

BROOKLYN LABOR MARKET REVIEW

Fall 2008

A Message from the President

The Brooklyn Chamber of Commerce is proud to issue *The Brooklyn Labor Market Review*, the Chamber's annual review of the borough's economy. With the national and New York City economies likely in recession, the *Review* will show that while our borough will experience a weaker labor market, and slower wage and income growth in 2008 and through the first half of 2009, Brooklyn's job decline will be far less than New York City's—as it was during the previous slowdown.

In fact, Brooklyn job growth during this decade has been positive, with the borough showing an overall gain of over 23,000 jobs, an increase of 5.7 percent. Growth has been concentrated primarily in health and educational services, restaurants, transportation, and retail. While the residential construction boom of recent years is slowing sharply, non-residential construction activity, including public infrastructure spending, will pick up some of the slack.

The *Brooklyn Labor Market Review* compares how Brooklyn and New York City overall fared through the last downturn, and during the recovery and expansion period, and looks ahead over the next year, when the slowdown will dominate the outlook. Using data from the State Department of Labor, the Census Bureau and other sources, we examine some of the key features of Brooklyn's economy and leading sectors. We look at the jobs located in Brooklyn and the jobs that are held by Brooklynites who commute to work outside the borough. We hope this information adds to your understanding of what makes Brooklyn tick and of what's ahead for us.

Carl Hum, President

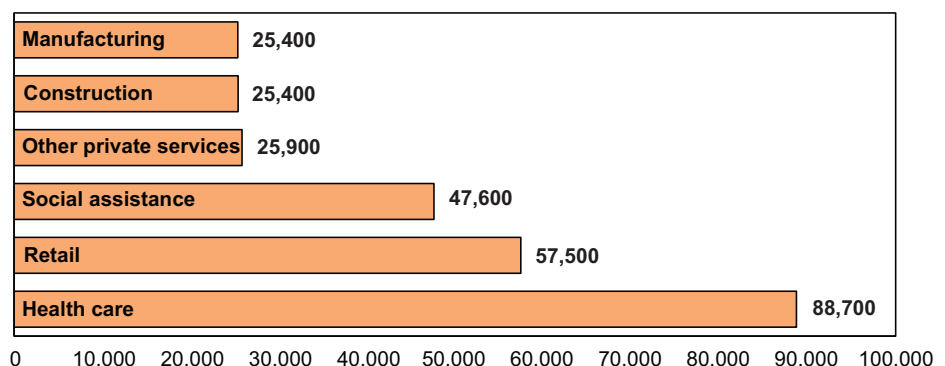
● Brooklyn's economic snapshot, 2001 to 2007

From the previous economic high point in early 2001, the economy entered a recession in 2001 followed by an extended period of job loss that ran through mid-2003. Recovery got underway in the latter half of 2003 and evolved into an expansion lasting through 2007. This marked the completion of an entire economic cycle, which eventually gave way to an-

other economic slowdown that began in early 2008.

Throughout the economic cycle, private sector job growth performed much better in Brooklyn, increasing by 5.7 percent, while the city's overall job picture was basically flat. Figure 1 shows the six Brooklyn sectors in the private economy with the largest number of jobs.

FIGURE 1.
Brooklyn's top employing sectors



Source: NYS Department of Labor, *Quarterly Census of Employment and Wages*.

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● Historical job losses and gains 2001-2007

During the 2001-2003 downturn, Brooklyn lost less than 5,000 private sector jobs, a 1.1 percent decline, far less than the overall city job decline of 6.1 percent.

Why did Brooklyn fare better than the city overall? Brooklyn has a much higher concentration of health and social services, which gained jobs during the downturn, and the borough has a much smaller presence in finance and professional services, sectors that declined sharply. In addition, air transportation, which suffered sharp job declines after 9/11, is mostly concentrated in Queens.

