

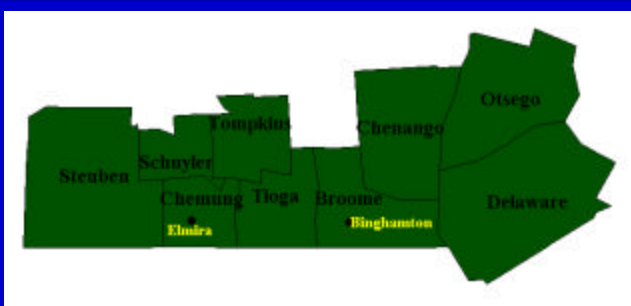


Spotlight on the Southern Tier

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New York State Comptroller

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Highlights:

- Although employment has declined by 1.5 percent in the first five months of 2003, the rate of decline is not as large as experienced through May 2002 (2.5 percent).
- Employment increased in service-related industries in 2002. Leisure and hospitality jobs increased by 2.4 percent, and education and health services jobs went up by 1.3 percent.
- The unemployment rate for the region increased in 2002 for the second straight year, to 5.9 percent, but stayed lower than the State's rate (6.1 percent). Through May 2003, the unemployment rate of 5.8 percent was lower than the same period in 2002 (6.5 percent).
- According to the 2000 Census, more than 47 percent of the population aged 25 and over in Tompkins County have a bachelor's degree or graduate degree, the second highest rate in the State.
- Personal income in the Southern Tier grew by \$200 million in 2001 (the latest year for which data are available), to total almost \$18 billion.
- Global Insight projects that beginning in 2004 the regional economy will rebound and experience growth in employment, though manufacturing jobs are forecast to continue to decline.

Employment

In the first five months of 2003, employment declined in the Southern Tier. Total employment was lower by 1.5 percent, exceeding the Statewide rate for the same period (0.7 percent). However, the rate of decline was less than during the first five months of 2002, when employment was lower by 2.5 percent. The Southern Tier's decline is equivalent to New York City's, and together these two regions show the highest rates of job loss in the State. Southern Tier private employment was lower through May 2003 by 1.7 percent, which also exceeds the State's rate of decline (0.6 percent) and is the highest rate for all regions in the State. Private employment in the region declined at a lower rate through May 2003 than through May 2002 (3.8 percent). Government employment in the region declined by 0.3 percent in the first five months of 2003, which was lower than the State and most of New York's other regions.

The Southern Tier had a total of 322,700 jobs in 2002, nearly half of which were located in the region's two metropolitan statistical areas (MSAs). The Binghamton MSA, which encompasses Broome and Tioga counties, had 115,400 jobs (35.8 percent of the region's total employment). The Elmira MSA (Chemung

Key Statistics on the Southern Tier

	Percent of New	
	Southern Tier	York State
Personal Income (2001) in millions	17,975	2.6%
Population (2002)	802,900	4.2%
Employment (2002) in thousands	322.7	3.8%
	Southern Tier	New York State
Unemployment Rate (2002)	5.9%	6.1%
Per Capita Income	22,387	35,878

Sources: U.S. Bureau of Labor Statistics; U.S. Census population estimate; NYS Department of Labor

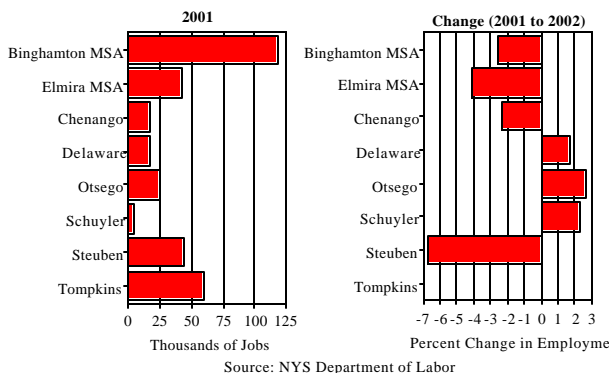
County) had 12.8 percent of the region’s jobs, or 41,200. Tompkins County, with employment of 59,500, had the second-highest employment after Binghamton, and Steuben County’s employment was almost as high as in Elmira (40,600). Otsego’s employment was at 26,400; Delaware’s was at 17,800; Chenango’s was at 17,100; and Schuyler’s was at 4,600.

