

Employment in New Jersey's Labor Areas Annual Review and Outlook Series

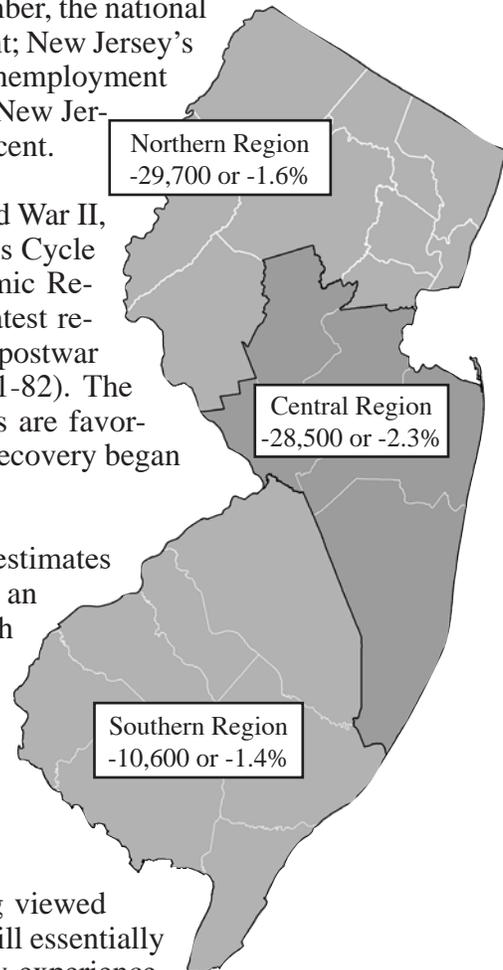
The current national and state economic outlooks are both more positive than at this time last year. Last December, the national and state unemployment rates each stood at 10.0 percent; New Jersey's rate was at a 33-year high. Since then, the national unemployment rate has decreased to 9.6 percent in October while the New Jersey rate has dropped below the national rate to 9.2 percent.

The most recent recession, the longest since World War II, officially ended in June 2009 according to the Business Cycle Dating Committee of the National Bureau of Economic Research (NBER), the official judge of such dates. The latest recession lasted 18 months; previously the longest two postwar recessions each lasted 16 months (1973-75 and 1981-82). The committee did not conclude that economic conditions are favorable, only that the recession had ended and a national recovery began during June.

The most recent Gross Domestic Product (GDP) estimates support this view. In the third quarter, GDP grew at an annualized rate of 2.5 percent, representing the fourth consecutive quarter of economic growth nationally. GDP had suffered significant losses during the fourth quarter of 2008 and the first quarter of 2009. The Federal Reserve Board in an updated forecast believes that the economy will grow between 2.4 to 2.5 percent this year.

The outlook for the labor market is at best being viewed with cautious optimism. The labor market economy will essentially remain at its current levels in the short term and may experience slow growth in 2011. The recovery, at least in the early stages, will be marked by high levels of unemployment. Although the New Jersey unemployment rate has trended downward through the first ten months of 2010, this may be in part a reflection of discouraged workers leaving the labor force. During the recession the state's unemployment rate reached its highest levels since 1977. The Rutgers Economic Advisory Service expects the New Jersey unemployment rate to average 9.2 percent in 2011 but to decline to an average of 6.5 percent from 2011 to 2020.

The following analyses of New Jersey's regions and labor areas were prepared with data available through September 2010 to summarize economic trends in the respective areas during the first three quarters of the year and are not adjusted for seasonal variations. Unless otherwise noted, all employment data are nine-month averages for the year cited above or are based on comparisons of nine-month averages. Additionally, the analyses include an outlook covering local area industry developments for 2011 which could cause local area economies to show growth patterns that differ from that of the state.



Statewide Summary

From 2009 to 2010, nonfarm payroll employment in the state declined by 50,200 or 1.3 percent to a level of 3,840,700, based on nine-month averages (January – September) marking the third consecutive year statewide employment has contracted. This year's performance follows a decline of 4.1 percent as the full effects of the recent national recession hit the state and its regions. All of the state's three regions (Northern, Central and South) recorded numeric decreases in employment.

The Northern Region showed the largest decrease from 2009 as jobholding declined by 29,700 or 1.6 percent; however, the region still accounted for nearly half (1,852,200 or 48.2%) of total statewide employment in 2010. The nine month average employment of 963,800 for the five-county Newark-Union Labor Area in 2010 accounted for the largest employment base of all the state's labor areas. Over-the-year the Newark-Union Labor Area had an employment drop of 19,300 or 2.0 percent, the Bergen-Hudson-Passaic Labor Area decreased by 9,700 or 4.2 percent and the Warren Labor Area was down by 700 or 1.9 percent.

The Central Region with a nine-month average employment in 2010 of 1,196,600 saw its payrolls drop by 28,500 or 2.3 percent (the largest percentage decrease among the state's three regions) from 2009. The four-county Edison Labor Area experienced an employment drop of 25,100 or 2.5 percent since 2009 while the Trenton-Ewing Labor Area (Mercer County) decreased by 3,400 or 1.4 percent.

The Southern Region had the smallest numeric and percentage decreases among the state's three regions (-10,600 and -1.4%) over-the-year. The three-county Camden Labor Area's employment dropped for the fourth consecutive year with a decline of 9,700 or 1.9 percent. The Atlantic City Labor Area also showed a decline in employment for the fourth consecutive year (-2,200 or -1.6%) as the area's gaming industry continues to suffer from the depressed economy and increasing competition from out of state venues. The Vineland-Millville-Bridgeton (Cumberland County) and Salem labor areas saw minimal declines of 500 and 200, respectively. The Ocean City Labor Area (Cape May County) was the only labor area in the state that saw an employment increase over-the-year (+2,000 or +4.7%).

Table 1

Change in Employment by Industry Supersector New Jersey and Labor Areas: 2009 — 2010

in thousands, based on nine-month averages

<u>Labor Area (counties)</u>				Goods Producing		Service Providing		
	<u>Total Nonfarm</u>	<u>Private Sector</u>	<u>Total Goods Producing</u>	<u>Natural Resources, Mining and Construction</u>	<u>Manufacturing</u>	<u>Total Service Providing</u>	<u>Trade, Transportation and Utilities</u>	
New Jersey	-50.2	-47.5	-27.3	-15.1	-12.2	-22.9	-8.0	
Atlantic City (Atlantic)	-2.2	-1.4	-0.8	-0.6	-0.2	-1.4	0.1	
Bergen-Hudson-Passaic (Bergen, Hudson & Passaic)	-9.7	-10.9	-7.0	-2.1	-4.9	-2.7	0.5	
Camden (Burlington, Camden & Gloucester)	-9.7	-8.7	-4.6	-2.2	-2.4	-5.1	-1.2	
Edison (Middlesex, Monmouth, Ocean & Somerset)	-25.1	-25.5	-10.3	-6.4	-3.9	-14.8	-8.0	
Newark-Union (Essex, Morris, Sussex, Union & Hunterdon)	-19.3	-16.7	-6.9	-1.9	-5.0	-12.4	-5.1	
Ocean City (Cape May)	2.0	1.6	-0.2	N/A	N/A	2.2	0.4	
Salem (Salem)	-0.2	-0.5	-0.3	0.1	-0.4	0.1	-0.1	
Trenton-Ewing (Mercer)	-3.4	-1.6	-0.5	-0.2	-0.3	-2.9	-0.4	
Vineland-Millville-Bridgeton (Cumberland)	-0.5	0.0	-0.4	-0.1	-0.3	-0.1	0.0	
Warren (Warren)	-0.7	-0.9	-0.4	-0.4	0.0	-0.3	0.2	

<u>Labor Area (counties)</u>	Service Providing (cont.)						Public
	<u>Information</u>	<u>Financial Activities</u>	<u>Professional and Business Services</u>	<u>Educational and Health Services</u>	<u>Leisure and Hospitality</u>	<u>Other Services</u>	<u>Government</u>
New Jersey	-3.5	-8.2	-7.3	5.9	3.3	-2.4	-2.7
Atlantic City (Atlantic)	-0.1	-0.1	-0.3	0.8	-1.1	0.1	-0.8
Bergen-Hudson-Passaic (Bergen, Hudson & Passaic)	-0.9	-2.0	-5.1	1.9	1.2	0.5	1.2
Camden (Burlington, Camden & Gloucester)	-0.6	-1.3	-1.2	0.3	0.0	-0.1	-1.0
Edison (Middlesex, Monmouth, Ocean & Somerset)	-1.7	-1.3	-11.6	3.2	4.4	-0.2	0.4
Newark-Union (Essex, Morris, Sussex, Union & Hunterdon)	-0.8	-3.4	0.9	1.5	-0.5	-2.4	-2.6
Ocean City (Cape May)	N/A	N/A	N/A	0.2	-0.5	N/A	0.4
Salem (Salem)	0.0	-0.1	0.5	0.0	-0.2	-0.3	0.3
Trenton-Ewing (Mercer)	-0.1	-0.3	-0.3	0.3	-0.2	-0.1	-1.8
Vineland-Millville-Bridgeton (Cumberland)	-0.1	-0.1	0.2	0.3	0.2	-0.1	-0.5
Warren (Warren)	-0.1	-0.1	0.1	0.6	-1.2	0.0	0.2

Source: New Jersey Department of Labor and Workforce Development, Division of Labor Market & Demographic Research. N/A: Not Available

Table 2

Percent Change in Employment by Industry Supersector New Jersey and Labor Areas: 2009 — 2010

percentage, based on nine-month averages

Labor Area (counties)	Goods Producing				Service Providing		
	Total Nonfarm	Private Sector	Total Goods Producing	Natural Resources, Mining and Construction	Manu- facturing	Total Service Providing	Trade, Trans- portation and Utilities
New Jersey	-1.3	-1.5	-6.7	-10.7	-4.5	-0.7	-1.0
Atlantic City (Atlantic)	-1.6	-1.2	-10.7	-11.8	-8.3	-1.1	0.5
Bergen-Hudson-Passaic (Bergen, Hudson & Passaic)	-1.1	-1.5	-7.8	-7.6	-7.9	-0.4	0.3
Camden (Burlington, Camden & Gloucester)	-1.9	-2.0	-7.5	-10.4	-6.0	-1.1	-1.0
Edison (Middlesex, Monmouth, Ocean & Somerset)	-2.5	-3.0	-10.0	-16.9	-6.0	-1.7	-3.7
Newark-Union (Essex, Morris, Sussex, Union & Hunterdon)	-2.0	-2.0	-6.4	-5.2	-6.9	-1.4	-2.6
Ocean City (Cape May)	4.7	4.8	-7.1	N/A	N/A	5.5	5.0
Salem (Salem)	-0.9	-2.9	-7.9	9.1	-14.8	0.5	-1.9
Trenton-Ewing (Mercer)	-1.4	-1.0	-3.6	-3.6	-3.6	-1.3	-1.4
Vineland-Millville-Bridgeton (Cumberland)	-0.8	0.0	-3.6	-3.7	-3.5	-0.2	0.0
Warren (Warren)	-1.9	-2.9	-5.3	-20.0	0.0	-1.0	2.4

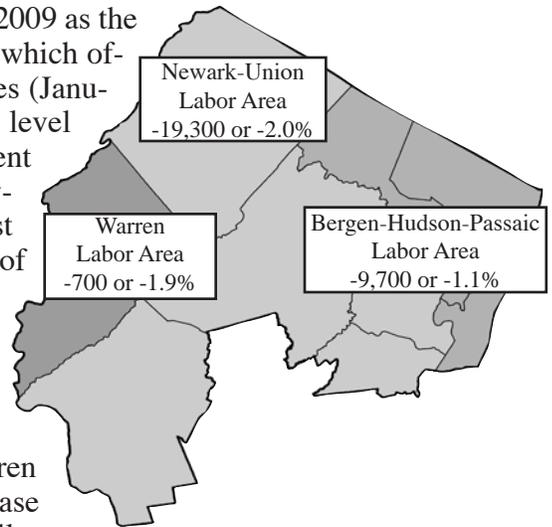
Labor Area (counties)	Service Providing (cont.)						Public
	Information	Financial and Activities	Professional and Business Services	Educational and Health Services	Leisure and Hospitality	Other Services	Government
New Jersey	-4.1	-3.2	-1.2	1.0	1.0	-1.5	-0.4
Atlantic City (Atlantic)	-10.0	-2.4	-3.1	4.4	-2.2	2.2	-3.5
Bergen-Hudson-Passaic (Bergen, Hudson & Passaic)	-4.5	-2.7	-4.0	1.4	1.9	1.5	1.0
Camden (Burlington, Camden & Gloucester)	-7.5	-4.3	-1.7	-0.4	0.0	-0.5	-1.1
Edison (Middlesex, Monmouth, Ocean & Somerset)	-6.1	-2.3	-7.0	2.2	5.3	-0.5	0.3
Newark-Union (Essex, Morris, Sussex, Union & Hunterdon)	-4.0	-4.9	0.6	1.0	-0.7	-5.4	-1.6
Ocean City (Cape May)	N/A	N/A	N/A	4.1	-4.5	N/A	4.3
Salem (Salem)	0.0	-14.3	27.8	0.0	-11.1	-37.5	6.7
Trenton-Ewing (Mercer)	-1.6	-1.9	-0.8	0.7	-1.4	-1.1	-2.6
Vineland-Millville-Bridgeton (Cumberland)	-10.0	-5.6	5.4	3.2	5.4	-5.0	-3.4
Warren (Warren)	-33.3	-10.0	3.7	9.7	-32.4	0.0	3.2

Source: New Jersey Department of Labor and Workforce Development, Division of Labor Market & Demographic Research. N/A: Not Available

Northern Regional Summary

In 2010, total nonfarm employment declined in the Northern New Jersey Region by 29,700 jobs or 1.6 percent from 2009 as the region was still feeling the effects of the recent recession which officially ended in June 2009. Based on nine-month averages (January to September), employment in the region reached a level of 1,852,200 in 2010. In comparison, statewide employment posted a loss of 1.3 percent over the year. This year's payroll drop was significantly less than the losses suffered last year (-86,500) when the region was feeling the full effects of the recession.