In blue-collar areas such as manufacturing, construction and wholesale trade, Brooklyn lost nearly 15,000 jobs from 2001 to 2003, a 16 percent decline. Health, social and educational services added a total of 8,500 jobs during the 2001-2003 downturn, with health and social services both growing about 5 percent, and educational services increasing by almost 17 percent.

In the four years of recovery and expansion from 2003 through 2007, Brooklyn gained jobs at about the same pace as the city overall, 6.9 percent and 6.6 percent respectively. Brooklyn gained 28,000 private sector jobs during this period. Citywide job growth was 189,000, only slightly more than the 186,000 jobs lost during 2001 through 2003.

In several sectors, Brooklyn experienced double digit job growth and exceeded the citywide average in construction, wholesale trade, transportation, financial activities, educational services, health services, amusement and arts, accommodation, and restaurants. Within transportation, job growth was concentrated in bus transportation and courier services.

Professional services jobs grew 12 percent, with big gains in several areas—accounting, architectural and engineering firms, specialized design services, management consulting, and advertising—while employment at law firms declined.

FIGURE 2.
Brooklyn's overall employment change 2001-2007

Industry	Brooklyn employment, 2007	Employment change, 2001-2003			Employment change, 2003-2007		
		Brooklyn job change	Brooklyn percent change	NYC percent change	Brooklyn job change	Brooklyn percent change	NYC percent change
All private sector employment	432,740	-4,591	-1.1%	-6.1%	27,965	6.9%	6.6%
Construction	25,416	-2,708	-11.2%	-7.8%	3,863	17.9%	11.3%
Manufacturing	25,379	-9,167	-21.7%	-23.7%	-7,718	-23.3%	-20.9%
Wholesale trade	23,787	-2,740	-11.5%	-8.7%	2,630	12.4%	1.7%
Retail trade	57,481	-369	-0.7%	-4.0%	4,260	8.0%	10.4%
Transportation and warehousing	17,591	98	0.7%	-12.4%	3,856	28.1%	4.9%
Information	6,654	-1,344	-15.4%	-18.9%	-730	-9.9%	0.1%
Financial services	17,443	537	3.9%	-12.4%	3,003	20.8%	7.1%
Real estate	12,757	205	1.7%	-1.1%	612	5.0%	6.4%
Professional sci. and tech. services	12,729	-261	-2.2%	-12.7%	1,312	11.5%	16.5%
Management of companies	1,469	305	32.3%	12.7%	221	17.7%	0.6%
Admin. & sup. svcs. and waste mgmt.	18,082	-928	-5.1%	-12.7%	894	5.2%	2.9%
Educational services	20,627	2,562	16.6%	10.6%	2,600	14.4%	8.4%
Health services	88,746	3,521	4.6%	5.2%	8,654	10.8%	8.3%
Social assistance	47,628	2,346	5.2%	6.7%	-153	-0.3%	5.1%
Amusement and arts	4,164	16	0.5%	1.2%	940	29.2%	12.5%
Accommodation	769	51	7.7%	-4.5%	64	9.0%	6.6%
Food services and drinking places	20,335	1,090	6.7%	1.7%	2,886	16.5%	16.3%
Other private services	25,858	2,477	11.1%	5.0%	970	3.9%	3.0%

Note: Employment changes are measured from 4 quarters ending with 1st quarter 2001 (2001), 4 quarters ending 3rd quarter 2003 (2003), and 4 quarters ending 3rd quarter 2007 (2007). Other private services includes, for example, religious and civic organizations and personal, laundry and repair services.

Source: NYS Department of Labor, *quarterly census of employment and wages*; analysis by the Fiscal Policy Institute.

● The 2008-2009 outlook for Brooklyn

With the bursting of the housing market bubble and the onset of Wall Street turmoil, the national economy likely entered recession in early 2008. New York City—the home of Wall Street and a flurry of subprime mortgage lending—faced a slowing economy through the first half of 2008. Brooklyn's economy will also see job losses in several key sectors.