According to the Broome County IDA and the Southern Tier Regional Planning and Development Board, the largest private employers in the Southern Tier are:

- Corning, Inc.
- IBM
- Cornell University
- United Health Systems
- Lourdes Hospital
- Hardinge Inc.
- Toshiba Display Devices Inc.
- Universal Instruments Corp.
- Arnot Odgen Medical Center
- BAE Systems Control
- St. Joseph’s Hospital

Employment in the Southern Tier declined by 2.1 percent in 2002, which was the first year employment fell since 1992. The region had its highest employment level ever in 2001, when it reached 329,700 jobs. The Southern Tier’s rate of employment decline in 2002 exceeded the rate of job loss in the State (1.8 percent). Private sector employment in the region also declined in 2002, by 3 percent, which was also higher than the State’s rate of 2.4 percent. Among the State’s regions, only the Finger Lakes and New York City experienced higher job losses in 2002.

Figure 1
Employment Levels in the Southern Tier



Not all counties in the region experienced declining employment in 2002 (see Figure 1). Total employment grew in Otsego (2.7 percent), Schuyler (2.2 percent), and Delaware (1.7 percent), and did not change in Tompkins. However, these counties accounted for 32.5 percent of the region’s jobs in 2001, and their growth did not offset losses in the remaining counties. Chenango declined by 2.3 percent, the Binghamton MSA fell by 2.6 percent, and the Elmira MSA declined by 4.1 percent. The highest rate of job loss was in Steuben—in fact, it had the highest rate of employment decline in the State (6.7 percent). The loss of jobs in Steuben, particularly those related to manufacturing, reflect the recent layoffs executed by Corning Inc.

In areas where total employment fell during 2002, the rate of private sector job loss was even greater. Private employment fell by 8.3 percent in Steuben, again reaching the highest rate of decline in the State, and fell by 4.7 percent in Elmira, 4.6 percent in Chenango, and 4 percent in Binghamton. In the areas where total employment grew or remained unchanged, private employment did the same, growing in Otsego (3.6 percent), Schuyler (3 percent), and Delaware (1.6 percent), and staying unchanged in Tompkins.

From January to May of 2003, employment continued to grow in Schuyler (2.7 percent) and Otsego (1.2 percent), while Tompkins went from no growth in 2002 to growth of 0.3 percent thus far this year. Each of these counties also had growth in private sector jobs during the period, with an increase of 5.1 percent in Schuyler, 1.5 percent in Otsego, and 0.3 percent in Tompkins.

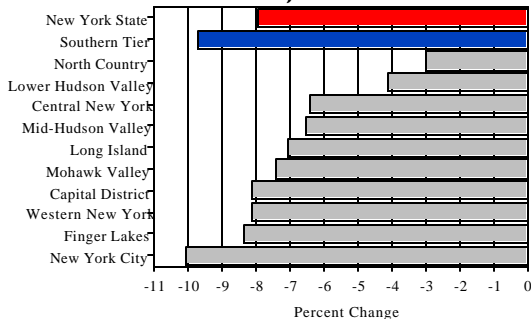
Over the same period, areas of the region that experienced job losses in 2002 continued to struggle. Total employment in Steuben declined by 4.4 percent compared with the same period in 2002, and private employment fell by 5.2 percent. (With an average of 39,100 jobs, Steuben’s employment is at the lowest point since May 1996, when it was 31,400.) In the same period, employment fell in Binghamton by 2.4 percent, in Elmira by 1.5 percent, and in Chenango by 1.2 percent. In these three areas private

employment declined at even greater rates, falling 2.8 percent in Binghamton, 1.7 percent in Elmira, and 2.1 percent in Chenango. Employment also fell in Delaware (0.2 percent in total employment and 0.3 percent for private sector jobs), although the county did experience job growth in 2002.

Manufacturing is still a major component of the Southern Tier's economy, but has accounted for much of the region's recent job losses. The region's manufacturing employment fell 9.7 percent in 2002, which was higher than the State's rate of decline (7.9 percent) and higher than in all other areas of the State except New York City, where manufacturing employment fell 10.1 percent (see Figure 2). The decline has continued through the first five months of 2003 with an additional loss of 6.9 percent, also higher than the Statewide decline of 5.5 percent.

Statewide, manufacturing employment has been in steady decline, declining by 33.7 percent between 1990 and 2002, with the industry comprising 12 percent of all jobs in 1990, but only 7.7 percent in 2002. During the same period the Binghamton and Elmira MSAs lost 40 percent of their manufacturing jobs,¹ and in these two areas manufacturing employment has declined from 26.8 percent of total employment in 1990 to 16.8 percent in 2002.

Figure 2
Changes in Manufacturing Employment in New York State, 2001 to 2002



The loss of manufacturing jobs in 2002 was particularly severe in Steuben, where jobs in that industry fell by 13.6 percent. The county has seen manufacturing employment decline by an additional 11.8 percent in the first five months of

¹ Because of a change in the methodology used in reporting employment data, employment data prior to 2000 is available for MSAs. County data are expected to be released later this year.

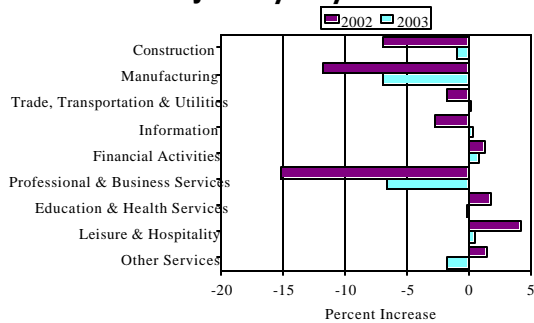
this year. Large losses in manufacturing during 2002 were also seen in Binghamton, Chenango, Elmira, and Tompkins, ranging from 11.7 percent to 7 percent. Though these losses have continued through May 2003 for Binghamton (10.4 percent) and Chenango (6.3 percent), they have moderated in Elmira (1.7 percent) and Tompkins (1 percent).

As in other areas of the State, declining manufacturing employment in the Southern Tier has been replaced by an increasing percentage of jobs in the service industries (professional and business services, education and health services, leisure and hospitality, and other services). In the region's two MSAs, employment in these industries has increased from 27 percent of all jobs in 1990 to 30.8 percent in 2002. However, employment in these industries declined by 1.2 percent in 2002, and the Southern Tier was only one of three areas of the State, along with New York City and the Finger Lakes, where the number of service jobs declined during the year.

The decline in service employment was caused by a job loss of 10.9 percent in professional and business services. While most regions of the State experienced a decline in professional and business services in 2002, the rate of decline in the Southern Tier was higher than in all other regions and more than double the State's rate of decline (4.4 percent). The remaining service industries experienced job increases in 2002, led by leisure and hospitality services (2.4 percent) and followed by education and health services (1.3 percent) and other services (0.4 percent).

Through May 2003, the region has continued to lose jobs in professional and business services, with employment in the industry lower by 6.6 percent compared with the same period last year. The losses have not been confined to one area of the region, as industry employment since 2001 has fallen in both the Binghamton and Elmira MSAs as well as in Chenango and Steuben counties. Employment in the first five months of 2003 has also declined in education and health services (0.1 percent) and other services (1.8 percent), while job gains were recorded in leisure and hospitality. However, for many industries, the rate of employment decline in the first five months of 2003 is lower than through May 2002 (see Figure 3).

Figure 3
Changes in Private Sector Employment in the Southern Tier in January-May of 2002 and 2003



Source: NYS Department of Labor
 Note: Change is from the same period one year earlier.