The Newark-Union Labor Area experienced a 2.0 percent drop (-19,300 jobs) in employment over-the-year while the Bergen-Hudson-Passaic Labor Area saw a smaller decline in payrolls (-1.1% or -9,700). The Warren Labor Area (Warren County), with its small employment base (37,800 jobs), had a 700 or 1.9 percent reduction in payrolls.



Job loss in the Northern Region occurred in all but one supersector; however, in all cases the industries that sustained losses did substantially better in 2010 than in 2009. During 2010 manufacturing (-9,900), trade, transportation and utilities (-4,400), financial activities (-5,500), construction (-4,400), and professional and business services (-4,100 jobs), were the leading contributors to the decline in employment. These industries are among those that are most affected by the current economic situation in the state and the nation. The Northern Region with its close ties to the financial and banking institutions in New York City has particularly felt the results of the financial, credit and housing crises as evidenced by the employment declines across all related industry sectors.

In the Northern Region, the trade, transportation and utilities supersector has been hit hard due to a significant decline in consumer demand. The housing and credit crises have also contributed to the downward trend in construction and manufacturing with the lessening of demand for the production of building materials. The professional and business services supersector consists of companies that perform activities for other companies. This industry includes employment service which is one of the first areas (temporary help) where employers scale back during an economic downturn.

The lone positive note for the region was a moderate payroll gain of 4,000 or 1.0 percent over the first nine months of 2010 in educational and health services which helped to offset overall employment losses.

The immediate outlook for the region is that there will be no economic growth in the remainder of 2010. As the nation, state and regional economies start to emerge from the economic doldrums during the coming months the region most likely will see job losses moderate. The region may see several months of decline before area industries start to see any growth. How quickly the region rebounds will be tied to increased consumer confidence and improvement in the credit and financial markets the same factors whose downturn led to the current employment situation in the region.

Growth in Nonfarm Employment: 2005 — 2010
Based on January to September Averages

	Growth Rates (Percent)					2010
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Employment (000)
Northern NJ Region	0.2	0.5	-0.6	-4.4	-1.6	1,852.2
<u>Labor Areas</u>						
Bergen-Hudson-Passaic Labor Area	0.0	0.9	-1.1	-4.2	-1.1	851.4
Newark-Union Labor Area	0.4	0.3	0.0	-4.7	-2.0	963.8
Warren Labor Area	-1.7	-0.5	-2.0	-1.8	-1.9	37.0
New Jersey	0.8	0.2	-0.2	-4.1	-1.3	3,840.7

Source: New Jersey Department of Labor and Workforce Development, Division of Labor Market and Demographic Research

Bergen-Hudson-Passaic Labor Area
Review of 2010 and Outlook for 2011

(Bergen, Hudson and Passaic Counties)

by Michael Valeriano, Bureau of Labor Market Information

The Bergen-Hudson-Passaic Labor Area's total nonfarm wage and salary employment declined to an average of 851,400 during the first nine months of 2010 (January-September). Over the year the area lost 9,700 jobs as it continued to feel the effects of the most recent recession; however this year's decline was far less severe than the previous year's contraction of the area's employment base (-37,400 jobs). The labor area's pace of decline over the first nine months of 2010 was slower than the state over the same time period (-1.1% vs. -2.4%, respectively).

Over the year, half of the area's supersectors experienced job gains and the other half losses. Employment losses occurred in professional and business services (-5,100 jobs), manufacturing (-4,900), construction (-2,100), financial activities (-2,000), and information (-900). The supersectors that experienced payroll growth since 2009 were educational and health services (+1,900 jobs), leisure and hospitality (+1,200), government (+1,200) trade transportation and utilities and other services (+500 each).

Employment in professional and business services reached an average of 123,700 over the first nine months of 2010, the lowest level since 1996. The sector lost 4.0 percent of its job base since 2009. The majority of the cuts were concentrated in administrative/support & waste management/remediation services (-4,000 jobs or -8.1%). Professional and business services companies, which specialize in performing activities for other businesses, have been particularly hard hit since the economic downturn. Many companies in tough economic times reduce the use of contracted services from firms in this sector among their first steps in reducing costs. Companies such as engineering and architectural firms who provide services for construction companies have been experiencing a loss in the demand for their services due to the fall off in the construction industry.

Construction employment declined for the third consecutive year to reach a level of 25,500; the lowest level since 1996. Job losses in construction were due mainly to a lack of new business startups or expansion of existing firms coupled with weak financial markets and

restrictive lending practices by financial institutions. This economic environment dampened the possibility of starting or continuing residential and commercial building projects. With record setting levels of foreclosures, a large inventory of existing homes on the market and construction costs still relatively high, area residential construction continues to drop off.

Trade, transportation and utilities payrolls experienced only moderate gains overall as increases in retail trade were offset by losses in the transportation and warehousing subsector. Some examples of notable gains in retail trade were the opening of a Wal-Mart Supercenter in North Bergen (Hudson county) which created 600 jobs and a Wal-Mart (200 jobs), a Lowe's Home Improvement store (160 jobs) and a host of other retail store openings in the new Bayonne Crossing Mall (Hudson County) during the second half of 2010. Additional openings at Bayonne Crossing are expected through 2011. Transportation and warehousing experienced a loss over the period despite UPS Information Services Group receiving 650 workers who moved to Wayne (Passaic County) from Morristown (Morris County). Partially offsetting these gains, was the closing of Executive Pegasus Limousine (-75 jobs) in Carlstadt (Bergen County) which resulted from the loss of their only contract and the partial closing of Allied Systems, LTD in Ridgefield (Bergen County) which laid off 78 workers.

Manufacturing continued its long-term downward trend falling to a level of 57,400 jobs over the first nine months of 2010. With the exception of 1997 when jobholding remained level, employment in the manufacturing sector has declined every year since 1990 (earliest data available). In the most recent year, employment losses occurred almost equally in both durable (-2,300 jobs) and nondurable (-2,600) goods. Several manufacturing companies in the area continued the trend this year of moving, closing or consolidating operations. Some examples include Cosmetic Essence, LLC which displaced 147 workers from its Teterboro (Bergen County) plant and moved operations to Virginia. Estee Lauder separated 77 employees from their Oakland facility in Bergen County. Another 180 jobs left Passaic County as Pitney Bowes Inc. relocated its Clifton facility to Newark (Essex County).

The finance and insurance component (-1,700 jobs) was responsible for most of the job loss that occurred in financial activities (-5,100). Payrolls in the supersector attained a 10-year low and the number of jobs lost over the first nine months of 2010 is the largest average decline seen since 1990 (earliest data available). Jobholding in this industry continues to be affected by the sub-prime mortgage crisis and recent mergers within the banking industry. Citicorp Data Systems moved its Englewood Cliffs office for check processing overseas, eliminating 120 jobs from Bergen County. Wachovia (Wells Fargo) moved its Carlstadt location (also in Bergen County) to Pennsylvania when the company's lease expired.

Educational and health services continued to show consistent employment gains on a yearly basis. Gains in the industry during 2010 were primarily concentrated in the health care and social assistance sector (+1,500) and ambulatory health care services (+1,300). The number of educational and health services jobs continued to climb to new highs, averaging a record high of 138,100 over the first nine months of 2010. This industry has increased by 30,700 jobs or 28.6 percent since 2000.

Leisure and hospitality posted gains in employment with significant help from the opening of two new professional sports stadiums. The new Meadowlands Stadium, home of the New York Giants and Jets football teams, opened in August. In March, Red Bulls Stadium opened in Harrison welcoming soccer fans. Delaware North Companies, the concession provider, hired over 2,000 workers to staff both facilities.

Government employment was up by 1,200 from the 2009 nine month average, with the largest increase occurring in the local government component (+1,400). State and federal government posted a combined loss of 200 jobs.

The Bergen-Hudson-Passaic Labor Area's unadjusted unemployment rate averaged 10.0 percent over the first nine months of 2010, 0.6 percentage point higher than the same period in 2009. The average number of unemployed residents increased from 96,500 in 2009 to 102,500 in 2010. In a similar comparison, the state's unemployment rate averaged 9.8 percent, up from 9.1 percent in 2009.

As we move forward into 2011, total nonfarm employment in the Bergen-Hudson-Passaic Labor Area may show little or no growth, but it appears that payroll contraction is slowing. The construction industry may continue to feel the effects of lower home prices and slumping property sales which are negatively impacting demand for new residential units. No rebound is expected within the next few months in real estate as sales are typically slower in the fall due to seasonal factors.

There are, however, several large and small commercial building projects throughout the labor area that are either in progress or set to start by the end of the year or early in 2011 which could help boost payrolls in the construction supersector. A long-planned retail and rental apartment complex along Anderson Avenue in Cliffside Park (Bergen County) is close to securing \$74 million in loan guarantees from the U.S. Department of Housing and Urban Development. The Towne Centre Redevelopment Project will include 267 rental units and almost 51,000-sq.ft. of retail space. Towne Center Urban Renewal Co. LLC, the developer of the site, hopes to gain government approval by early 2011 and begin construction which will take 18 months to complete.

The construction of Monaco Towers along Washington Boulevard in downtown Jersey City (Hudson County), which started in May 2009, will continue through 2011. The project calls for 524 luxury residential apartments in two 50-story towers and retail space to be built next to the Double Tree and Westin hotels. Future plans also include development of a 313-room luxury hotel and 11,000-sq.ft. of ground floor retail space.

Work on the nation's largest transit project, the Trans-Hudson Passenger Rail Tunnel or "Access to the Region's Core" (ARC) saw accelerated activity in the summer of 2010 as contractors began the project's first major underground segment through the Palisades in Hudson County. However, the tunnel plan was terminated by the state of New Jersey as concerns of likely budgetary overruns mounted. The project called for construction of a 9-mile commuter rail line that would have more than doubled rail capacity between North Jersey and Manhattan by 2018.

The Xanadu Meadowlands Project continues to languish near the Izod Center site in the Meadowlands Region of Bergen County with the exterior nearly complete but with much work needed on the interior. After facing nearly two years of delays due to financing difficulties and development issues, negotiations are underway with several developers to revive the 2 million-sq.ft. retail and entertainment complex project in the next several months. One possibility for its development is a convention center.

Manufacturing jobs still show very few signs of stabilization with few examples of planned openings or expansions. One positive exception in this sector is F3 Engineering LLC in Paterson (Passaic County) which has announced plans to hire more than 100 workers over the next

five years. F3 is a military parts manufacturer that designs and engineers anti-vibration devices for aircraft and submarines.

Area employment in retail trade could post gains in the coming months. One positive development is the nearly completed Bayonne Crossing Shopping Center located along Route 440 in Hudson County. The 355,000-sq.ft. center will be anchored by Wal-Mart, New York Sports Club and home improvement giant Lowe's. Payrolls in leisure and hospitality will also benefit when several eateries including Starbucks, Longhorn Steakhouse, Muscle Maker Grill, Chili's, Sonic Drive In and Five Guys open. Some stores (including Lowe's) could be open as early as Thanksgiving as the project appears to be running ahead of schedule. City officials say the shopping center will provide 800 new jobs when it is built out by the spring of 2011.