The Fiscal Policy Institute and the *Review* project that New York City will lose 80,000 private jobs between the spring of 2008 and spring of 2009. By comparison, the Mayor projects a 90,000 job loss, the City Comptroller, a loss of 85,000 jobs, and the Independent Budget Office, a loss of 59,600 jobs.

Brooklyn is expected to lose 6,000 jobs in the current downturn, a decline of 1.4 percent—much lower than the 2.6 percent decline expected citywide. With growing defaults and falling home prices, the housing slump will affect tens of thousands of Brooklynites. Some will lose their jobs in construction, real estate and

related areas.

Brooklyn's projected job loss is slightly greater than during the last downturn for three major reasons: (1) the housing market and subprime lending crash; (2) moderation in job growth in health, education and social services, which was so prominent 2001-2003; and (3) the expected contraction in the financial sector, which has grown in Brooklyn.

As in the 2001-2003 downturn, Brooklyn is not expected to fare as badly as the city overall. It has much smaller concentrations of financial and professional services, the two sectors that are expected to decline the most.

Health services likely will continue to expand, but it is unlikely that Medicare and Medicaid spending will continue to grow as rapidly as in recent years. Slight declines are projected for jobs in educational and social services, both of which have grown rapidly in recent years and face tighter government funding.

FIGURE 3.

Projected 2008-2009 job change: Brooklyn vs. NYC

Industry	Brooklyn share of NYC employment	Projected employment change, 2008-2009			
		Brooklyn job change	NYC job change	Brooklyn percent change	NYC percent change
All private sector employment	14.1%	-6,000	-80,000	-1.4%	-2.6%
Construction	20.9%	-1,000	-4,000	-3.9%	-3.3%
Manufacturing	24.9%	-1,000	-5,000	-3.9%	-4.9%
Wholesale trade	17.0%	-500	-2,500	-2.1%	-1.8%
Retail trade	19.8%	0	-3,500	0.0%	-1.2%
Transportation and warehousing	16.7%	-250	-5,000	-1.4%	-4.8%
Information	4.3%	0	2,000	0.0%	1.3%
Financial services	5.2%	-1,500	-30,000	-8.6%	-8.9%
Real estate	11.9%	-500	-3,000	-3.9%	-2.8%
Professional sci. and tech. services	4.0%	-500	-20,000	-3.9%	-6.2%
Management of companies	2.6%	0	-1,500	0.0%	-2.6%
Admin. & sup. svcs. and waste mgmt.	9.6%	-1,000	-10,000	-5.5%	-5.3%
Educational services	15.9%	-500	-2,000	-2.4%	-1.5%
Health services	22.9%	1,000	5,000	1.1%	1.3%
Social assistance	30.5%	-500	-1,000	-1.0%	-0.6%
Amusement and arts	6.6%	0	-1,000	0.0%	-1.6%
Accommodation	1.9%	0	-500	0.0%	-1.2%
Food services and drinking places	10.9%	500	2,000	2.5%	1.1%
Other private services	16.5%	-250	0	-1.0%	0.0%

Note: Employment outlook for 1st quarter 2008 to 1st quarter 2009. Other private services includes, for example, religious and civic organizations and personal, laundry and repair services.

Source: Projections by the Fiscal Policy Institute, June 2008.

● Brooklyn residents: employment and wages

While the average wage for all Brooklyn private sector payroll jobs was \$35,800 in 2006 (the citywide average was \$77,000), the average wage among Brooklyn residents working full-time whether in Brooklyn or elsewhere was \$42,500, according to the American Community Survey. The median wage was \$33,000: half of Brooklyn residents earned less than that amount and half earned more.

Financial sector workers had the highest average wage at \$70,900, followed by professional service workers at \$64,300. Over 130,000 of the borough's residents work in these two sectors, with most commuting to Manhattan. Brooklyn's full-time workforce for 2006 was nearly 960,000, about twice the number of payroll jobs based in Brooklyn.

FIGURE 4.
Brooklyn residents' jobs and wages

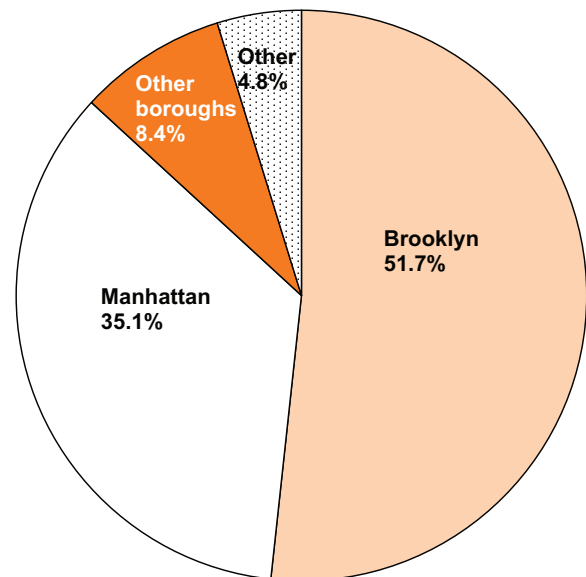
Major sector of employment	Number of jobs	Share of total	Average wage	Median wage
Health care & social assistance	174,829	18.2%	\$38,021	\$30,000
Retail trade	79,012	8.2%	\$32,615	\$25,000
Educational services	74,783	7.8%	\$46,392	\$41,000
Professional & technical services	70,515	7.4%	\$64,348	\$50,000
Transportation & warehousing	65,896	6.9%	\$36,439	\$32,000
Construction	65,385	6.8%	\$33,795	\$26,800
Finance & insurance	60,985	6.4%	\$70,928	\$49,500
Accommodation & food services	60,385	6.3%	\$25,919	\$20,000
Manufacturing	52,612	5.5%	\$36,149	\$21,600
Information	49,883	5.2%	\$55,008	\$44,400
Government	47,840	5.0%	\$52,302	\$48,000
Other services	47,418	4.9%	\$33,211	\$25,000
Real estate and rental & leasing	29,252	3.0%	\$42,501	\$36,000
Administrative & waste services	27,876	2.9%	\$28,438	\$21,000
Wholesale trade	24,350	2.5%	\$44,981	\$34,000
Arts, entertainment & recreation	20,958	2.2%	\$37,352	\$30,000
Other	7,252	0.8%	\$59,583	\$52,000
Total	959,231	100%	\$42,535	\$33,000

Notes: Full-time workers (35 or more hours per week).
Source: American Community Survey microdata, analysis by the Fiscal Policy Institute.

By far the largest sector employing Brooklyn residents is the combined health care and social assistance sector with 175,000 workers, 18 percent of Brooklyn's total full-time workforce. Nearly 80,000 Brooklynites work in retail trade and about 75,000 work in educational services. The industrial sector (transportation and warehousing, construction and manufacturing) employs more than 180,000 Brooklyn residents, a little over 18 percent of the total.

More than half of the 1,026,580 Brooklyn residents 16 years of age and older work in Brooklyn. While 35 percent of both Brooklyn and Queens residents work in Manhattan, a greater share of Brooklyn residents work in Brooklyn than the share of Queens residents who work in Queens (52% and 43% respectively).

FIGURE 5.
Where Brooklynites work



Source: American Community Survey microdata, analysis by the Fiscal Policy Institute.

● Personal income trends

In 2006, the total personal income of Brooklyn residents was \$75.8 billion. Personal income counts all wages, proprietors' income, dividends, interest, and rent income received by Brooklyn residents as well as the value of transfer payments (Social Security, unemployment insurance, food stamps, and the value of Medicare and Medicaid payments made in Brooklyn). Citywide personal income in 2006 was \$381 billion. Brooklyn's per capita income was \$30,023 in 2006, well below the citywide level of \$46,216. (The citywide numbers are skewed by Manhattan's concentration of very high income earners).

Commuter income (the net earnings of Brooklyn residents who commute to work outside the borough) made up a third (\$24.4 billion) of Brooklyn's personal income in 2006. Total personal income grew by 25 percent—before accounting for inflation—from 2000 to 2006. However, the earnings from jobs based in Brooklyn rose by 30 percent, faster than the 23 percent increase in net commuter earnings. Personal income growth will weaken during the current slowdown, dampening local consumer retail spending and slowing any housing rebound.

● Sector highlights

• Manufacturing

The past decade has been the most challenging for manufacturing in Brooklyn and nationwide since the Great Depression. Although factory jobs have dropped by 40 percent in Brooklyn since the beginning of the decade, manufacturing still employs over 25,000 workers and remains one of the borough's largest sectors. Apparel manufacturing, historically the borough's leading factory industry, lost two thirds of its jobs since 2001 and accounted for nearly half of Brooklyn's factory job loss.

In the midst of this broader decline, several niche manufacturing industries have rapidly increased employment although most remain fairly small in size. Nine specialty food manufacturing

and baking industries have added nearly 600 jobs since 2001 for a combined growth rate of 16 percent. There is also a diverse group of non-food manufacturing industries that have added almost 350 jobs, representing a growth of 19 percent. These growing niche manufacturers range from wood, window and door manufacturing and other specialty wood and metal fabricating to quick printing and surgical appliance and supplies manufacturing. Together they now account for one fourth of Brooklyn's manufacturing base.

• Retail

Brooklyn added over 400 retail stores from 2001 to 2007 as retail employment increased by 7.3 percent, slightly faster than the 6 percent citywide retail job growth. Brooklyn has a total of 7,500 retail establishments and gained a few large-format retail employers since 2000 to add to the overall job count.

Leading the retail sector, clothing retailers added 1,332 jobs over the decade thus far, slightly more than the 1,275 increase in drug store employment. The addition of nearly 200 drug stores accounted for half of the borough-wide increase in the store count. Tracking the boom in residential construction and renovation, building supply stores chalked up the fastest job growth (29%) among all retail segments.

FIGURE 6.
Niche manufacturers in Brooklyn are creating new jobs

Industry	Jobs, 2001-2007			Firms, 2007
	Jobs, 2007	Change	Percent change	
Total - all manufacturing	25,379	-16,885	-40.0%	1,927
<i>Detail for growing manufacturing industries:</i>				
Subtotal, selected food and beverage manufacturing	4,173	587	16.4%	248
Frozen specialty food mfg.	512	153	42.6%	11
Fruit & vegetable canning	164	54	49.4%	5
Seafood canning	204	14	7.2%	3
Fresh & frozen seafood processing	204	14	7.2%	5
Retail bakeries	910	11	1.3%	163
Commercial bakeries	1,039	38	3.8%	38
Dry pasta mfg.	127	101	393.2%	6
Perishable prepared food mfg.	727	135	22.7%	12
Soft drink mfg.	286	67	30.7%	5
Subtotal, selected non-food manufacturing	2,168	342	18.8%	158
Wood window & door mfg.	218	83	61.8%	12
Quick printing	229	84	58.1%	33
Sheet metal work mfg.	253	46	22.2%	18
Ornamental/architectural metal work	370	3	0.7%	44
Radio & TV broadcast & wireless eq.	454	-55	-10.7%	3
Prerecorded CD (exc. software)	179	45	33.5%	7
Metal household furniture mfg.	60	10	20.5%	9
Custom architectural wood/mill work	109	55	100.5%	13
Mattress mfg.	143	34	31.6%	9
Surgical appliance & supplies mfg.	155	37	31.5%	10
Subtotal, growing manufacturing industries	6,341	929	17.2%	406
All manufacturing less growing industries	19,038	-17,814	-48.3%	1,521
Growing industries share of all	25.0%			21.1%

Note: Employment change measured from 4 quarters ending 1st quarter 2001 (2001), to 4 quarters ending 3rd quarter 2007 (2007).

Source: NYS Department of Labor, quarterly census of employment and wages; analysis by the Fiscal Policy Institute.

FIGURE 7.
Retail trade is growing in Brooklyn

Brooklyn retail trade	Jobs, 2007	Stores, 2007	Change in jobs	Change in stores
Brooklyn retail trade	57,481	7,523	7.3%	6.1%
<i>Detailed retail trade segment:</i>				
Motor vehicle & parts dealers	3,027	250	-7.1%	-8.1%
Furniture & home furnishing stores	1,674	415	-16.6%	9.5%
Electronics & appliance stores	2,316	360	20.1%	14.6%
Building material & garden stores	4,105	375	29.2%	5.3%
Grocery stores	14,301	2,316	1.7%	6.7%
Health & personal care stores	7,193	930	21.5%	27.0%
Gasoline stations	927	186	-27.2%	-35.2%
Clothing & accessories stores	10,867	1,303	14.0%	9.6%
Sports, hobby, book & music stores	1,974	286	1.8%	-6.2%
General merchandise stores	6,920	339	8.2%	3.0%
Miscellaneous store retailers	2,352	546	4.0%	-3.4%
Nonstore retailers	1,826	217	-0.6%	14.2%

Note: Employment change measured from 4 quarters through 1st quarter 2001 (2001), to 4 quarters through 3rd quarter 2007 (2007).

Source: NYS Department of Labor, quarterly census of employment and wages; analysis by the Fiscal Policy Institute.

• Construction and real estate

During the 2004 to 2007 New York City residential construction boom, Brooklyn led all boroughs, including Manhattan, with an annual average of 9,000 new residential permits. In light of the nationwide housing slump, first quarter 2008 permits dropped nearly 40 percent from first quarter 2007.

The value of construction awards in Brooklyn averaged \$2.4 billion per year from 2004 to 2007, according to F.W. Dodge data. Through the first four months of 2008, the dollar value of infrastructure construction awards increased rapidly, largely offsetting a slowdown in both residential and nonresidential construction awards.

Construction is a much larger sector in the Brooklyn economy than the 25,000 payroll jobs would suggest. With some of the over 65,000 residents who work in construction commuting to jobs outside the borough, there are at least 40,000-45,000 construction jobs in Brooklyn, with many of these workers hired as independent contractors.

With 17.3 million square feet of office space, downtown Brooklyn represents one of the largest commercial office districts in the country. Data from Cushman and Wakefield indicated an overall vacancy rate (direct plus sublease) of 9.4 percent for the first quarter of 2008, 1.6 percent higher than the prior year. The

vacancy rate for Class B office space was 6.1 percent in the first quarter, up from 5.2 percent the year before.

Average rental rates for Class B space reached \$32.57 per square foot in this year's first quarter, nearly as high as the \$33.30 rate for Class A space. Rental rates for Class C space were a little under \$24.00 a foot, making the overall Brooklyn office market average rent \$31.44 in the first quarter of 2008.

Nearly half (47.3%) of Brooklyn's office inventory is in Class A buildings with Class B buildings representing one third of total office space, and Class C buildings about one-sixth of the total inventory.

FIGURE 8.
Brooklyn's office market

	Inventory	Total vacancy rate		Avg. rent
	Q1 2008	Q1 2008	Q1 2007	Q1 2008
Class A office market	8,171,060	12.0%	8.8%	\$33.30
Class B office market	5,860,219	6.1%	5.2%	\$32.57
Class C office market	3,259,308	9.0%	10.2%	\$23.88
Overall Brooklyn office market	17,290,587	9.4%	7.8%	\$31.44

Note: Inventory is in square feet. Average rent is per square foot.

Source: Cushman and Wakefield Research Services.

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