Office of the New York City Comptroller
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Economic Notes

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NYC's Slide Continues While Nation Starts to Revive

Overview: ***The city's economy posted its seventh consecutive quarter of negative growth in 3Q09. While there are signs that the U.S. economy is recovering, it is likely that the city's economy will lag the nation's.***

- Real Gross City Product fell an estimated 1.6 percent in 3Q09 after a 3.2 percent decline in 2Q09. The U.S. economy rose 3.5 percent (advance) in 3Q09 after a 0.7 percent decline in 2Q09. Although by some measures the recession was not as severe in NYC as elsewhere, there is not yet evidence that the local economy has turned the corner. However, the Comptroller's Office anticipates the city will resume positive economic growth in the fourth quarter.

- NYC payroll jobs fell by 57,000 in September, bringing the total job losses to 113,700 since August 2008. The precipitous job decline in September appears to be due to unusual seasonal factors affecting government and education payrolls. All private payroll jobs minus those in educational services declined by 5,800 in September, continuing the pattern of gradual job attrition that has characterized the second and third quarters. In September, employment in the city's financial sector increased for the first time in over a year, but employment in food service slipped and employment in information and retail trade continued to contract. For the 3rd quarter as a whole, private employment was down about 100,000 from 3Q08.

- NYC's unemployment rate rose to 10.3 percent in September, compared to 6.0 percent in September 2008. The unemployment rate has been driven up by both job losses and continued increases in the size of the city's labor force. The labor force did contract in September, however, portending a stabilization of the rate in coming months. For the third quarter, the number of unemployed averaged 403,900.

- NYC personal income taxes withheld from paychecks totaled $1.22 billion in 3Q09, a decrease of 7.2 percent from 3Q08. Income tax withholdings are a good indicator of wage and salary trends among city residents. Estimated tax payments, which are reflective of non-wage income including capital gains, were down 28 percent in 3Q09 compared to the same quarter of the previous year.

- General sales tax collections fell 12 percent in 3Q09 from 3Q08. Sales tax collections are usually a good indicator of consumer and business spending; however, a rate increase of 0.5 percentage points took effect August 1.

- The Manhattan office vacancy rate rose to 11.1 percent in 3Q09, the highest since 3Q04, according to Cushman & Wakefield. Average asking rents for Manhattan office space declined to $57.08 per square foot, compared to $72.97 at the same time last year. However, the firm reported that leasing increased almost 50 percent compared to 2Q09, totaling 4.9 million square feet in the third quarter.

Inside Focus:
Where the Jobs Are

- The number of Manhattan apartments sold jumped 46 percent in 3Q09 compared to the previous quarter, but was still 16 percent below the level of the corresponding quarter of 2008, according to a report by Prudential Douglas Elliman. The average sale price per square foot during the quarter was 16.5 percent below that of 3Q08. The firm also reported that sales of 1- to 3-family homes in Brooklyn rebounded by 32 percent in 3Q09 compared to the previous quarter and by 27 percent in Queens, but average sales prices were 9.2 percent and 10.3 percent below, respectively, those of the corresponding quarter of the previous year.

- Ridership on NYC Transit, an indicator of the City's economic activity, plunged 4.5 percent in 3Q09, on a year-over-year basis. Average weekday ridership, which is more indicative of worker commuting, was down 5.1 percent in 3Q09 from a year earlier. A fare increase implemented on June 28 may have exacerbated the declines. Average weekday ridership on the LIRR was down 7.2 percent and on Metro North declined 6.3 percent in 3Q09, compared to the previous year.

Summary Table. *Five Key Economic Indicators, NYC and U.S., 1Q09, 2Q09, and 3Q09*

	1. GCP/GDP Growth, SAAR		2. Payroll-Jobs Growth, SAAR		3. PIT Withheld, Growth, NSA		4. Inflation Rate, NSA		5. Unemployment Rate, SA	
	NYC	*U.S.*	*NYC*	*U.S.*	*NYC*	*U.S.*	*NYC*	*U.S.*	*NYC*	*U.S.*
1Q09/4Q08	-6.2% Worse	-6.4% Worse	-4.2% Better	-5.9% Worse	-19% Worse	-12% Worse	1.3% Better	0.0% Better	7.7% Worse	8.1% Worse
2Q09/1Q09	-3.2% Better	-0.7% Better	-1.7% Better	-4.5% Better	-3.8% Better	-16% Worse	0.0% Better	-1.2% Worse	8.8% Worse	9.2% Worse
3Q09/2Q09	-1.6% Better	3.5% Better	2.8% Better	-2.7% Better	-7.2% Worse	Not Available	-0.9% Worse	-1.6% Worse	10% Worse	9.6% Worse

NSA means Not Seasonally Adjusted. SA means Seasonally Adjusted. SAAR means SA Annualized Rate. PIT means Personal Income Tax. Comparisons for "Better," "Worse," or "No Change" (NC) are with the prior quarter.

