

THE SOUTH JERSEY ECONOMIC REVIEW

New Jersey's economy lost 24,800 jobs (a 0.6% decline) between the official end of the national recession in June 2009 and August of

As of August 2011, New Jersey's employment level remained 5.4% below its December, 2007 level. The comparable figures for New York and Pennsylvania were 1.6% and 2.2%. New Jersey's recession was thus considerably deeper—and its recovery has thus far been far weaker—than its two neighbors. (Figure 1)

Industry Based Employment

NJ'S STALLED RECOVERY

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sectors were very similar (in percentage terms) to those that occurred in these industries nationally during the recession. Job losses in two other industries—information,

sector contracted 16%, compared to a national decline of 8%. New Jersey's contraction was the tenth-largest among the states, and was larger than those recorded in Indiana, Missouri, New York, and Pennsylvania. (Table 2) Employment in New Jersey's manufacturing sector contracted 13.2% during the recession, ranking it 25th among the fifty states. (Michigan's manufacturing sector saw employment decline 26.5% during the recession, the worst among the fifty states.) Since the recession's official end, however, employment in the state's manufacturing sector has declined 5.7%, ranking it 46th among the fifty states. (Only Nevada, Mississippi, Montana, and Delaware recorded larger declines in manufacturing employment since the recession's end.)

Between 2007 and 2010, the real value produced in the state's nondurable goods sector

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Table 2: R

MANUFACTURING

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declined 21.3%, while that produced in the durable sector declined 3.3%. The driving force behind the collapse in the state's nondurable goods sector has been chemicals manufacturing which accounted for 36% of all manufacturing value in the state in 2010 (final 2010 figures for the chemicals sector have not yet been published), chemicals manufacturing output declined 34% in real terms (compared to national decline of 24%). Chemicals manufacturing accounted for 65% of the total decline in manufacturing value statewide.

Chemicals manufacturing employment in

2010, 53,600 jobs (-17%). Nearly one-fifth of manufacturing jobs during this period were in chemicals manufacturing. Most importantly, the average annual pay of a job in the chemicals manufacturing sector was \$106,690 in 2010 compared to a statewide overall average annual wage of \$53,853.76 of this is that the chemical manufacturing jobs lost between 2007 and 2010 translated into approximately \$1 billion of lost wages. By way of contrast, the state's retail trade sector lost nearly 30,000 jobs between 2007 and 2010—three times the number of chemicals manufacturing jobs lost during the same period. Based on an average annual retail trade wage of \$29,947, these lost retail trade jobs represented a total wage loss of \$883 million. Put otherwise, in terms of consumer purchasing power in the state economy, every lost chemicals manufacturing job was equal to 3.5 lost retail trade jobs.

Chemicals manufacturing sector has been

weakened by broader market forces within the chemicals manufacturing industry which saw prices plummet in late 2008 and much of 2009—in tandem with the financial market meltdown during that period and the deepening national economic malaise. (Figure 2) These industry-specific pressures were duly reflected in the collapse of the S&P 500 Chemicals Index (comprised of the common stock of many of the nation's largest chemicals manufacturers—many of whom have operations in New Jersey) during 2009.

This index declined 51% from late 2008 to mid-2009. And, while the index for the chemicals manufacturing sectors in the state (in real value terms) include: food and