Also in retail, Wayne-based Toys "R" Us is aggressively hiring seasonal staff for its new "pop-up" stores which will be located in established shopping malls, a few of which will be located in the labor area (including Garden State Plaza in Paramus, Bergen County), as well as hiring for its existing stores ahead of the holiday season. While it is unclear exactly how many stores will open in the labor area (with approximately 10 workers per store), the chain has announced it plans to hire 45,000 seasonal workers nationwide. Negatively affecting retail trade will be the closing of several Pathmark Supermarkets (more than 300 employees) throughout the area because of underperformance during the last quarter of the year.

For decades, financial firms have been migrating from New York City's Lower Manhattan historic financial district to new areas such as New Jersey and Connecticut. This pattern continues with examples such as SCS Commodities, a commodities brokerage firm, moving its operations from Rector Street in New York City to Jersey City's (Hudson County) waterfront during the fourth quarter of 2010. Another very significant gain still in the planning stages is The Depository Trust & Clearing Corp. which is planning to move 1,600 of its total 2,300 employees from 55 Water Street, NY to the Newport office complex in Jersey City. The move is slated to begin by late 2011.

The educational and health services industry, which thus far has appeared to be robust and able to withstand economic shifts, may continue to see small gains in the coming year. The area's demand for services by the aging baby boom population cohort continues to grow necessitating home health care services. Social assistance jobs may also grow due to increased need for child care facilities. However, these gains may be somewhat offset by The Meadowlands Hospital Medical Center's plans to cut some of its 550 employees under potential new ownership if the sale gets approved. The hospital's sale to MHA LLC (a private investment group) is currently pending before two state agencies.

The residential housing market in the labor area and throughout New Jersey may continue to struggle. Mortgage rates have fallen to their lowest levels in recorded history, but local industry observers still do not expect a flurry of home-buying to follow. In spite of the lower rates a large inventory of available existing homes, in part due to foreclosures, continues to haunt the market as the standards for mortgage eligibility are tougher than ever before. Historically, low rates have not helped the struggling housing market which recorded its worst summer in more than a decade in terms of sales.

For more information on the Bergen-Hudson-Passaic Labor Area, please contact Michael Valeriano, by e-mail at michael.valeriano@dol.state.nj.us or call 609-984-5952.

Newark-Union Labor Area

Review of 2010 and Outlook for 2011

(Essex, Hunterdon, Morris, Sussex and Union Counties)
by John Ehret, Bureau of Labor Market Information

Total nonfarm wage and salary employment in the five-county Newark-Union Labor Area in 2010 continued to be impacted by the weakened economy brought on by the recent national recession, which officially began in December 2007 and ended June 2009. Employment (based on a nine-month average: January-September) reached a level of 963,800 jobs in 2010, falling by 19,300 or 2.1 percent from the same period a year ago. In comparison, employment state-wide declined at the lower rate of 1.3 percent.

Upon review, the area's payrolls peaked at 1,031,900 in 2007 before beginning a recessionary decline. Since 2007, the Newark-Union Labor Area has seen a net loss of 67,500 jobs (or -6.5%). However, the number of jobs lost in 2010 was significantly less than the job loss experienced in 2009 (-48,400).

During 2010, the area's job losses were concentrated in the following supersectors: trade, transportation & utilities (-5,000 jobs), manufacturing (-5,000), financial activities (-3,500), government (-2,600), other services (-2,400), construction (-1,900), information (-800) and leisure and hospitality (-500). On a bright note, there were two supersectors that experienced employment growth: educational and health services (+1,500 jobs) and professional and business services (+900).

The labor area's trade, transportation and utilities (TTU) supersector has a tremendous impact on the area. In 2010, this supersector was the area's largest employer with 193,700 workers and accounted for nearly one out of every four private sector jobs (24.2%). Consisting of three major components, 2010's employment in TTU broke down as follows: retail trade (92,700 or 47.9%), transportation, warehousing and utilities (52,300 or 27.0%) and wholesale trade (48,700 or 25.1%).

While the components of this supersector are dependent upon each other's activities, it is driven mainly by consumer spending. Therefore, as consumer confidence remained low, the impact was felt by retailers, which then had a negative ripple effect on the wholesalers and transportation, warehousing & utilities sectors. As a result, employment was down in each one of the three industry sectors within TTU: retail trade (-2,600 jobs), wholesale trade (-1,600) and transportation, warehousing and utilities (-900).

Faced with these troubling economic issues, many stores were forced to consolidate or close including Pathmark, which closed area locations in Belleville (Essex County) and Union (Union County) resulting in the loss of 215 total jobs. These closings were part of a company-wide reorganization.

Within the wholesale trade component, sluggish demand from retailers resulted in reductions in jobholding. Some wholesalers such as Prince Doughnuts located in Linden (Union County) reduced payrolls (-40). Yet others, due to severe economic difficulties, were forced to close, such as: Nebraska Meat Corporation, a wholesale packager located in Newark (Essex County, -230 jobs) and Cord Crafts, a wholesaler of silk plant components located in Wharton (Morris County, -113).

Employment in transportation, warehousing and utilities was down by 1,200 jobs over the first nine months of 2010. Less demand for goods resulted in transportation companies reducing payrolls such as MAERSK, a shipping company located in Madison (Morris County, -35 jobs). This sector also needed to adjust to increasing operational expenses such as rising fuel prices. As a result, firms like Red & Tan Charter, a bus company located in Elizabeth (Union County) was forced to lay off workers (-45). Also, Continental Airlines based at Newark Liberty International Airport (Essex County), which faced rising fuel cost coupled with sagging consumer demand, cut payrolls. Tri-State Transportation, a shuttle bus company which operates at Newark Liberty International Airport, reduced its workforce (-62 jobs).

Port Newark and the Elizabeth Marine Terminal are also major contributors to both the area and regional economies. Global trade levels and changing business patterns, such as a shift in transportation mode, affect port-related employment. One example is Hyundai Motor Company's plan to consolidate mid-Atlantic shipping operations. Deliveries from ports in Newark (Essex County), as well as Baltimore, Maryland, will be shifted to a single facility in Philadelphia, Pennsylvania.

Manufacturing, which accounted for 7.0 percent of the area's employment in 2010, continued its long-term downward trend declining by 5,000 jobs or 6.9 percent since 2009. Payroll losses were split almost evenly between the durable (-2,300 jobs) and non-durable (-2,700) goods sectors. While over-the-year job losses were significant, the rate of decline slowed substantially from 2009 (-13.1%).

Much of the past year's manufacturing loss can be attributed to weak economic conditions. Some examples of companies reducing payrolls include: United States Gypsum, a manufacturer of gypsum products, located in Clark (Union County, -61 jobs); Mark Machines, a manufacturer of surgical appliances & supplies, located in Fairfield (Essex County, -102); and Guest Packaging, manufacturer of hotel amenities, located in Rahway (Union County, -135). Also, Hartz Mountain Corporation, a manufacturer of pet products, closed its Bloomfield (Essex County) location and laid off 226 workers.

Some companies relocated operations out of state, such as Phillips Electronics, N.A., a manufacturer of electronic products like televisions and bulbs, located in Union (Union County) that resulted in the loss of (-82) jobs; and CPP Global (Sparta, Sussex County) which relocated and laid off (-45) workers.

A noteworthy segment within the manufacturing supersector is chemical and pharmaceutical and medicine. In 2010, this segment experienced a much slower reduction in payrolls in the area than in the state (-1.7% vs. -5.2%, respectively). The significance is the strength of Newark-Union's pharmaceutical industry that is the driving force holding the industry's employment segment in place.

Area employment in this industry has been relatively stable despite considerable restructuring due to several large mergers which occurred during the past two years, increased competition from generic drugs and limited new products in the pipeline. Whitehouse Station (Hunterdon County)-based Merck & Co.'s acquisition of the Kenilworth (Union County) based-Schering-Plough Corporation, resulted in job reduction (-500) at Merck's Kenilworth facility; closure of its Lafayette (Sussex County) location which idled 65 workers and reorganization of its Rahway (Union County) operations that reduced payrolls by 74. Some of the employment loss has been offset from companies attracted to the area due to its geographic industry-related strength.

Area employment in the financial activities supersector is still being impacted by the most recent national recession. During 2010, virtually none of the area's finance related sectors were spared a loss of employment. This was due primarily to a continued tight credit market, high unemployment and the impact of the sudden loss of personal wealth. As a result, companies have been reorganizing and downsizing in order to survive. The effects to the area's employment were predominantly felt within the finance and insurance segment (-2,900 jobs). Some developments that negatively impacted payrolls include: SBLI USA Mutual Life Insurance in Newark that ceased writing new policies causing a reduction of staff and AllState Insurance Company in Cranford (Essex County) that reorganized, resulting in the loss of several jobs. Other financial companies were acquired by another financial institution resulting in the elimination of jobs, such as American Bank of New Jersey in Bloomfield (Essex County, -30 positions). Employment in the real estate segment declined (-500 jobs or -3.1%) as a result of tight credit, high foreclosure rates and lack of investment. As a result, some firms in this industry segment contracted in order to survive such as Chelsea Property Group in Roseland (Essex County), which consolidated with parent company Simon Property Group resulting in the loss of (-70) jobs.

Employment in the government sector dropped by 2,600 (or -1.6%) over the year due to budgetary related concerns/constraints. Most notably was the decline of local government workers (-1.9%). Teachers, aids and other school staff positions were eliminated in the city of Newark, which laid off 200 teachers and Clinton Township School District (Hunterdon County), which laid off a combined 100 teachers and support staff. In addition, many municipalities also reduced the number of police, firefighter, and other municipal workers.

The construction supersector continued to face similar problems that have weighed down this sector since the start of the most recent recession - tightened credit, low consumer and business confidence, and a high inventory of available unsold buildings (both residential and commercial). In addition, the high rate of foreclosures on the market has created a new challenge to overcome. However, by comparison, area jobholding fared better than the state, falling at a much lower rate (-5.2% vs. -10.7%, respectively).

The labor area's job losses in the information supersector (-4.0%) during 2010 were related to changing technology. With less need for services from wired telecommunication carriers, and with more media news being obtained through electronic methods/devices rather than print, associated jobs were eliminated.

The labor area's jobholding in leisure and hospitality declined slightly (-0.7%) during 2010. Until recently, economic developments such as Newark's Prudential Center Arena have helped fuel employment growth in this supersector. However, the onslaught of employment cutbacks and the loss of business contracts by industry-related companies had a negative effect on industry employment. As a result, companies such as Host International in Newark (Essex County) and Aramark Management Services needed to reduce staff (-135 & -80, respectively) as business declined.

While Newark-Union's 2010 overall area employment was down, there were two supersectors that experienced job growth: educational and health services (+1.0%) and professional and business services (+0.6%).

Employment in the educational and health services supersector averaged 147,300 in 2010. The education sector has benefited from the increased number of post-secondary students who are remaining in school due to the tight job market. In addition, many eligible unemployed

workers are returning to school to increase their transferable skills in order to obtain a certification for specialized fields of employment.

Increased consumer demand from an increasingly aging population has helped the area's health services related employment grow. Notably, the health care and social assistance sector saw an increase in employment (+800 jobs or 0.6%), due mainly to payroll growth in the nursing and residential component (+700 or +3.5%). This component has seen employment levels rise as the baby boom generation (persons born between 1946 - 1964) enters into the elderly population segment, increasing demand for services. However, while the overall sector has experienced employment growth, one segment that has been lagging is hospitals which decreased jobholding in 2010 (-200 jobs) due to older 'general' hospitals closing or shifting focus onto newly specialized facilities. Examples include Chilton Memorial Hospital's (Pompton Plains, Morris County) recently opened Cardiovascular Interventional Lab. The lab is part of the hospital's \$24 million modernization project that includes a new Comprehensive Breast Center and a new orthopedic unit, the Total Joint Center. Saint Michael's Medical Center in Newark, which is being redeveloped at a cost of \$250 million, will have a new medical education building and a cancer center.

Newark-Union's professional and business services employment saw a turnaround during 2010 from the previous year's decline (-7,400 jobs or -4.3%) to post a modest gain of 900. The sector that showed the best performance during 2010 was administrative support services which increased by 5,000 jobs or 8.1 percent. Conversely, the sector with the steepest losses was professional, scientific & technical services with the loss of 3,400 jobs (-4.3%).