Where the Jobs Are

Summary: ***With over seven million jobs lost nationally, the recession has revealed much of the job growth of recent years to be illusory. Among the largest metropolitan areas, many of the star performers suffered significant job losses. An analysis of the job gains and losses in the recent cycle shows that jobs generated in education, health services, and hospitality and leisure were most likely to be sustained.***

With the national recession apparently ending, attention is turning to the massive unemployment it has left in its wake. From December 2007 through September 2009, payroll jobs fell by over 7.2 million nationwide and the number of unemployed Americans swelled to over 15 million. Locally, the impacts have been almost as grim. New York City lost nearly 100,000 private payroll jobs between August 2008 and August 2009, while the number of unemployed rose to over 415,000.

Even though data indicate that the third quarter of 2009 will show positive GDP growth, few economists believe that the unemployment trend will turn around immediately. Most forecasters expect that the unemployment rate will continue to increase through the first or second quarter of 2010. Already, the employment losses have been so extensive that some economists are not expecting the labor market to recover to pre-recession conditions until 2017. With the economy needing more than 7.4 million jobs to get back to a five percent unemployment rate, and population growth raising that number by about 100,000 per month, many observers are wondering where all those jobs will come from.

The same question echoes locally, where the financial crisis has underscored the risk of an economy overly dependent on financial services jobs. New York City has lost almost 40,000 financial-sector jobs since August 2007 and approximately 100,000 over the past 20 years. With many lucrative Wall Street practices discredited and more stringent regulation of the financial sector likely, it is difficult to envision a local economic recovery led by buoyant employment growth in financial services.

It is notoriously difficult to predict the character and composition of future job growth; technological innovation and changing lifestyle patterns usually defy even the most informed projections. Nevertheless, both the aggregate rate of national job growth and its industry-level composition are affected, intentionally or not, by federal tax, spending and regulatory policies. At the local level as well, tax and spending policies will inevitably favor some industries and discourage others. Though policymakers might be justifiably wary of economic development strategies that explicitly bet on certain industries, wise policies will at least be informed by a careful analysis of sectoral growth trends.

[1] "It Will Be Years Before Lost Jobs Return—and Many Never Will," The Wall Street Journal, October 5, 2009.

In this light, the Comptroller's Office determined that it would be useful to review the recent record of job growth, both in New York and in other large metropolitan areas. The goal is to identify the areas where New York has had relative success in job creation and the sectors in which it has lagged, hopefully contributing to an informed public discussion of the city's economic prospects and development strategies.

Metropolitan Area Growth in the Expansion

In some intercity research, it is essential to evaluate corresponding political jurisdictions, as when making fiscal comparisons. In measuring job creation performance, however, the metropolitan area is a more meaningful geographic unit, insofar as economic activity does not generally follow political boundaries. For the remainder of this analysis, all data presented is for Metropolitan Statistical Areas (MSAs), except when specifically noted otherwise.

Table 1 shows payroll employment in the 20 largest MSAs for 2000 and 2007.[2] Total employment in those MSAs in 2000 was 51.1 million, representing 38.8 percent of the nation's total payroll employment. By 2007, total employment in those large metropolitan areas had grown to 53.4 million, an increase of 4.5 percent. Remarkably, by the end of the expansion in 2007, those MSAs accounted for precisely the same share of national employment, 38.8 percent, as they had at the beginning.

Table 1 also designates those metropolitan areas as mature, Sunbelt, or technology. The logic is that the "mature" urban areas were largely developed during America's industrial era and so face a different set of economic challenges than "Sunbelt" cities that have experienced their most rapid growth since the end of the Second World War.[3] The chart shows that employment in the eight mature metropolitan areas grew by a total of 76,000 during this decade's economic expansion, an increase of only 0.3 percent. In contrast, the nine Sunbelt areas added over 2 million jobs, an increase of 10.1 percent. The three technology areas had a combined employment increase of 2.8 percent, although there was wide variation of performance among them.