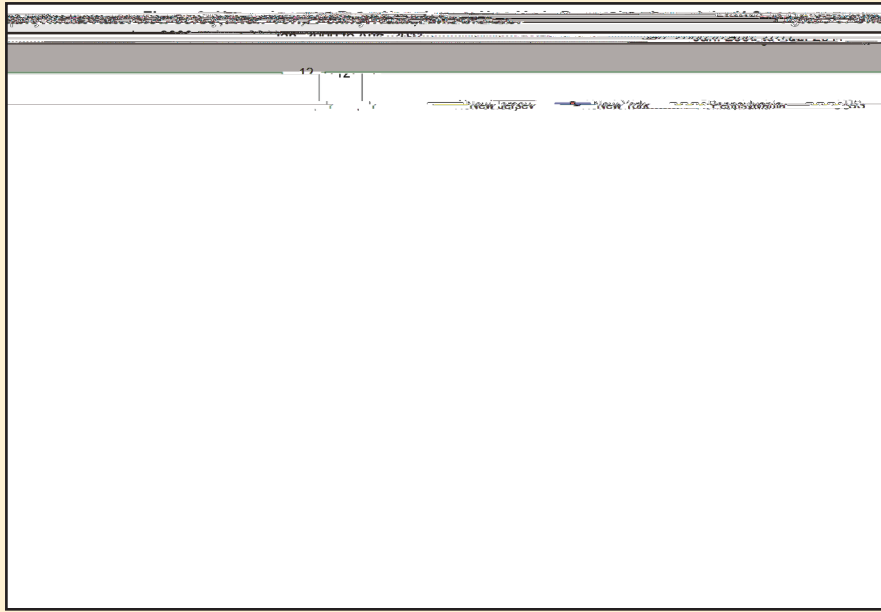


Table 3: Alternative Measures of Labor Underutilization, 2010

	Official Unemployment Rate	U-1	U-6
Delaware	8.5	5.2	14.3
New Jersey	9.3	6.3	15.7
New York	8.5	5.1	14.8
Pennsylvania	8.6	4.9	14.7
United States	9.6	5.7	16.7

Source: U.S. Bureau of Labor Statistics.

PUBLIC SECTOR RETRENCHMENT

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tion. New Jersey's public sector employment decline since the recession's end ranks as the sixth-largest among the states. Government employment cutbacks are largely a reflection of the significant budget gaps the state's has faced over the past several years and the policy responses they have engendered. According to an analysis by the Center on Budget and Policy Priorities, New Jersey's FY 2012 budget gap (\$10.5 billion) was the largest among the states when measured as a share of general fund budgets. The bulk of the state's employment losses in the public sector since the recession's end have occurred at the local level which has seen employment contract by 16,300 jobs, a 3.7% reduction. State government job losses have totaled 10,200 (-6.6%) since June 2009.

Unemployment

New Jersey's official unemployment rate declined to 9.4% in August, down marginally since peaking at 9.8% in January 2010. (Figure 3) Nearly 20,000 fewer people were officially

unemployed in August 2011 than in January 2010. The reduction in the state's official unemployment rate, however, largely reflects a decline in its labor force which has contracted 0.5% (20,660) since January 2010. Indeed, the number of individuals employed actually declined over this period. The decline in the state's labor force is a consequence of the labor market's anemic recovery which has worked to discourage the unemployed from seeking jobs. Such discouraged workers are not counted as officially unemployed and are thus removed from the official unemployed and labor force counts. Fortunately, the U.S. Bureau of Labor Statistics produces alternative measures of labor underutilization for the states—albeit only on an annual basis. These alternative measures provide better means of gauging the overall health of states' labor markets than official unemployment rates do—especially during recessions and slow-growth periods.

Table 3 shows two of these alternative measures of labor underutilization. The first,

known as U-6, includes the official unemployed, discouraged workers, as well as those working part-time for economic reasons (i.e., these individuals can't find full-time work and have settled for part-time work). U-6 for New Jersey stood at 15.7% in 2010, a full 6.3 percentage points higher than the official unemployment rate. The U-6 rate for New Jersey's neighbors in 2010 were: 14.3% Delaware; 14.8% New York; and 14.7% Pennsylvania. (The national U-6 rate stood at 16.7% in 2010.) Another measure of labor underutilization tracked by the BLS (U-1) tracks the proportion of the labor force unemployed for 15 weeks or longer. In 2010, this rate in New Jersey stood at 6.3%. The comparable rates for New Jersey's neighbors were: 5.2% Delaware; 5.1% New York; and 4.9% Pennsylvania. (The national U-1 rate stood at 5.7% in 2010.)

