 percent of all upstate jobs—declined by 2.5 percent from 2001 to 2003 before turning around in 2004 (see chart). Between 2003 and 2006, it expanded roughly 1.2 percent, growing at a modest 0.4 percent average annual rate. During the first half of 2007, the growth rate increased to 0.5 percent.²

Upstate New York's slow recovery reflects job gains in the **financial services, professional and business services, education and health services, and leisure and hospitality** sectors that were largely offset by job losses in the **manufacturing, information, and trade, transportation, and utilities** sectors (Table 1). The growing sectors account for about 40 percent of all employment upstate and continue to represent a potential source of expansion over the long term.

■ The most significant employment losses were in the manufacturing industry. Between 2000 and 2006,

85,000 jobs were shed, a net loss of roughly 20 percent. As of 2006, manufacturing jobs made up about 12 percent of total employment, roughly on par with the nation. Job declines in this sector continued into 2007 and appear unlikely to be reversed. These adverse job trends continue to dampen overall job growth in upstate New York.

■ Education and health services account for about 17 percent of all jobs, both upstate and in the nation. Employment in this sector expanded about 1.7 percent annually between 2000 and 2006, and the overall gain



Source: Authors' calculations, based on data from the U.S. Department of Labor, Bureau of Labor Statistics.

Notes: Upstate and downstate New York are defined in endnote 1. The 2007 figures are based on job growth from January to September.

of 42,000 jobs helped to offset job losses in other sectors. Job growth is running in excess of an annual rate of 2.0 percent thus far in 2007.

- While job gains have been only modest in recent years, the unemployment rates across upstate New York are at or near five-year lows because upstate’s population and labor force have been decreasing in line with long-term regional demographic trends.³

Metro Area Performance

Job growth has been uneven among the metropolitan areas that make up the upstate region (Table 2).⁴ Three areas—Albany, Glens Falls, and Ithaca—have added jobs throughout the decade, led by a significant expansion of employment in education and health services.

- The **Albany** metropolitan area has experienced a modest but sustained expansion of jobs since 2000. Recent gains have been led by education services (typically private universities and colleges) and professional,

scientific, and technical services—likely attributable to the metro area’s research centers and nanotech cluster. Government job growth picked up in 2007.

- Brisk job creation in **Glens Falls** in construction as well as education and health services has outweighed losses in manufacturing. This area has been one of upstate’s strongest economies throughout the decade.
- While **Ithaca** has seen some weakening in its manufacturing, information, and leisure and hospitality industries, the higher education sector—the area’s key sector, given the dominance of Cornell University and Ithaca College—has continued to add jobs at a steady pace.

Employment growth in four large metropolitan areas—Binghamton, Buffalo, Rochester, and Syracuse—has been weighed down by losses in manufacturing for much of the decade. But each area has also seen a modest rebound in employment this year, with

a significant contribution from a variety of services sectors.

- Metropolitan **Binghamton** suffered sizable job losses during the 2001-02 downturn, with declines continuing into early 2005. Since then, employment has risen steadily, led by manufacturing—notably electronic equipment—as well as private education services.
- Employment in the **Buffalo** area, which had been flat or slightly declining from 2000 to 2006, expanded modestly in the first half of 2007, despite the area’s continuing job losses in manufacturing. Recently, a number of services sectors have enjoyed increased job growth, led by private education and finance—the latter sector expanding close to 3.0 percent in the first half of this year. Wholesale trade jobs have also expanded sharply in 2007, posting about a 1.5 percent gain over last year, possibly buoyed by the strong Canadian dollar.
- **Rochester’s** economy has been especially hard hit by manufacturing job losses—employment in its key durable-goods manufacturing sector fell by more than 30 percent between 2000 and 2006, although it has edged up in 2007. Overall employment has expanded modestly in 2007, with administrative, support, and education and health services being the only significant sources of job creation.
- The **Syracuse** area’s relatively diversified economy has seen only a modest recovery in employment following sizable job losses from 2000 to 2003, although the pace has picked up slightly in the first half of 2007. Manufacturing employment declined modestly in 2006 and early 2007, but there have been robust gains recently in construction, higher education, and business and professional services that have accounted for virtually all of the area’s net job gains in 2007.