The record of the mature cities was weighted down by the very poor performance of the Detroit metropolitan area, which suffered a loss of about 240,000 jobs, even before the recent recession battered U.S. auto makers. With Detroit excluded, the mature areas increased employment by about 317,000, or 1.4 percent.

From 2000 through 2007, the New York Metropolitan area added 181,000 payroll jobs, an increase of 2.2 percent. In

[2] Annual data for 2000 and 2007 are used to measure peak-to-peak job creation during the 2001-2007 expansion.

[3] M=Mature, S=Sunbelt, T=Technology; all eight of the mature cities were among the nation's 20 largest in 1900, while none of the Sunbelt cities were.

percentage terms, our area was in the middle of the mature city ranking, with its job growth being out-paced by that of Baltimore, Philadelphia and Minneapolis. Surprisingly, two metro areas to which ours bears many economic and historical similarities, Boston and Chicago, were among the poorest performers, with total payroll employment declining in each.

Table 1: Payroll Employment Growth in 20 Largest Metropolitan Areas, 2000–2007

	Employment		2000-07
Mature Cities:	**2000**	**2007**	**% Change**
	(thousands)		
New York–NJ	8,392.2	8,574.4	2.2
Chicago	4,571.4	4,557.0	-0.3
Philadelphia	2,744.4	2,812.3	2.5
Boston	2,538.8	2,484.7	-2.1
Detroit	2,205.3	1,964.7	-10.9
Minneapolis–St. Paul	1,748.0	1,795.5	2.7
St. Louis	1,338.3	1,358.0	1.5
Baltimore	1,250.5	1,318.2	5.4
Total	**24,788.9**	**24,864.8**	**0.3**
Sunbelt Cities:			
Los Angeles–Long Beach	5,461.0	5,637.6	3.2
Dallas–Ft. Worth	2,763.2	2,940.3	6.4
Houston	2,254.6	2,544.6	12.9
Miami	2,159.3	2,416.6	11.9
Atlanta	2,678.4	2,990.2	11.6
Phoenix	1,578.4	1,914.8	21.3
Riverside–San Bernardino	988.4	1,270.9	28.6
San Diego	1,193.8	1,308.8	9.6
Tampa–St. Petersburg	1,166.4	1,260.2	8.0
Total	**20,243.5**	**22,284.0**	**10.1**
Technology Cities:			
Washington, DC	2,289.2	2,452.4	7.1
San Francisco–Oakland	2,126.7	2,037.2	-4.2
Seattle–Tacoma	1,646.7	1,740.2	5.7
Total	**6,062.6**	**6,229.8**	**2.8**

Source: Bureau of Labor Statistics; NYC Comptroller's Office

A raw comparison of metropolitan area job growth can be misleading, however, because population growth partially feeds job creation. Many people move to the Sunbelt because of the favorable climate and the lower home prices that are enabled by an abundance of easily developable land. That population growth in turn stimulates job creation in construction, retail trade, and other service provision to the local population. Consequently, it is instructive to look at job growth controlling for population growth. Table 2 shows changes in the ratio of payroll employment to population in the 20 metro areas from 2000 to 2007.

The ratio of jobs to population (in other words, jobs per capita) declined for the 20 metro areas as a whole during the most recent expansion, as it did in the entire nation.[4] As the table shows, only six of the top 20 metropolitan areas experienced an increase in the jobs/population ratio, led by San Diego and Miami. The New York metro area placed seventh on the list, with a decline of slightly less than one percent. Overall, the performance of the mature cities was comparable to that of the Sunbelt cities, and both were out-performed by the technology cities.

Table 2: Payroll Employment to Population Ratios 20 Largest Metropolitan Areas, 2000–2007

	Employment to Population Ratio		% Change
	2000	**2007**	
Mature Cities:			
New York–NJ	0.457	0.453	-0.9
Chicago	0.501	0.480	-4.3
Philadelphia	0.482	0.483	0.2
Boston	0.577	0.553	-4.1
Detroit	0.495	0.441	-10.9
Minneapolis–St. Paul	0.586	0.562	-4.2
St. Louis	0.495	0.484	-2.3
Baltimore	0.489	0.495	1.2
Total	**0.493**	**0.479**	**-2.8**
Sunbelt Cities:			
Los Angeles–Long Beach	0.440	0.441	0.1
Dallas–Ft. Worth	0.532	0.478	-10.1
Houston	0.476	0.455	-4.4
Miami	0.430	0.448	4.3
Atlanta	0.535	0.466	-12.8
Phoenix	0.481	0.460	-4.5
Riverside–San Bernardino	0.302	0.313	3.6
San Diego	0.423	0.442	4.7
Tampa–St. Petersburg	0.485	0.464	-4.3
Total	**0.457**	**0.443**	**-3.1**
Technology Cities:			
Washington, DC	0.556	0.564	1.5
San Francisco–Oakland	0.514	0.483	-6.0
Seattle–Tacoma	0.539	0.528	-2.2
Total	**0.533**	**0.528**	**-1.7**