Personal Income

Between 2007 and 2010, real personal income in New Jersey declined 1.8%, compared to a national decline of 1.3%. While New Jersey's decline was better than New York's (-2.4%), it was worse than Pennsylvania's (+0.3%). (Table 4) The wages and salaries component of the state's personal income (which accounted for approximately 50% of total personal income in 2007) declined 5.9% during this period—a decline that was larger than the nation's as well as its two neighbors'. Importantly, transfer payments (payments to persons for which no current services are performed and which primarily include retirement and disability insurance benefits, medical payments (mainly Medicare and Medicaid), income maintenance benefits, unemployment insurance benefits, and veterans benefits) soared (+27.4%) statewide between 2007 and

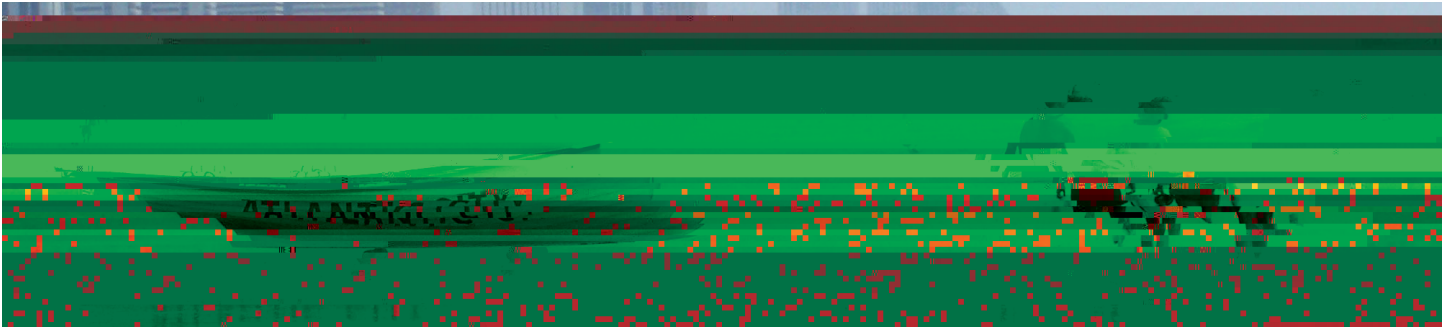
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PERSONAL INCOME
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Table 7: A Closer Look at the Specializers

Metropolitan Area	Key sources of Specialization	Manufacturing Share Earnings		1969 Per Capita Income	% Change Nonfarm Employment 2006-2010
		1969	2000		
Salem, OR					



based, and were (ostensibly) driven by more traditional demand-side determinants of growth. This is not to deny that policy-making played a role in the developments of other specializers. Clearly, it often did, especially in places like Boise, whose sophisticated high-tech oriented economy began to develop in the 1970s. But, specialization premised on monopoly is fundamentally different than specialization spurred by policies that attract industries that must compete in broader competitive marketplaces. With the obvious benefit of hindsight, the question that seemingly looms large is whether or not Atlantic City's specialization in gaming—despite the economic benefits it brought to the metro area for nearly three decades—hindered the development of a broader-based economy. Gaming's success in Atlantic City (premised on its virtual monopoly position) obviated the relevance of this question for nearly 30 years. With Atlantic City's gaming monopoly now imperiled, the question's relevance has become obvious.

What to Do?

Above all, current redevelopment efforts must embrace policies that will diversify Atlantic City's economy. While there are reasons to believe that Atlantic City's "uniqueness" and gaming history may pose obstacles to diversification, there are a host of examples that make clear that metropolitan area economies can be transformed. Indeed, Table 6 highlights some of the best known examples of such transformations, e.g., Lincoln, NE; Spartanburg, SC; and Waterloo-Cedar Falls, IA. Generally speaking, these transformations required extensive coordination among local, regional, and state

All analysis in this issue by: