

New York State: Gov't job losses impact region

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Schenectady Daily Gazette

June 19, 2011

In the past year, the Capital Region has suffered the greatest net loss of jobs of any region in the state, according to new data from the New York State Department of Labor.

The number of private sector jobs in the region actually increased by 2,900 during that time, but that gain was not enough to make up for the loss of 8,200 government jobs.

This pattern was not unique to the Capital Region.

Most areas of the state experienced private sector job growth between May 2010 and May 2011, and a decline in government jobs.

But the impact of public sector job losses hits harder in the Capital Region, where government jobs account for nearly 25 percent of all jobs in the area, according to Kevin Jack, a labor market analyst with the New York State Department of Labor. There are about 102,600 government jobs in the Capital Region, and the vast majority of those jobs are in state and local government.

“Certainly the state and local sector are a significant source of job losses for the region and the nation,” said Richard Deitz, regional economist for the Federal Reserve Bank of New York’s Buffalo branch. “This phenomenon is occurring across the country, but it’s hitting state capitals pretty hard.” He said that recessions always force governments to cut back, but that these cuts are particularly severe.

“They’re not typical,” Deitz said. “The magnitude of the budget difficulties is unprecedented.”

In the past year, the number of private sector jobs in New York increased by 97,900, but the number of public sector jobs declined by 74,300.

“Both statewide and in the Capital Region, the reduction in government employees is pretty significant, and it’s putting a drag on the local economy,” said Frank Mauro, an economist at the Latham-based Fiscal Policy Institute. The job losses in the public sector almost cancel out the gains, he said. “Reducing government employment doesn’t stimulate the economy,” he said. “There would be more private sector jobs if it weren’t for the government cuts.”

The public sector job picture will continue to worsen.

Layoff notices for the first wave of 9,800 state employees could go out this week, as Gov. Andrew Cuomo and the unions try to settle on \$450 million in work force savings by the end of the fiscal year. The layoffs are set to begin in the middle of July, and end in March 2012.

From May 2010 to May 2011, the Capital Region lost 4,100 state jobs, 1,400 federal jobs and 2,700 local government jobs.

Jack said the drop in federal jobs can be attributed in part to temporary Census workers leaving the payroll; the presence of those workers artificially inflated the number of federal workers in the area, he said. He noted that a lot of state workers took buyouts, which gave them an incentive to leave the labor force.

Kajal Lahiri, a professor of economics at the University at Albany, said that the loss of so many state jobs has a negative affect on the Capital Region's psyche. But he said the state must balance its budget, which necessitates job cuts, and predicted that the current cycle of government downsizing would eventually pass.

"The state will start recruiting again, as any bureaucracy does," he said.

Lahiri said the success of the economic recovery depends on the creation of private sector jobs, because private sector jobs in industries such as finance, health and technology contribute more to the economy than government jobs.

"By definition, they're more productive jobs," Lahiri said. "They're producing something you get money for. With the state, you cannot say that. You cannot connect output with employment. ... Private sector jobs are going to be the overriding factor for economic growth."

Jack said that education and health are two of the biggest employers in the Capital Region.

Another area that has seen growth is professional business services, a category that includes management consultants and architects. The private sector job losses are "mostly retail," he said. "The malls aren't quite as full."

"The recovery is gradual," Jack said. "Most people expect that it will take time."

The state's unemployment rate was 7.9 percent in May, a drop from the previous year, when the unemployment rate was 8.6 percent. Nationally, the unemployment rate was 9.1 percent in May.

Since the state's economic recovery began in November 2009, the state has regained 45 percent, or 148,700, of the private sector jobs lost during the recession, according to the state labor department. The country as a whole has fared much worse, regaining only 13 percent of the jobs that were lost during the recession.

"The state has experienced some of the fastest job growth in the country," Jack said.

Jack said these trends runs counter to the conventional wisdom that New York always lags behind in economic growth. He said the recession didn't affect New York quite as much as most other states, partly because the real estate bubble that triggered the recession didn't hit as hard here. Another factor has been the surprising health of Wall Street, which recovered from the meltdown much faster than anyone expected.

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Mauro said that New York is doing “less bad” than the rest of the nation, and questioned why the state continues to have the reputation of lagging behind on job growth. “Our economy is stronger than people want to give it credit for,” he said.

Nationally, the growth slowed in May, and some observers worried that the country would slide back into a recession.

But Jack said that most economists think the slow-down is temporary, likely caused by some of the upheaval in the world, such as the tsunami in Japan and the flooding in the midwest and southwest.