Source: Bureau of Labor Statistics; NYC Comptroller's Office

Whether jobs follow people or people follow jobs has been a longstanding puzzle in urban economics. However, the goal

[4] The number of payroll jobs per capita increased considerably from the end of Second World War until the turn of the century, after which it began to decline. The proportion of the population of working age has increased since 2000, and the proportion self-employed has fallen, so the decline in payroll jobs per capita appears to be due to weak jobs creation.

of job creation is not simply to attract migrants, but also to provide employment opportunities for a greater proportion of the existing population. By that measure, the Sunbelt areas appear to have fared little better than the mature metro areas during the 2000–2007 period.

Sector Growth During the Expansion

During the 2000–2007 business cycle, the 20 largest metropolitan areas increased payroll employment by about 2.3 million, or 4.5 percent. Table 3 shows the aggregate employment growth by sector during that time.

Among the major industry sectors, two—construction and retail trade—stand out as serving primarily the needs of the local population and economy. In Table 3, mining and logging are combined with construction, but in reality construction accounts for nearly all of the category employment in the large metro areas. The effect of population growth on job growth is clearly seen in the construction employment data. While mining, logging and construction employment grew 15.4 percent in the 20 metro areas, it increased only 4 percent in the mature areas and 25 percent in the Sunbelt areas. Of the total net increase in the mining, logging and construction employment of 398,000, more than three-quarters occurred in the Sunbelt metros. Miami, Phoenix and Riverside-San Bernardino had the largest proportional increases in construction employment. Among the mature areas, Baltimore and New York had the largest percentage increases, with the New York metro area far outpacing Boston, Philadelphia and Chicago.

Retail employment growth—historically an important source of jobs for new entrants into the job market—was extremely flat even before the onset of the 2008-09 recession. From 1980 through 2000, retail employment nationally grew on average by 2.0 percent per year, with a net gain of over 5 million jobs. But by 2007, only 240,000 additional retail jobs were created nationwide, a total gain of just 1.6 percent. This new retailing era was reflected in the 20 largest metro areas, in which combined retail employment growth was only 154,000 between 2000 and 2007. In the mature metro areas as a whole, retail employment declined, while the rate of population growth exceeded retail employment growth in the Sunbelt cities and the technology cities alike. In the New York metro area, it grew by 16,000, or 1.9 percent.

The disappointing employment growth in the retail sector was overshadowed by the dismal performance of two large industry sectors that were previously considered keys to metropolitan prosperity—manufacturing and information. Manufacturing employment in the 20 largest metro areas fell every year between 2000 and 2007, for a net decline of 1.2 million jobs. National manufacturing employment paralleled that decline, reflecting the massive trade imbalances in manufactured goods the United States experienced with Europe and the Pacific Rim countries. By 2007, the country had fewer workers on manufacturing payrolls than at any time since 1949. From 2000 to 2007, Houston was the only major metro area that experienced an increase in manufacturing employment (a net gain of 1,800 jobs) while the New York area was second only to Detroit in its rate of decline.

Table 3: Sector Employment Growth in 20 Largest Metropolitan Areas, 2000–2007

	Employment		% Change	Net Change
Sector	**2000**	**2007**	**2000-07**	**2000-07**
	(000s)		*(%)*	*(000s)*
Mining, Logging & Construction	2,653.7	3,052.1	15.0	398.4
Manufacturing	5,477.6	4,294.1	-21.6	-1,183.5
Wholesale Trade	2,562.2	2,168.2	2.2	56.0
Retail Trade	5,538.6	5,692.4	2.8	153.8
Transportation & Utilities	2,066.4	1,991.9	-3.6	-74.5
Information	1,829.1	1,507.6	-17.6	-321.5
Financial Activities	3,634.8	3,844.8	5.8	210.0
Professional & Business Svcs	8,034.5	8,576.1	6.7	541.6
Education & Health Svcs	5,979.6	7,160.5	19.7	1,180.9
Leisure & Hospitality	4,241.5	4,909.7	15.8	668.2
Other Private	2,011.6	2,173.6	8.1	162.0
Government	7,056.2	7,560.0	7.1	503.8
Total	**51,085.8**	**53,381.0**	**4.5**	**2,295.2**