Administrative support services gains can be attributed to companies outsourcing certain required functions such as basic accounting and bookkeeping. One area of growth is in medical billing where doctors are outsourcing their billing business, as well as, medical practices, which are working to get their patient's records online. However, some specialized service-related jobs that cater to specific industries are slow to return. That's because many are reliant on their applicable industry to recover. One such example is in the professional, scientific & technical services component; architectural engineers continued to see employment drop (-400 or -4.2%). Since many of these jobs provide specialized services to the construction sector, employment remains stagnant as demand for new building remains low.

The not seasonally adjusted unemployment rate for the Newark-Union Labor Area averaged 9.6 percent in 2010, up from 8.9 percent in 2009. Within the five-county area, unemployment rates for 2010 ranged from a low of 7.3 percent in Hunterdon County to a high of 11.2 percent in Essex County over the first nine months of 2010.

The economic outlook for the Newark-Union Labor Area in the coming months is being viewed with caution and slow-moving employment growth is expected. Several positive indicators for the economy include: reduction in layoffs; stabilization of employment in certain industry sectors; development projects that are resuming or at least being discussed; and a slight uptick in the area's import and export activities. However, there are also many factors that could continue to weigh down the overall economy, such as low consumer confidence, uncertainty in the real estate market and high unemployment levels.

The outlook in the trade, transportation & utilities supersector is mixed. Several factors that could help stimulate payrolls in this supersector are: recently reported positive store sales results, an increased number of retailers setting up "pop-up" stores for the holiday season, a rebounding stock market, stabilized fuel prices and investments related to the area's ports.

As previously mentioned, this supersector is dependent upon activity in the interrelated component industries, as well as consumer confidence. With retail sales up and with stores like Union (Union County)-based Bed Bath & Beyond Inc, Wayne (Passaic County)-based Toys “R” Us, along with Macy’s, Borders Express, as well as many others establishing “pop-up” stores in area shopping malls for this holiday season, the labor area’s employment in the short run should grow. Another positive factor includes a rising stock market, which could help re-establish a feeling of increased personal wealth. Employment in wholesale trade and transportation and warehousing could benefit from an increase in retail sales as inventories are needed to replace stock levels.

While employment in manufacturing has been on a downward trend, the rate of loss should decelerate as several firms have plans to move to or expand in the area. Chemical manufacturer BASF Corporation plans to build a new \$100-million North American headquarters adjacent to its current site in Florham Park (Morris County), which will offer space for up to 1,400 people (as well as create 175 construction jobs).

Employment in the pharmaceutical manufacturing related segment is being viewed with cautious optimism. Even though pharmaceutical mergers such as the Whitehouse Station (Hunterdon County)-based Merck & Company with Kenilworth (Essex County) based-Schering-Plough along with New York-based Pfizer with Madison (Morris County)-based Wyeth will result in numerous layoffs within the area; other pharmaceutical and medicine related companies are still being attracted to, as well as expanding within, the area. Also, in an effort to ensure this highly skilled workforce remains in the region, the U.S. Department of Labor has provided the northern New Jersey counties with a \$3.6 million grant focused on retraining (about 1,000) laid off workers from the pharmaceutical industry. Having this vast cluster of highly-talented industry workers readily available is a positive initiative that should help encourage more industry related companies to move into and expand their operations within the area.

Employment in financial activities appears to be stabilizing and possibility poised for soft growth. While the supersector’s employment level is down since 2009, payrolls have risen by 1,400 jobs or 2.2 percent since January 2010, brightening the outlook for employment. New Jersey’s credit union business loans activity increased significantly during 2010. In addition, credit unions are benefiting from consumer’s changing spending habits. That is, as consumers are contemplating purchasing an automobile, they are opting to obtain a loan for a used vehicle rather than a new one. Since credit unions focus on this type of loan, credit unions are experiencing an increase in business and appear to be hiring as a result.

Employment in Newark-Union’s government supersector could continue to decline as state and local governments struggle with budgetary problems. The city of Newark expects to lay off workers in the near future including police officers and firefighters. In addition, nearly 400 sanitation workers are expected to be laid off when garbage collection is outsourced.

Newark-Union’s construction employment continues to be strained by poor economic conditions. Demand for new residential housing remains low. However, work on commercial projects that are planned or now underway could help stabilize employment. Some significant area construction projects that are poised to start or continue in the coming months include: the \$120 million “Teachers Village” in Newark (Essex County), where three charter schools and 221 residential units are planned; continuation of the redevelopment of the former Epstein’s Department Store in Morristown (Morris County) which is expected to create about 250 construction jobs; the New Jersey Performing Arts Center plans for a mixed-use \$190 million

high-rise to be built in downtown Newark; and work on a dormitory building at Montclair State University (Essex County).

In addition, the private sector is moving forward with area projects such as chemical company BASF Corporation's new \$100 million headquarters in Florham Park (Morris County) which is expected to create about 175 jobs during construction; an Embassy Suites Hotel planned for the Port Elizabeth (Union County) area, which is expected to create 350 construction jobs; and Watson Pharmaceutical's \$15 million expansion in Parsippany-Troy Hills (Morris County), which is expected to create about 100 construction jobs.

In the long-term, employment in leisure and hospitality should benefit from hotel development in response to demand from the region's arts, entertainment and sporting activities. Examples include: the planned Embassy Suites Hotel in the Elizabeth Port (Union County) that should be completed by the fall of 2011 and create 75 positions; a 150-room Courtyard by Marriott hotel, which is to be built in Newark next to the Prudential Center arena and should be completed sometime in 2012; the Hanover Marriott in Whippany (Morris County), which was recently acquired by HEI Hotels & Resorts, will undergo a \$20 million renovation.

The recent purchase of Mountain Creek by Crystal Springs Resort will result in one of the largest and most comprehensive four-season resort destinations in the region. The resort will span five miles through four Sussex County townships - Vernon, Hardyston, Hamburg, Franklin - and expansion plans include an indoor water park hotel and a village with entertainment, dining and retail.

In addition, new food services and drinking places firms are expanding in the area. Smashburger, a fast-casual restaurant that recently opened a new location in Florham Park (Morris County), expects to open other locations in New Providence (Union County), Morris Plains (Morris County) and Clifton (Passaic County), in the near future. Also, Wawa anticipates growing in Northern New Jersey by opening a convenience store location soon in Parsippany Troy-Hills (Morris County).

Employment in the educational and health services supersector should continue to grow in relation to the need for services. Education-related jobs may increase to meet rising enrollment, as well as, the need to cater to specialized industries. Employment in healthcare will rise to meet the needs of a growing population. In education, student enrollment will likely continue to rise if workers continue returning to school to continue education and/or gain new employable skills. To address this anticipated rising enrollment, colleges and universities will need to increase related resources, including instructors. Employment in education will also grow as schools address the needs of growing industry segments, such as pharmaceutical and medicines. One example is Fairleigh Dickinson University's \$12 million project to provide the state's second pharmacy school at its campus in Florham Park, (Morris County), set to open in the fall of 2012. This project will likely result in added teaching jobs, as well as administrative support staff.

Employment in healthcare will likely rise as demand for services grows. Several medical facilities are currently undertaking projects to address these needs. Atlantic Health has plans for an \$18 million expansion of its emergency room at Morristown Memorial Hospital (Morris County), which is expected to be completed in about two years.

The employment turnaround within the professional and business services supersector could continue through 2011. One positive sign is the rise in jobs in the labor area's employ-

ment services component in 2010 (+1.1%). As companies gain confidence in their business and see opportunities for growth, they typically first employ workers from the employment agencies, which include temporary workers. As employer's business, as well as confidence picks-up, the 'temps' tend to be hired as 'permanents'. An example is Solix, an outsourcing solutions company that recently moved to its new 56,000-sq.ft. headquarters in Parsippany-Troy Hills (Morris County). In addition to already having 50 employees, the company intends to hire 50 more employees in the next 8 to 12 months.

In addition, as several of the area's economic developments come to fruition, the highly educated and skilled workforce needed in many of the components within professional, scientific & technical services will be in demand. One example is the scientific research & development services component as projects such as Picatinny Arsenal in Rockaway (Morris County), a high-tech office and research park, continues to build-out. Just recently, the campus attracted and signed leases with companies such as SAIC, a scientific, and engineering and technology applications company, Booz Allen Hamilton, a technology consulting firm and BAE Systems, a defense company. And with the recent groundbreaking for two naval facilities that are expected to be completed sometime in 2011, this new \$14.8 million Army-Navy center project for armament development could eventually create 600 jobs at the base.

Due to the area's industry strength in bio-pharmaceutical and medical related segments, firms continue to be attracted to the area. One recent development is Dendreon, a maker of an immune-boosting therapy for prostate cancer, which has recently applied for FDA approval to essentially quadruple the capacity of its New Jersey factory. Upon approval, additional employment positions will likely be created. Also, Thorlabs, a manufacturer of optical instruments, is constructing a new headquarters in Newton (Sussex County). This site, which will include research and office space, as well as manufacturing and warehousing, will retain and create more than 450 permanent jobs.

In conclusion, while the overall employment outlook appears to be better than at the end of 2009, there is still an air of uncertainty. Many challenges remain to get the economy moving in order to create jobs; however it appears for now that at least the tremendous downhill pressures of 2007-2009 have eased. While still uncertain, signs of declining employment in most supersectors are tapering off, which provides for a cautiously optimistic outlook for employment in the Newark-Union Labor Area for 2011.

For more information on the Newark-Union Labor Area, please contact John Ehret, by e-mail at john.ehret@dol.state.nj.us or call 609-984-9683.

Warren County Labor Area Review of 2010 and Outlook for 2011

Warren County

by Anntionette Blackston, Bureau of Labor Market Information

Warren County's total nonfarm employment averaged 37,000 over the first nine months of 2010, down by 700 compared to the same period in 2009. In comparison, the state's employment declined at a slightly slower rate than the county (-1.3% vs. -1.9 %, respectively) over the same time period. The county accounts for only about one percent of the state's total employment base.

Employment in the labor area has been on a downward trend since jobholding peaked in 2005 (40,100 jobs). Since 2005 the industries that lost the most jobs were professional and business services (-1,300), manufacturing (-600) and construction (-600). These three industries combined accounted for 30.9 percent of the area's total employment in 2005 compared to 26.7 percent in 2010.

A review of nine-month averages for the current year reveals that since 2009 leisure and hospitality suffered the largest reduction of employment (-1,200 jobs) followed by construction (-400), information (-100) and financial activities (-100). The county's employment levels dropped at a much faster rate over the year than their statewide counterparts in the following industries: construction (-20.0% vs. -10.7%), information (-33.3 % vs. -4.1%) and financial activities (-10.0% vs. -3.2%).

Over the first nine months of 2010 industry sectors that added jobs were: educational and health services (+600 jobs), government (+200) and professional and business services (+100). The job gains in the public sector were all in local government, which added 400 jobs, while state and federal government each reduced payrolls by 100. The gains reflected in these service-driven industries were all at rates faster than their statewide counterparts.

Employment in manufacturing and other services was unchanged over the year. Other services has been able to maintain a steady payroll level of 1,800 since 2006. Jobholding in the manufacturing sector remained steady at 5,500 since 2009 despite the relocation of Kitchen Magic, a producer of cabinets, from Phillipsburg to Nazareth, Pennsylvania in May 2010 idling 200 workers.

Warren County's unemployment rate rose to an average 9.4 percent over the first nine months of 2010, up from 8.6 percent in 2009. Over the same period, the state's average unemployment rate also moved higher, from 9.1 to 9.8 percent.

Warren County's economic outlook remains cautious as the state and national economies are slowly regaining some traction from the recent economic recession. The county may continue to see employment decline for the remainder of 2010 and into 2011 but at a slower rate. Manufacturing may continue to see a decline in jobs as BASF, a chemical manufacturer, moves its paint coating production line from Belvidere to Canada in December 2010 affecting 20 employees. In addition, Tyden Brooks Security, which produces security seals, will close its Phillipsburg plant and transfer operations to Mexico and China at the end of 2010 reducing area payrolls by 91.

Educational and health services should continue to increase its workforce to meet the ever growing needs of a diverse and growing population. Other industries that may show growth in the coming year are professional and business services and construction.

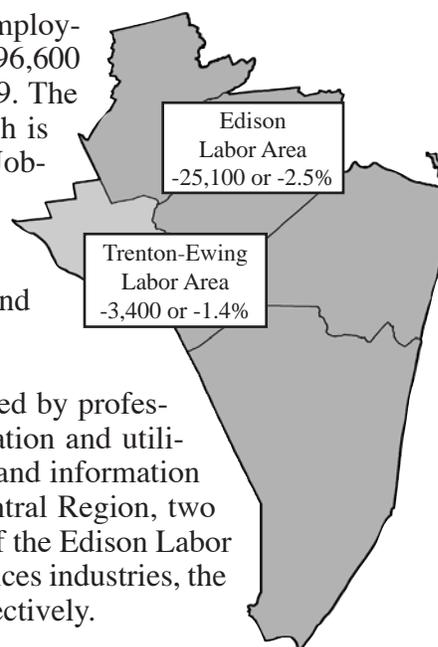
The construction industry may benefit from an upturn in planned residential homebuilding. Through the first nine months of 2010 the issuances of building permits in the county totaled 144, an increase of 29 units or 25.2 percent from the 115 units authorized during the first nine months of 2009. This upturn in proposed residential construction is also reflected statewide as permitting for new housing is up by 15.0 percent for the first nine months of 2010 over the same period last year. The county also demonstrated an increase in the total number of residential units authorized for 2009 (+13.0%) over 2008.

Employment in educational and health services will need to keep pace with the county's growing and aging population. Since the 2000 Census, the population in Warren County has increased by an estimated 7,201 persons (+7.0%), reaching a total of 109,638 in 2009 (latest data available). Over the most recent decade, the county ranked sixth out of the state's twenty-one counties for the rate of population growth and was the fastest growing county in the northern region. The county's ability to attract new residents can be attributed to its desirable countryside setting which also offers easy access to major roadways such as Interstate 78 and Route 80 which allow access to regional employment centers within the state as well as in New York City. In addition, according to population projections by the New Jersey Department of Labor and Workforce Development, the county's population is expected to grow to 129,300 by the year 2025, an increase of 26.2 percent since 2000.

For more information on Warren County, please contact Anntionette Blackston by e-mail at anntionette.blackston@dol.state.nj.us or call (609) 292-2572.

Central Regional Summary

Over the first nine months of 2010, total nonfarm employment in the five-county Central Region averaged 1,196,600 as employers shed 28,500 jobs from area payrolls since 2009. The region's employment declined at a rate of 2.3 percent, which is less than the 4.2 percent drop that occurred a year earlier. Jobholding in the region has contracted by a recession-related 82,700 jobs (-6.5%) since reaching its peak level in 2007. However, the state's rate of decline (-1.3%) was lower than the region's during the same nine-month period in 2010 and nearly identical to the area in 2009 (-4.1%).



The Central Region's recession driven slowdown was led by professional and business services (-11,900 jobs), trade, transportation and utilities (-8,400), construction (-6,600), manufacturing (-4,200), and information (-1,800). Despite the overall employment decline in the Central Region, two sectors posted job gains over a year earlier. On the strength of the Edison Labor Area's leisure and hospitality and educational and health services industries, the region posted gains of 4,200 and 3,500 in those sectors, respectively.

The region's two labor areas, Edison (-2.5%) and Trenton-Ewing (-1.4%), both exhibited losses in jobholding over-the-year. Throughout the region, payrolls declined in the Edison Labor Area (Middlesex, Monmouth, Ocean and Somerset counties) mainly due to losses in professional & business services and trade, transportation & utilities. In the Trenton-Ewing Labor Area (Mercer County), the losses stemmed from government, mostly at the local level due to budgetary constraints.

Due to the recent economic recession and the continuing stress on these industries, the building of residences and commercial facilities suffered significant setbacks that resulted in the loss of employment in construction. Professional and business services companies, which specialize in performing activities for other firms, have been particularly hard hit since the economic downturn. Many companies in difficult economic times reduce the use of contracted services from firms in this sector among their first steps in reducing costs.

Trade, transportation and utilities lost jobs across all industry components as consumers continuing to face potential job losses and an uncertain future restricted purchasing. This sector is heavily weighted by retail trade (-5,000 jobs) as weak consumer demand continues to affect employment in this sector. As retailers scale back inventory due to decreased demand, the transportation, warehousing, & utilities (-700) and wholesale trade (-2,700) sectors also experienced lower demand for their services and consequently, additional jobs were lost.

The outlook for job creation and retention in the central regional economy will be greatly influenced by economic developments at the national and state levels. Recently, there have been encouraging signals of increasing economic activity in the region. For example, many of the retail stores that were left vacant due to closings in 2008 and 2009 are being re-opened by new and expanding businesses. However, the level of consumer confidence will continue to weigh on payrolls.

Government is a significant cog in the region's economic engine, representing over 18 percent of the region's employment base and 28.8 percent of payrolls in the Trenton-Ewing Labor Area which is home to the state capital. This sector continues to face difficulties in the form of budgetary deficits which could negatively impact payrolls.

Until the private sector is able to compensate for the reduced payrolls during the recent economic downturn and provide additional jobs for new entrants to the job market, unemployment will not significantly decline in the near term. Since the job losses are about half of what was experienced last year, this suggests that the economy of the Central Region has been stabilizing rather than continuing on a downward trend.

Growth in Nonfarm Employment: 2005 — 2010
Based on January to September Averages

	Growth Rates (Percent)					2010
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Employment (000)
Central NJ Region	1.4	1.0	0.2	-4.2	-2.3	1,196.6
<u>Labor Areas</u>						
Edison Labor Area	1.6	1.1	-0.2	-4.6	-2.5	963.8
Trenton-Ewing Labor Area	0.6	0.6	1.8	-2.7	-1.4	232.8
New Jersey	0.8	0.2	-0.2	-4.1	-1.3	3,840.7

Source: New Jersey Department of Labor and Workforce Development, Division of Labor Market and Demographic Research

Edison Labor Area Review of 2010 and Outlook for 2011

(Middlesex, Somerset, Monmouth and Ocean Counties)

by Michael Dugan, Bureau of Labor Market Information

The Edison Labor Area's level of nonfarm wage and salary employment fell to an average 963,800 during the first nine months of 2010, a drop of 25,100 (-2.5%) from the same period a year ago. Even though there was substantial loss, it was more than two percentage points better than the 2008 to 2009 job loss (-4.6% or -47,700 jobs). In a similar comparison, employment in the state experienced a loss of 1.3 percent since 2009. Payrolls in the labor area peaked in 2007 and since then have experienced a recessionary decline of 75,000 or 7.2 percent.

With a decline of 11,600, professional & business services realized the greatest job loss over the first nine months of 2010. Employment declined as payrolls fell in administrative, support & waste management services (-10,500 jobs) and in professional, scientific & technical services (-1,300). Despite the decline in administrative, support & waste management services, staffing at employment agencies rose (+800) due in part to companies contracting for temporary workers.

Jobholding in trade, transportation and utilities was down by 8,000 since 2009. However, one positive development in the retail trade sector was the September opening of a Sam's Club which added over 225 jobs to area payrolls. The wholesale club retailer is the first business to open at what eventually will be known as Edison Towne Square, a retail complex being built at the 100-acre property of the former Ford plant in Middlesex County.

The lingering effects of the national recession helped reduce payrolls in financial activities (-1,300 jobs). The bulk of these losses were in insurance carriers and related activities which shed 800 jobs. Other losses occurred in credit intermediation (-400 jobs), which includes banks and non-bank lenders. Stricter lending standards and a slow real estate market reduced

the number of mortgages written to finance the sale of homes. As a result, mortgage companies reduced staff.

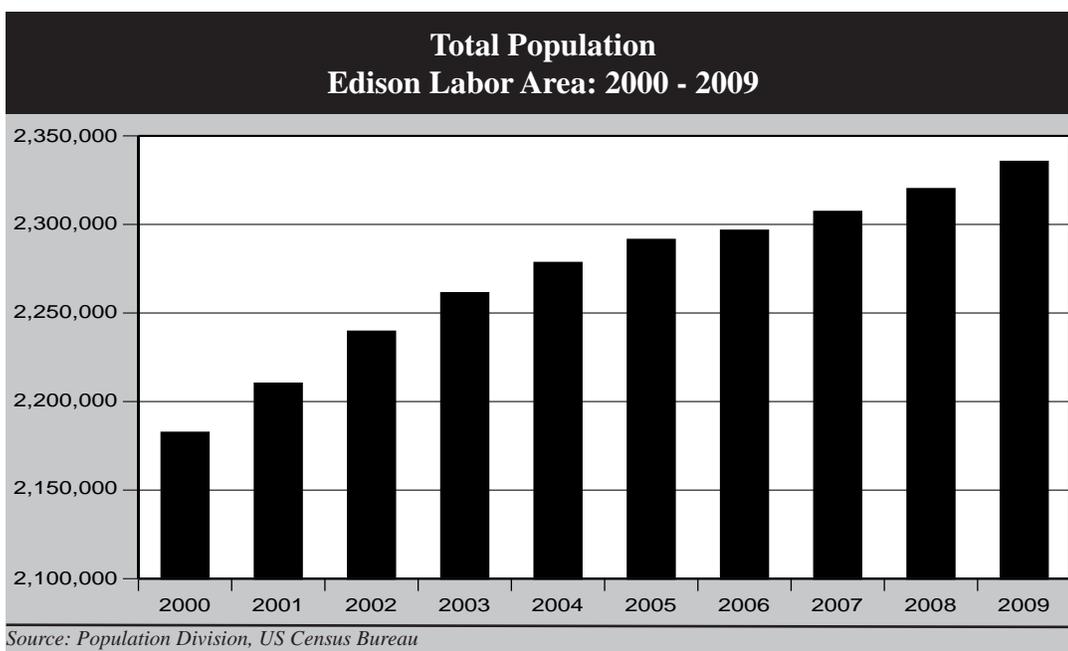
In the first three quarters of 2010, gains occurred in only three supersectors: leisure and hospitality (+4,400 jobs); educational & health services (+3,200) and government (+400). With the area leading the state in single-family residential building permits, employment in these service industries expanded to meet the increasing demands of a growing population.

Expansion in the food services and drinking places segment, which was up by 2,200, contributed to the overall gain in leisure and hospitality. Several restaurants opened throughout the labor area, including a Sonic Drive-In restaurant in Green Book (Somerset County) in February with 140 workers. Additionally, an Olive Garden restaurant opened in Piscataway (Middlesex County) in April creating about 45 jobs. Further south in Eatontown (Monmouth County), Buffalo Wild Wings, a fast-growing restaurant and sports bar chain, opened its first Jersey Shore location in March 2010 at the Monmouth Mall with 125 workers on their payrolls.

In educational and health services, employment gains were driven by hiring at health care providers. The largest gains occurred at ambulatory medical facilities (+1,400 jobs) which have been increasing in popularity due to their efficiencies. Hospital payrolls (+500 jobs) rose as medical centers expanded specialized care units, which often involved technological advances in the medical field.

Although the national recession officially ended in June 2009, the local economy has not yet begun to experience widespread job gains or growth. Businesses have learned to operate with leaner staffing during the economic slowdown. In the near future, the Edison Labor Area will likely experience slow economic growth. It may be weakened by consumers spending less so they can pay down debt. Consumer spending accounts for about 70 percent of economic activity and is likely to remain low over the next year.

At best, there should be cautious optimism regarding Edison's economy in the immediate future due to its location, well-balanced industry composition, population growth (as seen be-



low in the graph) and state-leading housing market. Improvement in the local housing market should help payrolls in construction. An increase in consumer confidence could have a positive impact on retail employment. Due to Edison's large employment base, changes in the area's level of nonfarm payrolls should remain in line with changes realized at the state level.

Recently there have been some positive economic indicators in the area. Housing is the motor that in the past helped stimulate the local economy after a recessionary period. State-wide, in 2010 Middlesex County led with the most issuances of building permits with a total of 1,152 through September followed by Ocean County which ranked second (1,027 units). Monmouth County ranked fourth with 719 units. With 511 authorizations, Somerset County ranked tenth. A total of 3,409 building permits were issued in the labor area through September 2010; 33.8 percent of the state's total permitting activity. The number of permits in the labor area has increased significantly since the same period in 2009 when just 2,181 units were authorized.

In addition, the labor area's housing prices have fared better than most other parts of the state. For instance, in the second quarter of 2010, the median price for an existing single-family home in Monmouth, Ocean, Middlesex and Somerset counties was \$345,800, up by 4.3 percent or \$14,100 from the same quarter a year ago ranking behind an area that includes Bergen, Hudson and Passaic counties where the median price jumped by 4.4 percent, according to the National Association of Realtors. The Atlantic City area rose by 2.6 percent while the Edison Labor Area's counterpart in the Central Region, Mercer County, had their median price increase 2.0 percent. The median price in an area that includes Essex, Hunterdon, Morris and Union counties rose by 1.9 percent. The federal tax credit for homebuyers, which expired on April 30th, and record low mortgage interest rates helped fuel sales.

In non-residential activity, the recently opened Sam's Club located at the former Ford plant in Edison will be joined by an outdoor walking mall, restaurants, a hotel, a movie theater, entertainment venues, office space and another big-box retailer, described as a home-improvement store. The complex will be built in stages as tenants sign on.

Offsetting gains in retail, eight Pathmarks and four A&P supermarkets will close in New Jersey. Of those 12 locations, five are located throughout the Edison Labor Area: East Brunswick; Woodbridge; North Brunswick and South Plainfield (all of Middlesex County) and Marlboro (Monmouth County). The October 2010 closing of the underperforming stores will result in job losses in the range of about 80-100 per location.

Also negatively impacting payrolls in the area, Sanofi-aventis, the world's fourth-largest drug maker, will eliminate 1,700 jobs in its U.S. pharmaceutical business in a restructuring triggered by growing generic competition and other factors. The layoffs will primarily hit sales representatives around the country and administrative staff at Sanofi's American headquarters in Bridgewater (Somerset County). At least 300 people working in such areas as marketing, finance and IT at the company's offices in Bridgewater are expected to be among the cuts.

The Edison Labor Area's employment will also be affected by the closure of a manufacturing facility on the Branchburg (Somerset County) campus of ImClone Systems, leaving about 140 employees to earn new positions with the company or take severance packages. The company will consider future uses for the building but there are no short-term plans. The facility was used to produce Erbitux, a medication used to treat head, neck and colon cancers.

In positive news, Coca-Cola broke ground in September on a new office and distribution center in South Brunswick (Middlesex County). The 230,000-sq.ft. facility is projected to open

in mid-2011 with a staff of approximately 650 drivers, merchandisers, account managers, distribution, sales and warehouse personnel. The Coca Cola development is a result of the New Jersey Partnership for Action program, whose overall goal is to attract and retain business in the Garden State. One component, Choose New Jersey, acts as the initiative's marketing arm. A second component, the New Jersey Economic Development Authority (EDA), takes on the financing role, offering incentives, providing access to capital from regional sources and overseeing programs that support the business community. Lastly, the Business Action Center, a team of representatives from the Secretary of State's office, operates as a liaison between businesses and government agencies, streamlining a process that has been commonly considered as cumbersome.

In another labor area development, there is a major redevelopment project planned at a 212-acre property along Route 1 in North Brunswick (Middlesex County) which is a former Johnson & Johnson manufacturing site. The project, called MainStreetNB, would include a NJ Transit train station, 870,000-sq.ft. of retail space, 1,875 residential housing units, 375 hotel rooms, 195,000-sq.ft. of office space and as a result, would be the largest transit village on the East Coast. In June, MainStreetNB received preliminary site plan approval from the North Brunswick planning board.

The biggest development that will occur in 2011 is the closing of Fort Monmouth. The fort straddles Eatontown, Oceanport and Tinton Falls in Monmouth County and was approved for closure by the federal Base Realignment and Closure Commission (BRAC) in 2005. Most of Fort Monmouth's military operations will be moved to Aberdeen, Maryland, as well as some of its 5,000 civilian jobs. Most of the base employees are civilians. Under BRAC guidelines, the base must close no later than September 15, 2011, at which point the Fort Monmouth property will be used for civilian purposes.

In an effort to minimize those job losses, legislation was recently passed that establishes the Fort Monmouth Economic Revitalization Authority (FMERA). Under the FMERA's guidance, the fort's roughly 1,125 acres will be redeveloped for civilian use. The plan puts 330 acres of land onto the property tax rolls of the fort's three host municipalities and includes 2.4 million-sq.ft. of housing to be built or renovated. Additionally, the state Economic Development Authority believes the Fort Monmouth Reuse and Redevelopment Plan submitted to the federal government in 2008 could lead to nearly 7,000 permanent jobs, including 4,900 jobs in 2 million-sq.ft. of office space and 1,900 jobs in 760,000-sq.ft. of retail and hospitality space.

Also assisting the area, the U.S. Department of Defense (DoD) has recently awarded a \$3 million grant to the Shrewsbury-based New Jersey Technology Solutions Center (NJTSC) to help keep high skill, high-technology jobs in the fields of science and engineering in Monmouth County in the wake of Fort Monmouth's closing. Support would include, but not be limited to, intelligence and communications support to the warfighter, and other missions of Fort Monmouth employees. The Technology Solutions Center will also use the skills of these workers to expand into the other areas such as homeland security and renewable energy. The NJTSC was created in response to a solicitation from the New Jersey Department of Labor and Workforce Development in consultation with the U.S. Army in September 2008. The grant will provide the operating funds for the NJTSC office and the administrative personnel that would be writing the contracts and hiring people. It is hopeful that the NJTSC will be awarded Army, Pentagon and Department of Defense contracts that would have previously gone to CECOM (Communications-Electronics Command) at Fort Monmouth or other contractors and have that work carried out in Monmouth County with personnel that are not moving to Aberdeen.

Within health care and social services, hospital employment is expected to increase. For example, Southern Ocean Medical Center in Stafford Township (Ocean County), which recently merged with Meridian Health, plans to expand its emergency department and facilities in 2011 which should result in additional staff.

Furthermore, in Hillsborough, Somerset County, ground has recently been broken on what will soon become one of the area's largest healthcare campuses, catering to the needs of local senior citizens. The 80,000-sq.ft. Bridgeway Care Center: Hillsborough Campus, sub-acute rehabilitation and long-term care facility is expected to be completed by fall 2011. The center will have a 120-bed facility that will be approved for Medicare, Medicaid and respite programs, in addition to offering numerous rehabilitative services. Care options at the campus will be offered to current residents and families living in Hillsborough, as well as residents throughout Somerset, Hunterdon and Mercer counties. A staff of more than 500 will include an administrator, medical director, licensed social worker and a therapy staff as well as a certified director of activities.

The Edison Area's unemployment rate can be expected to remain below that of the state in the coming year. In 2010, the nine-month average unemployment rate for the labor area was 9.2 percent, an increase from its 2009 rate of 8.5 percent. In comparison, New Jersey's average nine-month rate also moved significantly higher from 9.1 to 9.8 percent from 2009 to 2010.

Taking all things into consideration, the Edison Labor Area provides favorable demographics including high income, high educational attainment, and growing population for business to keep locating to the area. Also due to its location, the labor area is still an attractive place to live and work while being a desirable location for investment.

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Trenton-Ewing Labor Area Review of 2010 and Outlook for 2011 (Mercer County)

by Vin Samuel, Bureau of Labor Market Information

Employers in the Trenton-Ewing Labor Area, under economic stress from tight credit conditions and the fallout from the recent national recession, shed 3,400 jobs based on nine-month averages (January to September) in 2010 from the same period a year ago; this marks the area's second consecutive over-the-year decline in total nonfarm employment. Establishments in the area supported an average of 232,800 jobs in 2010 compared to 236,200 jobs in 2009. This 1.4 percent loss followed a 2.7 percent decline in 2009. In comparison, statewide employment fell by 1.3 percent in 2010 and 4.1 percent in 2009.

The decline in area jobholding was split between the public (-1,800 jobs) and private (-1,600) sectors. In the private sector, employment losses occurred in the following industry supersectors: trade, transportation and utilities (-400 jobs); manufacturing, financial activities

and professional and business services (-300 each); construction and leisure and hospitality (-200 each). Educational and health services was the only industry supersector in the area that posted an over-the-year gain (+300 jobs).

The decline in government payrolls was mainly due to cutbacks in local government which shed 1,300 jobs. State government employment, which is heavily concentrated in Trenton, the state capitol and Mercer County seat of government, was down by 500. With a high concentration of state offices, it is not surprising that government is the largest employer in the labor area. In fact, during 2010, government (federal, state and local) accounted for 28.9 percent of all jobs in the labor area.

The trade, transportation and utilities supersector was down by 1.4 percent reaching an average level of 28,300 jobs for 2010; this sector accounts for 12.2 percent of total employment in the Trenton-Ewing Labor Area. The decline in jobholding in this sector was primarily attributed to losses in the retail trade (-400) component industry. Firms in this industry reduced payrolls due to the recent recession and resulting decline in consumer demand. On a bright note, the transportation, warehousing and utilities component added 100 jobs.

Manufacturing accounted for 8,000 jobs in the Trenton-Ewing Labor Area during the first nine months of 2010, a decline of 3.6 percent from the 8,300 employment level of a year ago. A large proportion of the manufacturing jobs in Mercer County are related to the concentration of pharmaceutical firms located throughout central New Jersey.

Construction posted a decline of 3.6 percent from a year earlier due, in part, to a continuing reduction in demand for new homebuilding. However, there were several notable residential projects ongoing in the area in 2010. In Trenton, Hovnanian is redeveloping the former Champale manufacturing site into a market-rate townhouse project that has created roughly 25 construction jobs. Non-profit organizations such as Isles of Trenton, Habitat for Humanity, Martin House and others continue to provide new and rehabilitated homes, particularly in the City of Trenton. However, labor on these projects is sometimes provided through job training programs or on a volunteer basis. In Hamilton, a transit-oriented residential development called "The Crossings at Hamilton Station" underway near the train station has created 35 temporary construction jobs. The project includes 600 townhouses and condominiums as well as recreational amenities.

A slow market for commercial and industrial building also hampered the labor area's jobholding in construction. As a number of commercial buildings constructed in the area in recent years have not reached full occupancy due to a decline in demand brought on by the national recession, investors were reluctant to start large-scale building projects on speculation during the year. Several large projects which began in 2009 and continued into 2010 helped maintain payrolls somewhat and include the new Capital Health hospital campus being built in Hopewell Township, two new commercial buildings at the Princeton South office complex (Ewing Township) and two office buildings in Hamilton Township being developed by Opus Corporation. Along Route 571 in West Windsor Township, a commercial complex which will house a pharmacy, childcare facility and a bank is also under construction.

Educational and health services was the only supersector to increase jobholding, posting a minor payroll gain of 300 or 0.7 percent in 2010. Despite an overall increase, the health care services sub-sector was negatively impacted by a layoff of 165 employees at the University Medical Center in Princeton. With the large number of private preparatory (The Lawrenceville School, The Hun School of Princeton, Peddie School, etc.), and post-secondary schools

(Princeton and Rider universities), four large, general hospitals (Capital Health's Regional and Mercer campuses; Robert Wood Johnson University Hospital, St. Francis Hospital and The University Medical Center at Princeton); and specialty hospitals such as The St. Lawrence Rehabilitation Center, Princeton House and the Merwick Care and Rehabilitation Center, the educational and health services supersector is the second largest contributor to employment in the labor area. Employment in this industry sector (44,100 jobs) accounted for about 18.9 percent of the area's total employment during 2010.

In leisure and hospitality, payrolls declined in part, due to restaurant closings throughout the labor area. This sector includes firms in accommodations, food services and drinking places, and full service restaurants. On a brighter note, an Element Hotel and Springhill Suites by Marriott opened in Ewing, each with 50 employees, during the spring of 2010.

The contraction in financial activities jobholding of 300 from 2009 to 2010 follows a loss of 1,000 jobs in this sector last year. Consolidations at large banks such as Wachovia and PNC Financial, compounded with the absence of growth at mortgage banks and stock brokerage houses such as Bank of America and Merrill Lynch, exerted downward pressures on employment in the sector. Additionally, the real estate component of this sector continues to struggle as realtors leave the industry in the face of sluggish real estate sales. Financial activities reached a recent high of 17,100 jobs in 2007 and remained at that level through 2008 before declining in the last two years. However, the labor area benefited somewhat from the opening of branch offices by several banks which provided minimal new job opportunities.

Based on nine-month averages for 2005 through 2010, the number of unemployed persons in the Trenton-Ewing Labor Area reached a high of 16,600 in 2010 pushing the unemployment rate in the labor area to an average of 8.2 percent for the nine months of 2010. Since 2007, the unemployment rate in the labor area has risen by 4.3 percentage points. In comparison, the statewide unemployment rate, which has historically been higher than that of the labor area, increased from an average of 4.3 percent in 2007 to peak at 9.8 percent in 2010.

Payrolls in the Trenton-Ewing Labor Area may continue to decline throughout the remainder of 2010 and into 2011 as state and local governments, the area's largest employer, continue to seek opportunities to reduce costs in response to declining tax revenues. Although some improvements are projected for the state and national economies, the number of unemployed persons is expected to stay at a relatively high level during 2011.

Employment in the construction industry is not expected to rebound to previous high levels in the coming year. Presently, there continues to be a large supply of vacant commercial real estate in the labor area that will impact the demand for the construction of additional commercial space in the immediate future. On the residential construction front, several housing projects that are currently underway in Hamilton, Ewing and West Windsor townships may be completed next year. A high inventory of existing homes on the market could impact the demand for new housing units.

The financial activities sector may continue to benefit from additional expansion by small neighborhood banks next year. For instance, First Choice Bank plans to open branches in Hamilton and Robbinsville townships. Larger banks also have plans to expand in Mercer County. Chase Bank will continue to increase its presence in the labor area by opening a branch in East Windsor. Payroll growth in the real estate component of financial activities may remain sluggish if the housing market does not realize significant improvements in the near-term.

In trade, transportation and utilities, employment levels in retail trade could continue to be impacted by the high rate of unemployment, low consumer confidence, and area residents' uncertainties surrounding employment stability. Some retailers that opened last year in Hamilton, West Windsor, East Windsor and Robbinsville townships have reported sluggish sales.

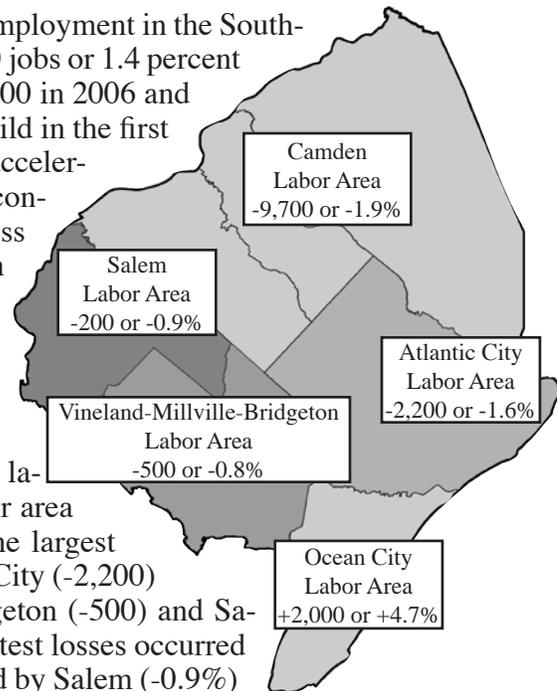
Beginning in the latter part of 2011 and into 2012, the Trenton-Ewing Labor Area is poised to lose jobs in the educational and health services sector as the University Hospital at Princeton and the Merwick Rehabilitation Care Center transfer employees to the new hospital campus being constructed in Plainsboro (Middlesex County) in preparation for the hospital opening in early 2012. Hospital jobs will also move within the labor area from Trenton to Hopewell Township as the Capital Health prepares to open its new campus in 2012. Consequently, this sector that has served as an engine of growth in Mercer County may remain level or decline somewhat in the next year.

In conclusion, the prospects for employment improvement in the Trenton-Ewing Labor Area next year will be dependent on the state and national economies expanding. However, even if the overall economy begins to improve, it is unlikely that the majority of the jobs lost in the current recession will be recaptured within the next year.

For more information on the Trenton-Ewing Labor Area, please contact Vin Samuel by email at vin.samuel@dol.state.nj.us or call (609) 777-2189.

Southern Regional Summary

In the first nine months of 2010, total nonfarm employment in the Southern Region averaged 770,300, down by 10,600 jobs or 1.4 percent from 2009. Employment in the region peaked at 826,200 in 2006 and has declined each year since. Losses were relatively mild in the first nine months of 2007 (-1.0%) and 2008 (-0.7%) then accelerated in 2009 (-3.9%). Although the Southern Region continued to lose jobs in the 2010 period, losses were less severe than in 2009 as business activity in the region began to pick up after the recession which officially ended in June 2009. Employment is considered a lagging indicator because jobholding normally does not begin to increase until a recovery is well underway.



This year, payrolls declined in all of the region's labor areas except Ocean City, which was the only labor area in the state to post an employment gain (+2,000). The largest losses took place in the Camden (-9,700) and Atlantic City (-2,200) labor areas, followed by the Vineland-Millville-Bridgeton (-500) and Salem (-200) labor areas. On a percentage basis, the greatest losses occurred in Camden (-1.9%) and Atlantic City (-1.6%), followed by Salem (-0.9%) and Vineland-Millville-Bridgeton (-0.8%).

In the Southern Region, employment declined in the goods-producing sector (-6,300), which includes construction and manufacturing, government (-1,600), leisure & hospitality (-1,600) and trade, transportation & utilities (-800). These losses were partially offset by gains in educational & health services (+1,600). In the Camden Labor Area, the largest losses took place in manufacturing, construction, financial activities, trade, transportation & utilities and professional & business services. Atlantic City's losses were concentrated in leisure & hospitality. In Ocean City, most of the employment gains stemmed from the parts of the private service-providing sector that are unpublished due to Bureau of Labor Statistics guidelines. Payrolls declined in the labor area's leisure & hospitality supersector.

Growth in Nonfarm Employment: 2005 — 2010 Based on January to September Averages

	Growth Rates (Percent)					2010
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Employment (000)
Southern NJ Region	1.0	-1.0	-0.7	-3.9	-1.4	770.3
<u>Labor Areas</u>						
Atlantic City Labor Area	1.3	-2.5	-0.9	-6.4	-1.6	137.1
Camden Labor Area	1.2	-0.4	-0.4	-3.5	-1.9	507.2
Ocean City Labor Area	-0.2	-1.3	-2.2	-1.6	4.7	45.0
Salem Labor Area	1.3	-0.8	-5.1	-1.8	-0.9	21.8
Vineland-Millville-Bridgeton Labor Area	-0.5	-1.6	-0.6	-2.8	-0.8	59.2
New Jersey	0.8	0.2	-0.2	-4.1	-1.3	3,840.7

Source: New Jersey Department of Labor and Workforce Development, Division of Labor Market and Demographic Research

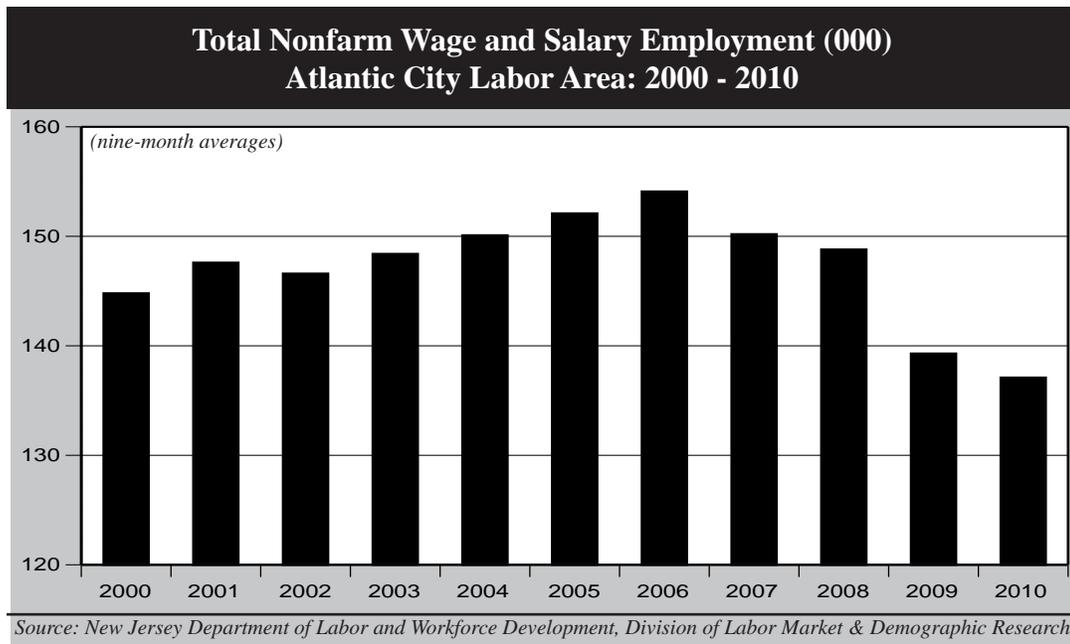
Atlantic City Labor Area Review of 2010 and Outlook for 2011 (Atlantic County)

by Chester E. Sherman, Bureau of Labor Market Information

Note: Unless otherwise noted, all employment data contained herein are averages of the first nine months of a year or based on comparisons of 9-month averages.

Averaging estimates of nonfarm employment for the first nine months of 2010 suggests that the last recession is still impacting payrolls in the Atlantic City Labor Area. Despite the official end of the national recession, now pegged at June 2009, wage and salary employment continued to decline in the labor area through the first nine months of 2010 — falling to an average 137,100, a drop of 2,200 or 1.6 percent from the same period a year ago. In a similar comparison, employment in the state declined by 1.3 percent.

This is the labor area's fourth consecutive over-the-year employment decline since payrolls peaked at 154,100 in 2006, but far less than the loss of 9,500 or 6.4 percent posted in 2009. According to the latest estimates, the greatest employment setbacks during 2010 occurred in casino hotels (-1,700), government (-800) and construction (-600).



Like many similar gaming destinations around the world, Atlantic City's hotel casino industry continues to suffer from the recession's after effects — most notably the lingering impact on consumer discretionary spending. Perhaps more so than any other county in the state, the Atlantic County economy depends on discretionary spending. With consumers focused on their own employment and financial circumstances, many are saving more, spending less and paying down debt. The impact on the gaming industry has been substantial not only on revenue streams and plans for future expansion, but also on the financial stability of some of the industry's largest companies.

The financial crisis that precipitated the recession also contributed to the cancellation of plans for three multi-billion dollar casino resorts in Atlantic City. However, one gaming company, Revel Entertainment, began construction on a \$2.5-billion hotel casino late in 2007 without permanent financing in place and a nascent credit crunch looming. With temporary financing, the Revel project moved forward rapidly in 2008, slowed in 2009 and for the most part was dormant in 2010 as company officials continued their search for the \$1 billion needed to complete the 2,000-room casino resort. Although from the outside the Revel hotel casino appears ready to open, its interior remains largely unfinished. Efforts by Revel officials to secure needed financing have not been helped by the perception that Atlantic City's gaming industry, staggered by the one-two combination of the recession and new competition, is on the ropes. However, there are some who believe a bottom is at hand and see opportunities that could pay off in the long run.

In that regard, some of the Atlantic City hotel casinos that were in financial jeopardy a year ago appear somewhat less so as 2010 draws to a close. The three Trump Entertainment properties (the Plaza, the Marina and the Taj Mahal) emerged from bankruptcy with less burdensome debt and the sale of the Tropicana hotel casino to a group headed by Carl Icahn was finalized in 2010. Resorts Atlantic City, which was taken over by its lenders in 2009, was sold to Gomes Gaming in 2010 – a development some industry insiders see as a positive sign for the city's gaming market. For the Atlantic City Hilton hotel casino, which is in default with its lenders and one of the industry's weakest performers, a potential buyer has emerged with plans to revitalize the property.

Another development that could be a positive for Atlantic City's gaming industry is the passage of legislation that would permit the construction of two hotel casinos with fewer hotel rooms and less casino floor space than current law requires. Hard Rock International officials indicate they would begin planning a 200-300 room, \$400-million hotel casino project immediately upon the legislation's passage. There also are efforts underway by the Governor and legislative leaders to create an Atlantic City Tourism District and a public-private partnership that would ensure the gaming industry's viability long term. What impact these efforts will have in the near term remains to be seen.

While there are some who prefer to see Atlantic City's glass as half full at this point in time, the gaming industry will post its fourth straight decline in casino revenue in 2010. Through the first nine months of 2010, the city's eleven hotel casinos won a combined \$2.8 billion from gamblers, a drop of 8.7 percent from the same period in 2009. Overall, the industry's total winnings are down by 30.0 percent since hitting a peak nine-month total of \$4.0 billion in 2006. In addition to the recessionary economy, casino revenues were negatively impacted during this period by competition from new gaming establishments in surrounding states.

Gaming industry employment also has trended downward since reaching a peak nine-month average of 47,800 in 1998. The loss of 1,700 gaming industry jobs in 2010 is the third largest decline during this 12-year period; only exceeded by the loss of 3,600 in 2007 and 3,100 in 2009. The industry's 2007 job loss was largely due to the closing of the Sands hotel casino, which was razed to allow construction of a multi-billion dollar casino resort and by significant layoffs at the Tropicana, where mismanagement eventually led to the revocation of its gaming license. Job losses over the past two years, however, are a reflection of the recent recession and increased competition in surrounding states. Other factors that contributed to the drop in gaming industry employment during this 12-year period include: competitive pressures brought about by the 2003 opening of the Borgata hotel casino; labor-saving advances such as coin-less slot machines; and, the impact of takeovers, mergers and other management restructurings.