Table 1
Private Job Growth by Industry, Upstate New York
Percent

Industry	Average Annual		
	Growth, 2000-05	Employment Growth Rate	
		2005-06	2006-07
Total private	-0.22	0.15	0.46
Government	1.05	-0.84	0.82
Construction	0.19	2.08	1.29
Manufacturing	-3.93	-1.13	-2.62
Trade, transportation, and utilities	-0.15	-0.71	-0.19
Information	-1.36	-4.29	-1.39
Education and health	1.85	0.54	2.17
Financial activities	0.05	1.03	0.80
Professional and business services	0.43	2.43	1.45
Leisure and hospitality	0.50	-0.16	0.80
Other	0.29	-0.77	0.05

Sources: Columns 1-2: U.S. Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW); column 3: authors’ calculations, based on nonfarm payroll data for metropolitan statistical areas (QCEW data are available only through 2006:Q4).

Notes: Upstate New York is defined in endnote 1. The 2006-07 column reports the growth rate from January-September 2006 to January-September 2007. The construction industry includes mining.

Table 2
Private Sector Job Growth by Metropolitan Area, Upstate New York
 Percent

Metropolitan Area	Average Annual		
	Growth, 2000-05	Employment Growth Rate	
		2005-06	2006-07
Albany-Schenectady-Troy	0.75	0.67	0.40
Glens Falls	1.01	0.66	0.86
Ithaca	1.32	1.23	0.19
Binghamton	-1.34	1.36	0.59
Buffalo	-0.47	-0.20	0.36
Rochester	-0.56	-0.03	0.20
Syracuse	-0.30	0.09	0.65
Elmira	-1.87	1.02	0.03
Utica-Rome	-0.95	-0.17	-0.18

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Note: Upstate New York is defined in endnote 1; the 2006-07 column is defined in Table 1.

Two areas—Elmira and Utica-Rome—have experienced relatively sharp employment declines since 2000 and have been unable to sustain a recovery.

- The **Elmira** metropolitan economy suffered significant job losses between 1999 and 2004. Private sector employment rose in 2005 and 2006, but it has leveled off in 2007 as job gains in retail and wholesale trade and in construction have been offset by declines in leisure and hospitality, professional and business services, and manufacturing.
- The **Utica-Rome** metro area has been one of upstate New York's weakest economies over the past year-and-a-half as jobs were shed in the manufacturing and trade sectors. The only source of major job creation has been education and health services, where employment grew nearly 3 percent in 2006 and almost 2 percent in the first half of 2007.

Employment Outlook

If the job growth trends evident in the key upstate industries in 2006 and the first half of 2007 persist through the balance of the year, we can expect the education and health, leisure and hospitality, professional and business services, and finance sectors to be sources of moderate job growth. Even with continuing losses in manufacturing and in trade, transportation, and utilities, overall job growth should expand by roughly 0.5 percent for the full year, representing the creation of about 20,000 net new jobs. Moreover, the offsetting trends in services and manufacturing employment will help move upstate New York closer to a service-based economy, and these sectors should prove to be a continued source of longer term employment growth.

Further, if the *Blue Chip Economic Indicators* (2007) consensus forecast of 2.0 percent GDP growth for the nation is on target, the national economy

should continue to guide job creation in the upstate region. Looking ahead, we caution that one downside risk to this forecast is a weaker than expected housing sector that would impact the upstate housing market and take a toll on upstate residential construction employment. In addition, the current turmoil in the financial markets, while more likely to have an adverse effect downstate given the number of jobs linked to the finance sector (see Bram, Orr, and Rosen [2007]), could lead to some retrenchment in financial services employment in upstate New York.

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The views expressed are those of the authors and do not necessarily reflect the position of the Federal Reserve Bank of New York or the Federal Reserve System.

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¹ Upstate New York refers to a total of forty-nine counties in New York State. It does not include the downstate areas of New York City; Dutchess, Orange, Putnam, Rockland, Ulster, and Westchester counties; and Nassau and Suffolk counties on Long Island.

² The figures through 2006 are based on employment data from the Quarterly Census of Employment and Wages (QCEW), a near-universal count of employment produced by the Bureau of Labor Statistics (BLS), typically available with a six-month lag. The figures for 2007 are from the BLS' Current Employment Survey, which estimates employment based on samples.

³ See Deitz (2005, 2007) for a discussion of the long-term growth and changing composition of the upstate population.

⁴ The figures in this section draw on payroll employment data from the New York State Department of Labor. These figures, while not as comprehensive as those from the QCEW, are available on a more timely basis. This analysis is based on data through June 2007.

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