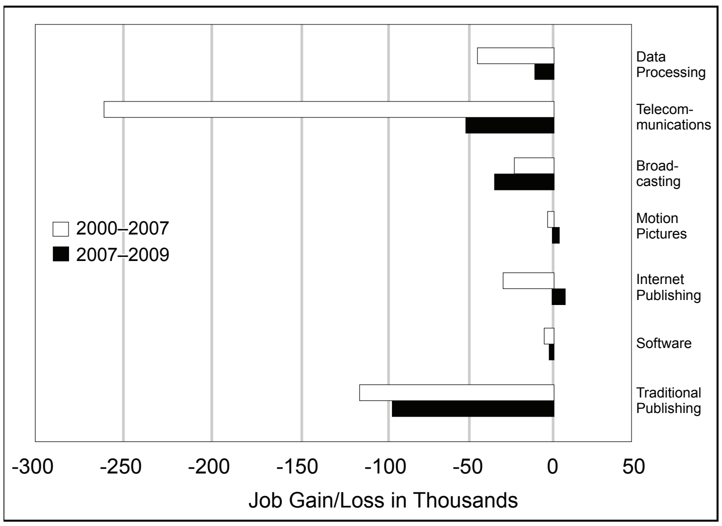
Source: Bureau of Labor Statistics; NYC Comptroller's Office

Job losses in New York's financial industry have generated much press coverage, but the losses in the information industry are also a serious concern, as information, including publishing and broadcasting, has long been one of the city's signature industries. Information industry employment in the 20 largest metro areas peaked in 2000, then declined at a 2.5 percent annual rate through 2007. Only Seattle and Riverside-San Bernardino recorded increases in information industry employment during that time. The New York metro areas losses totaled 44,500, which in percentage terms was actually less than in many other metro areas. San Francisco lost a third of its information industry employment while Phoenix, Atlanta and Dallas lost over one-quarter. The New York metro area accounts for about 19 percent of national employment in information, and its share actually increased slightly from 2000 to 2007.

It is not possible to get comparable data for each segment of the information industry for every metropolitan area. Nevertheless, our analysis indicates that the pattern within them reflected nationwide trends. Employment in telecommunications and publishing declined most severely, primarily because of technological change. National employment in newspaper publishing peaked in 1990, in book publishing in 1997, and in periodical publishing in 2000. Each of those industries is currently undergoing wrenching technological and structural change and faces an uncertain future. Internet publishing and software publishing, which account for about 35 percent of all publishing employment, have not grown enough to offset declines in traditional publishing, and in fact lost over 40,000 jobs between 2000 and 2007. Job growth in software publishing, in particular, has been affected by the trend to offshore outsourcing.

Despite the credit excesses that occurred during the 2001–2007 economic expansion, financial industry employment did not grow in proportion to the swelling public and private debt. Financial industry employment in the 20 metro areas did not, in fact, keep pace with population gains, increasing only 5.8 percent from 2000 to 2007. Financial employment in the mature metro areas—which include a number of traditional financial centers such as New York, Boston, Philadelphia and Chicago—actually dropped slightly. Even among those mature areas, the New York region lost share, while Chicago, Minneapolis and St. Louis gained. All lost relative share to the Sunbelt metros, however, which accounted for nearly all of the financial industry employment gains. Los Angeles, Miami and Phoenix were the largest gainers of financial jobs.

Chart 1: Employment Changes in U.S. Information Industries



Source: Bureau of Labor Statistics; NYC Comptroller's Office

The professional and business services sector is generally considered desirable for the local economic mix because it contains a number of high-skill, high-wage industries that are relatively insulated from foreign competition. The sector, which includes legal services, accounting, architecture and engineering, management consulting, computer system design and consulting, advertising, and scientific research, performed relatively well during the 2001–07 expansion, nearly keeping pace with population growth and increasing as a percent of total jobs in the 20 metro areas. In the mature metros, the sector grew by 45,000 jobs, or 1.2 percent, but that number was skewed by huge losses in Detroit. The other seven areas saw an aggregate increase of 95,000 jobs. The New York metro area experienced a gain of 30,500 professional and business services jobs, but in relative terms the best performers were Philadelphia and Baltimore, which gained 35,900 and 19,400 jobs, respectively. Sunbelt metros increased employment in professional and business services at approximately their rate of population growth.

