Chapter 3
The Three New Yorks: Similarities and Disparities

Broad regional patterns of employment change during recession and recovery

The pattern of economic and population growth and change in New York in recent years suggests that the state is made up of three broad regional economies: New York City; Eastern New York (Long Island, Hudson Valley, and the Capital District); and Western and Northern New York (the six regions to the west and north of Albany: North Country, Mohawk Valley, Central New York, Finger Lakes, Western New York, and the Southern Tier).[1]

In recent years, broad trends in employment, economic, and population change in New York have followed a now-familiar pattern. New York City, with its large and dynamic financial, information and professional services sectors, swings widely with the ups and downs of the business cycle. The recent downturn, for example, was much steeper in the city than in the rest of the state. In the past two years, the city economy has experienced a boom in tourism and retail trade.

The downstate suburban areas and the Hudson Valley corridor in Eastern New York have gained population, participated in the residential real estate boom, seen strong consumption spending, and as a consequence of that experienced moderate job growth. Western and Northern New York have suffered a pronounced decline in manufacturing employment, on which so much of this region's economic base still relies. Overall, the job growth that has taken place upstate has generally emanated from industries paying wages well below the prevailing compensation levels in manufacturing.

The best way to start uncovering the story behind statewide job trends during the last four years of recession and recovery is to compare changes at a metropolitan and broad regional level between the first six months of 2001 and the first six months of 2005 **(see Figure 3.1)**. Over that period, total state employment declined by 152,300, or 1.8%. By itself, New York City alone suffered a net job loss exceeding the statewide total. This is not surprising given the role the highly cyclical finance, information and professional and business service industries play in the city.

What we call the Eastern New York region, encompassing the downstate suburbs and the Hudson Valley corridor up to the Glens Falls metropolitan area, gained 61,000 jobs between the first half of 2001 and the first half of 2005. Every geographic component of this region experienced gains over this period and contributed to the Eastern Region's overall 2.3% job growth. This is particularly remarkable in comparison to the national job growth of 0.6% during this time span. The suburbs and the Albany metropolitan area did have some recession

[1] Cornell University professor Rolf Pendall was among the first to suggest these three "super" regions. See Rolf Pendall, Upstate New York's Population Plateau: the Third-Slowest Growing "State". Center on Urban and Metropolitan Policy, Brookings Institution, August 2003.

job losses, but these were fairly quickly made up in the first year of the recovery. There is no secret to the Eastern Region's job growth. The region's high income levels, population growth and strong real estate markets have translated into job growth in retail, other services (which are largely consumer oriented), food services, real estate offices, and construction, in addition to strong growth in health care and social assistance and educational services.

The third and remaining over-arching regional grouping within the state is the Western and Northern New York Region. This "super" region is comprised of the six State Labor Department regions north and west of Albany (and Glens Falls) and the Hudson Valley: North Country, Mohawk Valley, Central New York, Southern Tier, Finger Lakes and Western New York. Employment in the Western and Northern New York Region was still off by 50,300 as of the first half of 2005 compared to the first half of 2001. This represents a net job decline of 2.2%, and while about half the net decline over this period that New York City has experienced, the city is more rapidly making up its job loss. From the first half of 2004 to the first half of 2005, the city increased jobs at a 1.0% pace while the Western and Northern Region gained jobs at only 0.3%.

The metro areas within the Western and Northern Region fall into two categories based on their net job change after four years of recession and recovery. The Buffalo, Syracuse and Utica-Rome metro areas are starting to show some job gains and overall for the first half of 2001 to the first half of 2005 period, have relatively moderate net job declines of 2.1% or less. The other set of metro areas -- including Rochester, Binghamton and Elmira – continued to lose jobs into the first part of 2005 and have borne fairly substantial net job declines over the four-year period of 4.7 to 9.9%. Problems besetting the leading manufacturers in these areas have cascaded through these communities to their suppliers and other local businesses that traditionally have relied on the orders, jobs and wages these major employers have provided. These areas have not had enough other sources of job growth to offset the continued erosion in their manufacturing sectors.

The one exception to these patterns of net job decline in this decade in the Western and Northern Region is the Ithaca metro area. (The federal government recently revamped its metropolitan area designations throughout the country; Ithaca was among the new designations in New York.) The stability and prosperity of the Cornell University community helps explain Ithaca's 4.7% job gain over the past four years.

Industries increasing their share of all jobs tend to pay lower wages than industries losing job share

A measure of the change in job quality is the difference in pay between industries gaining jobs and those losing jobs. Higher pay levels often also are associated with better fringe benefits, such as health insurance and pensions, which help define the "quality" of a job. To gauge the overall change in job quality in New York for this decade, we looked at changes between 2000 and 2004. Over this period, using the annual averages for those two years, New York had a net loss of slightly over 200,000 jobs. To properly weight the net effect of job change on average wages, we calculated each "super" sector's share of total New York jobs for both years and grouped sectors according to whether they gained or lost job share. Given net total declines over the period, some sectors experiencing net job declines over the period still increased their shares of total employment, thus putting them in the group of "industries gaining job share." Change in job share was then used to weight the average wage contribution for each sector going into the overall average wage for each group. **(See Figure 3.2.)**

From 2000 to 2004, New York has lost a substantial number of jobs in manufacturing, information, finance and insurance, professional scientific and technical services, and wholesale trade. Average annual wages in these sectors ranged from an average of $50,000 in manufacturing to $143,000 in finance. Although, sectoral job changes vary considerably across regions it is clear from the employment data presented in this report that the trend from high to low paying jobs is occurring across the state. Sectors accounting for most of the job gains since 2000 in New York State include health care and social assistance, government, educational services, and food and drinking places. While many of these sectors have good jobs, they generally tend to pay less than the sectors mentioned above that have lost the most jobs since 2000.

The average wage for sectors that have been losing job share over the 2000 to 2004 period is $64,382, more than two-thirds higher than the weighted average wage of $38,074 for the sectors gaining job share. To facilitate comparison of changes in job quality across the regions of the state we use a "job quality ratio" measure that represents the difference between the average wage of sectors gaining share and those losing share divided by the average wage prevailing in that geographic are. For New York State, the Job Quality Ratio for 2002 to 2004 is -0.53, reflecting the fact that the difference between the gaining and losing groups was slightly more than half of the overall average wage. A negative ratio means that the group of gaining sectors paid less than the group of sectors losing job share.

Figure 3.3 shows the Job Quality Ratios for each of the 10 regions within the state for the 2000 to 2004 period. The Regional Profile sections that follow in Chapter 4 include a detailed Job Quality Change table for each region modeled after Figure 3.2 for the state overall. Not surprisingly, New York City has the most deeply negative Job Quality Ratio. The city has lost a lot of very high-paying jobs in finance, information, professional services, and wholesale trade. It is revealing that while the Central New York Region (around Syracuse) did not fare as badly as some parts of upstate, its Job Quality Ratio is very close to New York City's. This is because the region lost a large share of its fairly well-paying manufacturing jobs and its modest job gains have been in sectors like health, administrative and food services that pay less, in some cases, much less, than the region's average wage of $35,500.

On the other hand, the Southern Tier, which endured the greatest relative job decline over the past four years among the state's 10 regions, has a Job Quality Ratio of -0.35, giving it the fourth best ratio. The Mohawk Valley Region has the distinction of registering the only positive Job Quality Ratio in the state since 2000. While the Mohawk Valley had a small net job loss, its group of sectors gaining job share had a higher weighted average wage than the group losing job share. Nearly half of the region's job loss was in low-paying sectors and about half of its job gain was in the government sector, which in the Mohawk Valley has a higher wage than manufacturing and the overall regional average.

If recent job gains continue in such high-paying areas as securities and professional services, the state's overall Job Quality Ratio is certain to improve. Using a slightly different summary measure, the Economic Policy Institute recently reported that, as of the first quarter of 2005, industries with higher wages are starting to grow faster than lower-wage industries.[2]

Increased out-migration slows New York's population growth

During the 2000 to 2004 period, New York State's population increased by 1.3%, less than one-third the 4.3% national increase. During the decade of the 1990s, New York's population grew by 5.5%, about 43% of the national gain.

The main components of net population change are *natural increase* (the excess of births minus deaths) and *net migration* (net international migration minus net domestic migration). Since New York's rate of natural increase was close to the national average for the 2000 to 2004 period, the state's eighth-slowest rate of population growth results from having the highest rate of domestic out migration in the country. New York State had the second-highest rate of international migration (only California's was higher), but that was more than offset by domestic out migration. The state received a net of 562,300 immigrants, but lost a net of 771,900 people who migrated to other states.

New York City accounted for over three-fourths of the state's immigration, but an even higher share of the domestic out migration. In fact, the 642,600 net out-migration from the city in the early part of this decade was on a par with the out-migration in the early part of the 1990s. Still, despite net migration (immigration minus out migration) of -211,500, the city registered a net population gain of 95,400 (+1.2%) between 2000 and 2004. **(See Figure 3.4)**

Among the state's ten regions, only the Western Region showed a decline in population from 2000 to 2004. However, the other five regions in the Western and Northern "super" region all had population gains of 0.5% or less, less than half of the state's overall gain. The Hudson Valley region had the greatest population gain in the state (+3.6%) while the Capital District and Long Island had 2.3 and 2.2% gains, respectively.

Real personal income and total wages are recovering, but slowly

The recession caused declines in New York's inflation-adjusted total personal income 2001 and 2002 and kept the 2003 increase at a miniscule 0.2%. Declines in total wages and the dividends, interest and rent category account for the erosion in personal income. Both

2 "Job Quality Begins to Recover," Economic Policy Institute, Economic Snapshot, June 29, 2005.

categories fell by about $21.5 billion (measured in constant 2003 dollars). Transfer payments – a category that includes Social Security, disability income, Medicaid payments, unemployment compensation, and income maintenance – increased by $14.5 billion, not enough offset the decline in wages and dividends, interest and rent.

A projected 3.4% growth in real personal income for 2004 will push the total above the 2000 level, but it will not be until 2005 that total real wages paid in New York State surpass the 2000 level. Proprietor's income rebounded sharply in 2003 with a 4.1% gain. The increase in transfer payments slowed to a 2.1% real pace in 2003, compared to a 3% average gain throughout the 1980s and 1990s. (Tables with data on personal income and its major components for the state and each of the 10 regions are included in the regional profiles that follow in Chapter 4.)

With the exception of the North Country and the Capital District, which had marginal increases, the stagnation in total personal income occurred throughout the state. In New York City, wages and salaries declined by 3.1% from 2000 to 2003, by far the steepest decline in the state. The Southern Tier also experienced a sizable drop of 2.8%. The North Country, the Capital District and the Hudson Valley regions posted gains of about one percent, and the Mohawk Valley and Central New York had marginal gains.

Social Security benefits received by New Yorkers totaled $32.2 billion in 2003. While this is less than five percent of total personal income, more than one-fourth (27.3%) of New York households received Social Security benefits that year and in 2004.[3] Medicaid payments to health care providers in New York constitute the largest individual category of transfer payment. In 1993, Social Security benefits accounted for 29.6% and Medicaid 28.4%, of all transfer payment income in New York. By 2003, Social Security benefits as a share of total transfer payments had slipped to 26.5%, and Medicaid had increased to 33.7% of the total.

New York's metro areas falling behind in per capita personal income growth

Over the past decade, with only one exception, New York's metropolitan areas have fallen behind the national 47.4% growth in per capita personal income (measured in nominal, not inflation-adjusted dollars). Per capita income in the Westchester-Putnam-Rockland grew by 50.7%, placing it 98th among 363 metro areas in the nation. **(See Figure 3.5.)** Although New York City, Nassau -Suffolk, and the Albany metro area all had per person income levels that were higher than for the U.S., their growth rates during the period were lower. In the 1993 to 2003 growth rankings, 12 of 14 New York metro areas ranked in the 200s and the 300s. Many Sunbelt metro areas that experienced rapid per capita income growth started from low levels in 1993.On the other hand, a number of New England areas ranked in the top 25, including

[3] According to the Census Bureau's American Community Survey, New York's reliance on Social Security is slightly higher than the nation's. In 2004, the ACS reports that 26.5% of U.S. households received some form of Social Security benefits. New York households receiving Social Security benefits, on average, received $13,400 in benefits in 2004.

Boston, Bridgeport, Manchester New Hampshire, Lewiston-Auburn, Maine, and Burlington, Vermont. And such large mature metro areas as Detroit (68), Philadelphia (89), and Pittsburgh (102) ranked well ahead of New York City (290).

The surge in housing prices outpaces income growth and exacerbates problems of affordability

Over the past few years, sustained low interest rates have helped increase the demand for housing and inflated home prices. Low interest rates and rising home values have fueled an unprecedented level of mortgage re-financings and home equity borrowing. While this ready access to borrowed funds has contributed to an increase in consumer spending and boosted what would otherwise have been a stagnant economy, the run-up in house prices has created a tenuous prosperity for some, and has significantly exacerbated housing affordability problems for many others.

According to Federal Deposit Insurance Corporation data, there is a widening gap between income growth and the statewide housing price index in New York **(see Figure 3.6)**. Further, from the first quarter of 2004 to the first quarter of 2005, all of the metro areas in downstate and in the Hudson Valley experienced 14 to 16% increases in housing prices **(see Figure 3.7)**. The state's other metro areas had increases ranging from 4% in Rochester to 9% in Utica-Rome.

Housing costs are also rising for renters. Between 2000 and 2004, the percent of New York State renters paying more than 35% of household income in rent increased by nearly six percentage points to 41.2%, about the same increase as recorded at the national level in the American Community Survey. In New York City, the increase was 6.9%, rising to 42.2%. The Buffalo metro area experienced a faster increase (+6.3 percentage points) in this measure of affordability than the state overall, while the Rochester metro area had a slower increase (+3.3 percentage points). Rockland County had by far the fastest increase among the areas of the state for which detailed data are available with an increase from 34.7% to 47.8%. **(See Figure 3.8.)**

Chapter 4 that follows includes regional specific analyses for each of the 10 regions of the state. These regional profiles follow a common template and include an analysis of employment patterns, population trends and trends in personal income and its components. These profiles also include a brief discussion of each region's economic prospects and a list of the 30 major private and public employers in each region.