Financial activities also had an increase in jobs during 2002. The Southern Tier had better job growth in this industry than most other regions and the State overall. Statewide, financial activities declined by 3.6 percent, largely because of the job losses in New York City—particularly in securities, where employment declined 9.7 percent. Through the first five months of 2003, financial activities employment has continued to increase in the Southern Tier by 0.8 percent, compared with a decline in State jobs of 1.5 percent.

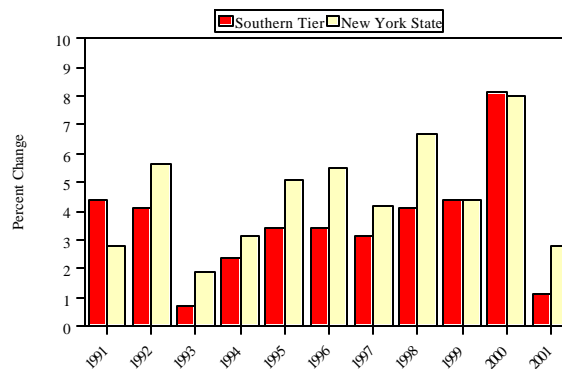
With the continuing decline in manufacturing employment, the trade, transportation, and utilities industry has become the second largest industry in the region behind education and health services. Employment in trade, transportation, and utilities experienced consistent increases between 1992 and 2000 in the Binghamton and Elmira MSAs, rising by a total of 7.4 percent. In 2002, the Southern Tier experienced an employment decline of 1.3 percent in this industry, which was lower than the State’s decline of 2.4 percent. Through the first five months of 2003 the region has had growth of 0.2 percent, somewhat lower than the State’s rate (0.5 percent).

The remaining industries—construction and information—accounted for less than 5 percent of the region’s jobs in 2002. During 2002, construction employment declined by 3.2 percent, while information grew by 0.3 percent. Construction employment has continued to fall through May 2003 by 3.2 percent, and employment in the information industry has also declined (2.6 percent) thus far this year.

Personal income

Personal income in the Southern Tier grew by \$200 million in 2001 (the latest year for which data are available), to total almost \$18 billion. Even so, personal income increased by only 1.1 percent, a significantly lower rate than the 8.1 percent growth registered in 2000, and the lowest growth rate since 1993, when the gain was only 0.7 percent (see Figure 4). In addition, after outpacing personal income growth in New York State in 2000, the Southern Tier fell significantly behind the State’s 2.8 percent growth in 2001 with the slowest personal income growth of all regions in the State.

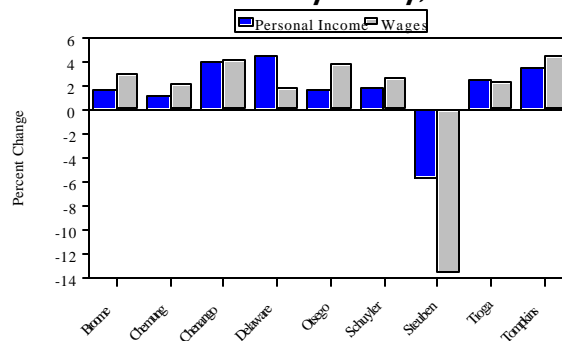
Figure 4
Personal Income Growth



Source: U.S. Bureau of Economic Analysis

Within the Southern Tier, personal income grew fastest in Delaware County in 2001, with an increase of 4.5 percent. Conversely, personal income declined by 5.6 percent in Steuben County (see Figure 5), primarily due to declines in manufacturing.

Figure 5
Personal Income and Wage Growth in the Southern Tier by County, 2001



Sources: U.S. Bureau of Economic Analysis; NYS Department of Labor

Per capita income in the region grew by 1.1 percent to \$22,387 in 2001, well below the State’s \$35,878. Per capita income was highest in Steuben (\$27,058) and lowest in Schuyler

(\$20,660). Total wage growth in the Southern Tier was essentially flat in 2001, remaining at almost \$9.5 billion, which was primarily due to a decline in wages of almost 14 percent in Steuben. In the other counties in the region, growth ranged from 1.8 percent (Delaware) to 4.6 percent (Tompkins). Wage growth was stronger in all other regions of the State, and grew by 2.4 percent for the State as a whole.

Because of the lackluster performance of wages, average salaries in the region declined by 0.4 percent in 2001, to \$31,248. While several regions in New York have lower average salaries, the Southern Tier was the only one to experience a decline, as average salaries for the State grew by 3 percent, to \$46,729. As with wages, average salaries were pulled down in the region by a decline of 14.3 percent in Steuben but grew in all other counties. Salaries in 2001 ranged from \$24,853 (Schuyler) to \$39,051 (Steuben).

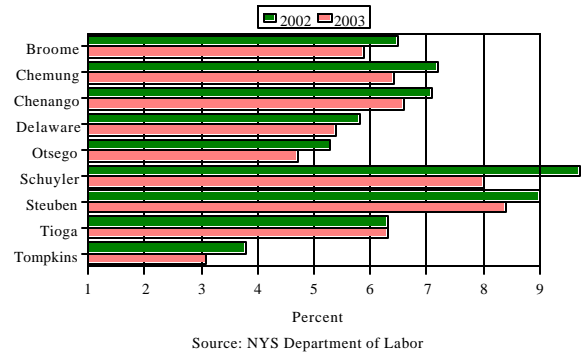
Unemployment

The Southern Tier's unemployment rate for the first five months of 2003 was 5.8 percent, which is lower than the same period in 2002 (6.5 percent), a good sign for the region's economy. In 2002, unemployment in the region climbed to 5.9 percent from 4.4 percent in 2001. It was the second consecutive year the rate increased, after declining to 4 percent in 2000—the region's lowest level since 1988. The rates for both 2002 and 2001 were lower than the State's (6.1 percent and 4.9 percent, respectively). While the unemployment rate for the region has been lower than the State's for the last 20 years, the difference between the two rates in 2002 is the smallest since 1982, when they were the same.

The trend has changed during the first five months of 2003, as the unemployment rate for most counties is lower than for the same period last year (see Figure 6). The regional trend is contrary to the Statewide trend, as the State's rate increased to 6.3 percent from 6.2 percent. However, each county's rate ranges considerably, with Tompkins, Otsego, Delaware, and Broome ranging between 3.1 percent and 5.9 percent—all below the State's rate—and the remaining counties higher, especially Schuyler and Steuben, at 8 percent and 8.4 percent, respectively.

Within the Southern Tier, unemployment rates ranged widely in 2002, from 3.4 percent in Tompkins County to 8.4 percent in Steuben. From 2001 to 2002, the unemployment rates grew in most counties, and by as much as 2 percent or more in both Broome and Steuben.

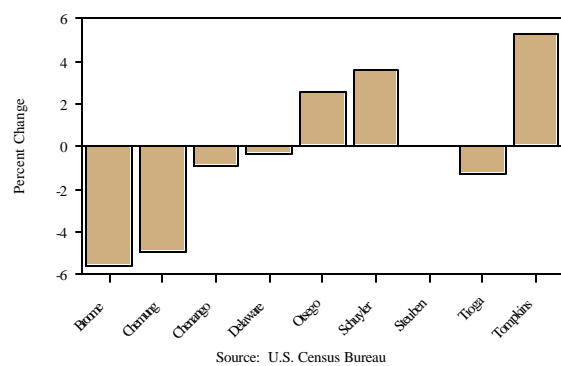
Figure 6
Unemployment Rates in the Southern Tier through May 2002 and 2003



Population

The U.S. Census Bureau estimates that the Southern Tier's population reached 721,301 in July 2002, the highest level since mid-1997. Between mid-1990 and mid-2002, the population in the region fell by almost 11,000, or 1.5 percent, with the declines beginning in 1994 and continuing until 2001. As a comparison, the population of New York State grew by 6.3 percent between 1990 and 2002. In that same period, the Southern Tier's population growth occurred in the counties of Otsego, Schuyler, and Tompkins, with growth in Tompkins reaching almost 5,000 people, or 5.3 percent (see Figure 7). More than half of the growth in Tompkins County has occurred since 2000.

Figure 7
Changes in Population in the Southern Tier 1990-2002



According to the 2000 Census, more than 47 percent of the population aged 25 and over in Tompkins County have a bachelor's degree or graduate degree. Tompkins County is home to both Cornell University and Ithaca College. In all of New York State, only New York County (Manhattan) had a higher percentage (49 percent).

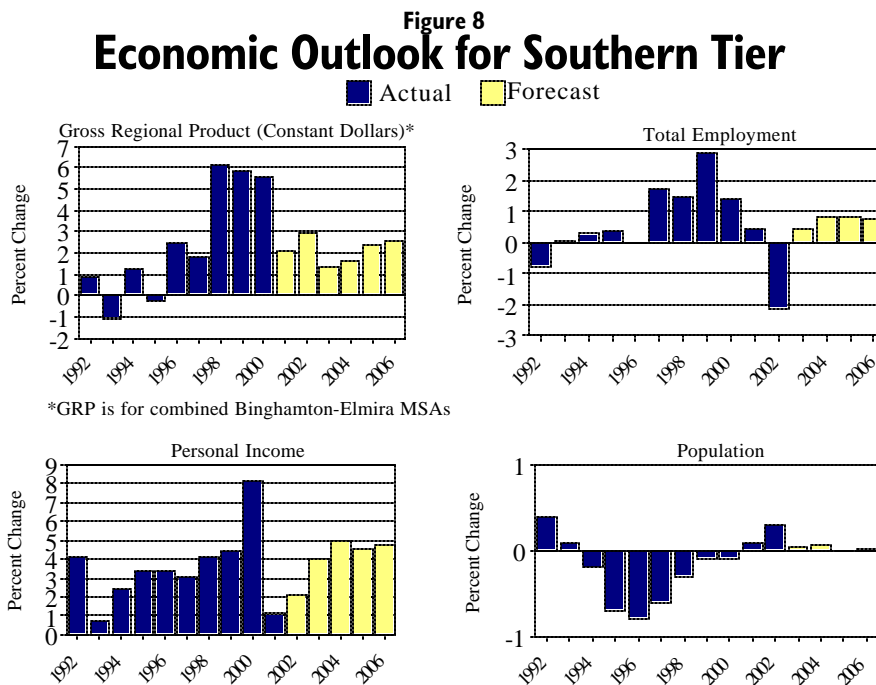
Outlook

According to Global Insight, which measures economic growth by gross regional product (GRP) in constant (i.e., inflation-adjusted dollars), the Southern Tier's economic growth will continue, but at a much slower rate than in the late 1990s when the entire nation was enjoying a period of great economic prosperity. GRP growth in the Binghamton-Elmira area (which represents about half of the region's total employment) is expected to have slowed to 2.1 percent in 2001 and to 2.9 percent in 2002 (following an increase of 5.6 percent in 2000). Growth is projected to slow further in 2003 and 2004 before increases of more than 2 percent resume in 2005 (see Figure 8).

Global Insight does not expect much change in population in the Southern Tier. Between 2003 and 2006, the population is expected to increase by about 800 people.

Global Insight projects that after declining in 2002, Southern Tier employment will begin to grow in 2003, increasing by 0.4 percent. Because employment declined in the first five months of 2003, the forecast for this year could prove to be overly optimistic. Employment growth is expected to range between 0.8 percent and 0.9 percent each year between 2004 and 2006. Continued losses in manufacturing employment are anticipated, while employment in services and financial activities is expected to grow.

Personal income in the Southern Tier is projected to grow by 2.1 percent in 2002, 4 percent in 2003, 5 percent in 2004, and then return to the 4 percent range in 2005 and 2006. Considering the employment growth that Global Insight expects, and the anticipated transition from higher-paying manufacturing jobs to lower-paying service jobs, the personal income forecasts for the region may be overly optimistic.



Sources: Global Insight; NYS Department of Labor; U.S. Bureau of Economic Analysis; U.S. Census Bureau population estimates

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