Growth in professional and business services was not limited to one or two sub-industries. Management and environmental consulting, scientific research and development, computer systems design and services, engineering and architectural services, security and investigative services, legal services and accounting services all experienced healthy employment growth. One industry that did not, however, was advertising, in which national employment fell by 25,000 from 2000 through 2007. New York City's advertising industry, in which employment fell from 59,500 in 2000 to 54,300 in 2007, shared in that decline.

The national leader in business and professional services growth was Washington, D.C., including the adjacent areas of Virginia and Maryland. The Washington metro's 119,000 increase in professional and business services employment accounted for more than 10 percent of the sector's growth in the 20 major metro areas. Computer systems design and services, as well as management, scientific and technical consulting, grew particularly fast in the Washington, D.C. metro area.

The outstanding growth sector during the 2001–2007 expansion was educational and medical services. This was true in the nation as a whole, in the 20 top metro areas, in the mature, Sunbelt, and technology metros, and in each metro area individually. The medical and educational services sector accounted for 57 percent of net job creation nationally between 2000 and 2007 and for 51 percent of payroll employment increases in the top 20 metro areas. Moreover, in the "Meds and Eds" sector, the mature metro areas actually added more jobs during that time than the Sunbelt areas, although by 2007 their total populations were similar.

The educational services sector grew faster than the medical sector from 2000 through 2007. This sector, which does not include local public schools but does include private elementary and secondary schools, colleges and universities, trade schools, and educational support services, grew by 21.7 percent in the top 20 metro areas from 2000 to 2007, about the same rate as it did nationwide. The growth rate in Sunbelt metros was about a third faster than in the mature areas, but because the older, mature areas started with a larger employment base, their aggregate growth was greater. About one-quarter of the national employment growth in educational services from 2000 through 2007 occurred in the eight mature metro areas. Although the New York metro area had the largest total increase, it trailed most other metro areas in terms of rate of growth.

The fastest growing segment of the education sector nationally has been "educational support services," which includes educational consultants, guidance counselors, and educational testing and evaluation services. However, during the 2000 through 2007 period, the largest net employment increase came in colleges and universities, which accounted for about 52 percent of the overall increase in educational services employment. New York City's colleges, universities and professional schools appear to have expanded their employment faster than those in most other traditional centers, and by late 2008, for the first time, there were more New Yorkers employed in higher education than in manufacturing.

Although educational services employment expanded rapidly from 2000 through 2007, by far the largest source of new jobs was in health care and social assistance. During the period, health care and social assistance accounted for about 46 percent of the increase in national nonfarm employment, and for about 38 percent of the increase in the 20 largest metropolitan areas. The rate of increase was somewhat faster in the Sunbelt metropolitan areas than in the mature metros, but the mature metros added a greater total number of health care and social assistance workers.

Within the medical sector, out-patient clinics and home health care services grew faster than in-patient and residential care, but due to the large initial size of the hospital and nursing home sectors, those facilities expanded their employment by a greater amount. Offices of physicians also expanded employment significantly. Within the social assistance sector, services to the elderly grew rapidly and accounted for over 40 percent of the job growth, but employment in child care grew significantly as well.

Next to the medical and social assistance sector, the greatest number of jobs were created in leisure and hospitality during the 2001 to 2007 expansion. In the 20 largest metro areas, nearly 670,000 jobs were added, reflecting a growth rate slightly higher than that of the country as a whole. In the Sunbelt metros, such jobs increased about 2.7 percent annually, and although their population growth was much slower, the mature metros added leisure and hospitality jobs at a 1.7 percent annual rate. Employment growth in food service accelerated, even as employment in accommodations declined slightly and job growth in arts, entertainment, and leisure slowed from its 1990s pace. Leisure and hospitality job growth was faster in the New York area than in any of the other mature metros and also exceeded that of some sunbelt metros, such as Los Angeles, Dallas, Miami and Tampa.

Job Destruction During the Recession

In previous sections, the focus was on metropolitan job creation during the 2001–2007 economic expansion; consequently, average annual employment data for the period 2000 to 2007 was presented. Of course, the nation lapsed into a severe recession which officially began in December 2007. Since that time many of the job gains that had occurred in the country's largest metropolitan areas were reversed. Below we evaluate the destruction of jobs during the recession. In order to utilize the most current employment data, jobs figures for August 2007 and August 2009 are utilized (and occasionally, those for August 2000).

Table 4 shows that, in total, all of the job growth that occurred in the top 20 U. S. metropolitan areas from August 2000 through August 2007 was erased by the subsequent recession. From August 2000 through August 2007, the 20 metro areas gained 2.29 million jobs, then lost 2.29 million by August 2009, for a net loss of 7,000 payroll jobs. The gains and losses were not evenly distributed, however, with the Sunbelt metros retaining a positive increase of 680,000 jobs, the technology metros up by about 105,000 jobs, and the mature metros losing 792,000 jobs. Only two mature metros, New York and Baltimore, were left with positive job growth over the whole period, while Chicago and Detroit experienced devastating job loss, especially since the recession began.

Table 4: Job Gains and Losses in 20 Largest Metropolitan Areas, 2000-2009

	Net Job Change*		
	2000-2007	2007-2009	2000-2009
Mature Metros:	(thousands)		
New York–NJ	191.0	-95.3	95.7
Chicago	-16.1	-241.6	-257.7
Philadelphia	75.4	-96.8	-21.4
Boston	-47.7	-55.8	-103.5
Detroit	-232.9	-234.5	-467.4
Minneapolis–St. Paul	41.4	-76.9	-35.5
St. Louis	21.6	-50.0	-28.4
Baltimore	69.6	-43.1	26.5
Total	**102.3**	**-894.0**	**-791.7**
Sunbelt Metros:			
Los Angeles–Long Beach	160.3	-327.8	-167.5
Dallas–Ft. Worth	167.8	-20.6	147.2
Houston	292.5	-34.2	258.3
Miami	262.0	-141.6	120.4
Atlanta	168.6	-189.4	-20.8
Phoenix	345.7	-206.8	138.9
Riverside–San Bernardino	278.9	-126.7	152.2
San Diego	122.9	-69.9	53.0
Tampa–St. Petersburg	90.6	-92.6	-2.0
Total	**1,889.3**	**-1,209.6**	**679.7**
Technology Metros:			
Washington, DC	296.8	-15.4	281.4
San Francisco–Oakland	-100.5	-116.1	-216.6
Seattle–Tacoma	97.9	-57.7	40.2
Total	**294.2**	**-189.2**	**105.0**

* Net changes based on August totals for respective years.

Source: Bureau of Labor Statistics; NYC Comptroller's Office

The Sunbelt metros, while still showing some net job growth since 2000, have lost proportionately more jobs since August 2007. In the two subsequent years, the Sunbelt metros lost about 5.9 percent of their August 2007 job base, with the job losses most intense in Phoenix (-12.1 percent), Riverside-San Bernardino (-11.2 percent), Atlanta (-8.3 percent), and Tampa (-8.0 percent). Only Detroit, among the mature areas, lost as high a proportion of its jobs.

Over the past two years, manufacturing employment has suffered the largest decline in the 20 major metropolitan areas. Manufacturing employment, which had declined throughout the previous economic expansion, plunged an additional 15 percent since the beginning of the financial crisis, representing a loss of 825,000 jobs. The nation's 20 largest metropolitan areas have lost almost 2.2 million manufacturing jobs in the past nine years, or more than one-third of their manufacturing job base. That, of course, has had a disproportionate impact on the Detroit area, as well as Chicago, Los Angeles and Atlanta.

Next to manufacturing, the mining, logging and construction sector suffered the biggest employment declines in the 20 metro areas during the recent recession. From August 2007 through August 2009, the sector declined by 602,000 jobs, with the largest losses occurring in Sunbelt areas. During the past two years, employment declines in finance, professional and business services, and retail trade have been roughly proportionate to the overall decline, leaving each of those sectors with fewer workers in 2009 than they had nine years before. The information sector also had fewer workers, but its employment decline occurred continuously over the whole period.

In the 20 large metro areas, only two sectors had net employment gains over the whole period from August 2000 to August 2009: leisure and hospitality, and health and education. From 2000 through 2007, the leisure and hospitality sector was one of the fastest growing sources of jobs in large metropolitan areas, and its resilience during the recession indicates that its growth was not illusory. Although employment in the sector has declined during the recession, the decrease has been modest and employment in the sector was still 634,000 above the level of August 2009.

Employment in both education and medical care has grown right through the recession. From August 2007 through August 2009, educational and health services employment in the 20 largest metros increased by 321,000, while all other sectors combined contracted by 2.6 million jobs.

Conclusions

This survey of job growth in America's major metropolitan areas reveals a disappointing performance even before the onset of recession in late 2007. From 2000 through 2007, job growth in large metros did not keep up with population growth, and the subsequent recession wiped out all of the job growth that did occur. With total payroll employment lower in August 2009 than it was in August 2000, it has truly been a "lost decade" for the nation's large metropolitan areas.

Our research indicates that the sub-par job creation in the major metropolitan areas was not due to a dispersal of jobs to smaller population centers, as collectively the major metros maintained their share of national payroll employment from 2000 through 2007, and seem to have suffered proportionally fewer job losses during the recession than the rest of the country. The job performance of the major metro areas appears to be part of a general slow-down in job creation in the nation as a whole that predates the onset of the recent recession.

Among the 20 largest metropolitan areas, there was a profound shift of population and jobs to Sunbelt centers. In the eight mature metro areas, located mostly in the east and Midwest, population grew at only a 0.4 percent annual rate from 2000 through 2007, while payroll employment in those metros grew at less than a 0.1 percent annual rate. By contrast, in the nine largest Sunbelt metros, population grew at a 1.8 percent annual rate and payroll employment at a 1.3 percent annual rate. In the three technology metros, population grew 0.9 percent and employment 0.7 percent annually during that time.

There were some darker clouds in the growth performance of the Sunbelt metros, however, that were apparent even before the recession began. The Sunbelt decline in the jobs-to-population ratio was actually faster than in the mature areas, and the decline in some Sunbelt metros, notably Atlanta and Dallas, rivaled that of Detroit. Moreover, the relative growth of the Sunbelt areas was greatest in sectors that primarily serve local populations, such as construction, retail trade and certain financial activities. During the recession, many of those jobs evaporated. Since August 2007, job losses in the Sunbelt metros have been about 60 percent greater, on a proportional basis, as those in the mature metros.

The analysis also reveals that the disappointing job creation even before the recession was due, in large part, to the difficulties of two traditional pillars of the metropolitan job base—manufacturing and information. Both of these sectors contracted by hundreds of thousands of jobs during the 2001-2007 economic expansion, and especially in the case of manufacturing, the recession only intensified that trend. Both technological change and globalization appear to have undermined these sectors in America's metropolitan areas. American manufacturing employment peaked in 1979, then declined at an average annual rate of 0.7 percent through 1989, at a 0.5 percent annual rate through 1999, and at a 3.0 percent annual rate through 2007. It is unlikely that the acceleration of American manufacturing decline during this decade can be explained entirely by a sudden inefficiency or technological obsolescence of U.S. manufacturers, without reference to a changed global environment for international trade.

The dual pressures of technological change and foreign competition are even more clearly seen in the decline of information sector employment. National employment in traditional publishing industries—newspapers, periodicals and books—declined at a 2.5 percent annual rate between 2000 and 2007. Undoubtedly, competition from electronic media played a large role in that. Yet, the decline was not offset by growth in newer publishing industries; national employment in software publishing, for example, declined from 261,000 in 2000 to 255,000 in 2007.

The outstanding sectors of metropolitan employment growth during the past decade have been educational and health services (including social assistance). From 2000 through 2007, they accounted for over half of the employment growth in the largest metropolitan areas and have represented the only growing sectors since the recession began. Nevertheless, they are often dismissed as engines of economic growth because they are not traditionally considered "export base industries" and because much of their revenue growth is believed to originate in pricing inefficiencies. However, their rapidly increasing importance in the metropolitan job base suggests that a more careful evaluation of their role in generating economic and employment growth is overdue.[5]

Our analysis shows that the New York metropolitan area has been spared the worst of the recession's destructive job impact, and in fact, that much of the Sunbelt's enviable job creation was the product of unsustainable, or at least nonreplicable, population shifts. However, with several notable exceptions (educational services, leisure and hospitality), the job creation performance of the New York metropolitan area has not been exceptional. Our area's job creation in key sectors, such as professional and business services, has been exceeded by Philadelphia and Baltimore, while some of our signature industries, such as finance and information, have been growing slowly or even declining. Unfortunately, this portends that the challenge of providing job opportunities to every willing worker will not end with the recession.

The reader may notice that two important questions were not addressed by the foregoing analysis. First, the performance of central cities relative to their suburban areas was not analyzed. Second, the relative wages and opportunities for advancement in the various sectors were not analyzed. Both of those questions require recourse to different data sets than that used here. ■

[5] For a detailed analysis of the health care labor market in New York City, see: Martin Kohli, "Health care industries and the New York City labor market," Monthly Labor Review, September 2009.

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