The labor area's second greatest job loss during 2010 was posted in government where losses were split almost equally between state (-500) and local (-400). The recession's impact on government budgets has forced state, county and municipal officials to layoff workers of all types including police officers, firemen and teachers, reduce and eliminate programs and services, institute hiring freezes and furlough workers. State government payrolls, which have been trending downward since peaking at 4,400 in 2006, averaged 3,000 in 2010. Local government payrolls have slipped back to their 2007 level after peaking at 16,400 in 2009.

Construction employment declined by 600 in 2010 as the pace of both residential and nonresidential building activity remained well below recent peak periods. According to the US Bureau of Census, the number of dwelling units authorized by building permit in Atlantic County totaled 397 through the first nine months of 2010 (latest available data), an increase of 7 units or 1.8 percent from the same period a year ago. In comparison, permits for new dwelling units averaged more than 1,600 during the same 9-month periods from 2003 through 2006. The meltdown in the subprime mortgage market contributed to the sharp drop in new home building as it did throughout the nation, but the county's pace of residential construction was beginning to slow before the crisis in the credit market began.

According to the New Jersey Department of Community Affairs, the estimated cost of nonresidential construction authorized by building permit in Atlantic County increased to \$171.3 million through the first eight months of 2010 (latest available data), up from \$137.0 million during the same period of 2009. In comparison, nonresidential permits averaged slightly more than \$300 million during the 2006-2008 period when major casino expansion projects at the Borgata, Harrah's and Taj Mahal were underway, and work began on the new Revel casino project.

Smaller but significant employment declines also were posted in professional and business services (-300) and manufacturing (-200) over the year. The continued drop in professional and business services employment reflects the weak economy. Recent losses in this sector have been concentrated in security services with lesser setbacks among providers of architectural, engineering and management consulting services. Overall, professional and business service employment has declined by 1,400 since peaking at 10,800 in both 2006 and 2007.

Estimates for 2010 are not detailed enough to confirm it, but recent job losses in the manufacturing sector have been concentrated among local boat builders and producers of wood and nonmetallic mineral products — the latter two a reflection of the slowdown in construction activity, the former declining sales of sport fishing boats and luxury yachts. Overall, factory employment is down by 2,400 or 52.2 percent since hitting a peak of 4,600 in 2003.

The education and health services sector recorded the labor area's greatest employment gain over the year (+800) jumping to 19,000. The sector's increase during 2010, should it hold up through the annual benchmarking process early in 2011, would be a significant development. Total employment in this sector was basically unchanged over the previous four years (2006 - 2009). Recent gains have been concentrated on the health care side, in particular ambulatory health care services (physicians' offices, outpatient care centers, medical laboratories etc.) as hospital employment was unchanged over the year. New developments in health care during 2010 include: a 130,000-sq.ft. expansion of Shore Memorial Hospital in Somers Point; construction of a 30,000-sq.ft. facility for the Rothman Institute (orthopedic care) in Egg Harbor Township; AtlantiCare Regional Medical Center's construction of a 39,000-sq.ft. emergency health campus in Hammonton and Shore Memorial Hospital's plans for a 40,000-sq.ft. medical office complex in Egg Harbor Township.

The estimates for 2010 also show modest- to- moderate employment gains in food services/drinking places (+300) and retail trade (+100) over the year. The increase to an estimated average of 11,900 would be a new record employment level for food services, which declined slightly in both 2008 and 2009. There was a notable fast food component to the new food service jobs during 2010 with the opening of two Checkers restaurants (Hammonton, Ventnor), a Taco Bell in Hamilton Township, a Johnny Rockets in Atlantic City and a Sonic Drive-In restaurant in Somers Point. The gain in retail trade employment during 2010 follows a sharp drop of 900 jobs in 2009. For retail trade, it should be viewed as a positive when a Christmas Tree Shop store and an hhgregg electronic/home appliance retailer set up shop in space formally occupied by Linens-N-Things and Circuit City, but vacancies remain above average levels in some of the labor area's shopping centers.

The continued decline in nonfarm payroll employment during 2010 led to an increase in the county's unemployment rate to an average 12.7 percent through the first nine months of 2010, from an average 11.8 percent for the same period a year ago. In a similar comparison, the state's unemployment rate advanced to 9.8 percent from 9.1 percent in 2009. At 12.7 percent, Atlantic County's unemployment rate ranks second highest among the state's 21 counties (neighboring Cumberland County was highest at 13.6 percent). On average, the number of unemployed Atlantic County residents increased by 1,400 to an estimated 17,500 in 2010.

Except for a \$20-million makeover of the Claridge hotel, now part of the Bally's casino hotel complex, economic development within Atlantic City's struggling gaming industry has basically stopped. However, there were several notable developments elsewhere in the labor area during 2010. Work began during the year on a 55-acre aviation research park that is being developed in association with the Federal Aviation Administration's (FAA) William J. Hughes Technical Center in Galloway Township. The Center is expected to play a significant role in bringing 21st century technologies to the nation's next generation (NextGen) air traffic management system. Federal funds are currently paying for roads, utilities and other initial site work while county funds are improving roadways leading to the proposed park. FAA officials indicate they will award a total of \$7 billion in contracts for the Next Generation system during 2010, a project expected to cost \$22 billion by 2025. The park's \$16-million first phase of 66,000-sq.ft. of research and development space could begin construction in 2011. Federal officials estimate the research park could eventually include 400,000-sq.ft. of space and create up to 2,000 high-paying jobs.

Also during 2010, the Cordish Company began construction on a \$15-million, 45,000-sq.ft., phase three expansion of The Walk, their collection of more than 80 outlet-style shops and restaurants located along Atlantic City's gateway corridor. Cordish officials say the expansion is warranted in the face of declining casino business because The Walk has become a regional shopping destination. Construction of a \$30-million parking garage for Walk patrons is under way and a phase four expansion that would offer live entertainment in the form of nightclubs and other venues is also planned.

In Hammonton, New Jersey Manufacturers Insurance is nearing completion of a 146,000-sq.ft. office building along Route 54 in the town's industrial park. The building will initially house workers currently operating out of leased space elsewhere in the town. Readily expandable to 250,000-sq.ft., the new facility could eventually accommodate up to 330 employees.

Although progress is being made on planned developments in several other areas of the county, some will rely at least partially on the pace of economic recovery both locally and nationally. In Hamilton Township, the recent designation of the 150-acre Atlantic City Race

Course as an area in need of rehabilitation, could bring a business park, retail center, sports venue or hotel complex to the site. Plans for an \$87-million expansion of the Shore Mall appear to hinge on the availability of state grants for transportation improvements. Officials of Atlantic City International Airport have selected a developer to build a hotel-conference center near the airport but the project is not expected to begin construction until 2012.

There were several education-related developments in the county during 2010. Most notable was Richard Stockton College's purchase of the Seaview Resort, a 297-room hotel, conference center and golf course in Galloway Township. Some hotel rooms will be converted to student housing but the resort will remain open (except for two months this winter for renovations) and the college's Hospitality and Tourism Management Studies program integrated into its operations. Stockton also has committed to \$57 million worth of new projects over the next several years including a 70,000-sq.ft. unified science center building and a new satellite campus in Hammonton. There are \$46 million in projects underway or expected to get underway soon at Atlantic Cape Community College (ACCC) including a new \$16 million science and technology building and \$10 million hospitality studies center at its Atlantic City campus. Rutgers University also will construct a classroom building on ACCC's Mays Landing campus for students looking to complete a bachelor's degree.

Millions of dollars in roadway and other infrastructure spending is underway in the county and some of it the result of federal stimulus dollars. Notables include the \$250-million reconstruction of the Route 52 causeway linking Somers Point with Ocean City (Cape May County) and the \$90-million widening of the westbound Atlantic City Expressway. A \$25-million expansion of the Atlantic City International Airport terminal that is expected to attract direct international service to the airport could break ground before year's end.

While the outlook for the Atlantic City Labor Area's private sector in 2011 includes the potential for modest improvement in job levels and the pace of economic development, further reductions in government payrolls are expected in the coming year. For this reason, the county's monthly unemployment rates are likely to remain near historically high levels. In light of current perceptions, the restart of work on Revel Entertainment's 2,000-room hotel casino project or groundbreaking for a new Hard Rock casino in 2011 would provide a much needed economic and psychological boost for the labor area.

For more information on the Atlantic City Labor Area, please contact Chester Sherman, by e-mail at chester.sherman@dol.state.nj.us or call 609-292-7281.

Camden Labor Area

Review of 2010 and Outlook for 2011

(Burlington, Camden and Gloucester counties)
by Paul Bieksza, Bureau of Labor Market Information

Total nonfarm employment in the Camden Labor Area averaged 507,200 over the first nine months of 2010, a decline of 9,700 from the same period a year ago. Jobholding in the area reached its peak in 2006 when employment averaged 540,200. Payrolls declined slightly over the first nine months of 2007 (-0.4%) and 2008 (-0.4%) before sustaining a more severe drop in 2009 (-3.5%). Losses in 2010 were more moderate (-1.9%) than the previous year. Statewide, average employment peaked in 2007, before declining in the 2008 (-0.2%), 2009 (-4.1%) and

the 2010 periods (-1.3%). This year's losses in the labor area and the state were due to the lingering effects of the recession which began nationally in December 2007 and officially ended in June 2009.

Over the first nine months of 2010, employment declines took place in most supersectors and were recorded in manufacturing (-2,400 jobs), construction (-2,000), financial activities (-1,300), professional & business services (-1,200), trade, transportation & utilities (-1,200), government (-1,000), information (-600) and other services (-100). The only supersector to register an employment gain this year was educational & health services (+300 jobs), while leisure & hospitality payrolls remained at the same level as last year.

Manufacturing employment declined as companies cut production of goods made in the labor area's plants because of declining demand or to move operations to lower-cost locations. For instance, Sony Music stopped making movie DVDs at its factory in Pitman (Gloucester County) in February (-160) because more consumers are now renting movies online rather than picking up physical copies at video stores. Also, the federal government has scaled back purchases of electronic equipment for the military, which led to layoffs throughout the year at Lockheed-Martin's plant (-126) in Moorestown (Burlington County) and the L-3 Communications factory (-170) in Camden City (Camden County). In December 2009, the Sunoco oil refinery in Westville (Gloucester County) closed (-450) and the Valero refinery in Paulsboro (Gloucester County) reduced production (-100).

Construction employment declined in 2010 because there was less residential and non-residential building activity in the Camden Labor Area than in 2009. Fewer homes were completed according to the New Jersey Department of Community Affairs, which indicated that 660 housing units were certified for occupancy year-to-date through July 2010, a 25.1 percent decline when compared with the same period in 2009. Fewer homes were built this year due to decreased demand and tighter lending standards.

Relatively few privately-built nonresidential projects were started this year, although work moved forward on commercial building projects that were already in the pipeline. Job losses were partly offset by additional highway and public building construction. Projects underway in the area included Virtua Health's new hospital in Voorhees (Camden County) and ongoing work at the Rowan Boulevard complex adjacent to Rowan University's main campus in Glassboro (Gloucester County). This year, a Barnes & Noble bookstore and apartments for 324 students were completed. The complex is owned by SORA Holdings, which leases the student housing to the university. Rowan University also started work this summer on a medical school building in downtown Camden (Camden County). So far, a city block along Broadway near Cooper University Hospital has been razed and excavation work in preparation for the building has started. Highway projects underway during the year included work on the replacement of the Marlton Circle in Evesham Township (Burlington County) with an overpass and reconstruction of sections of I-295 through portions of Burlington, Camden and Gloucester counties. This project involved removal and replacement of the roadbed with new asphalt. In addition, sections of the road were widened and several overpasses and exit ramps were replaced or rebuilt. Work on the northern section in Burlington County which runs from Exit 45 in Westampton Township to Exit 57 in Bordentown Township was nearly complete by the end of September. Work on the section in Camden and Gloucester townships is expected to continue into 2012.

Most job losses within finance & insurance took place within nondepository credit intermediation (-800) and real estate and rental & leasing (-400). Nondepository credit employment

declined from 2009 to 2010 mainly because mortgage banks employed fewer workers. Tighter lending standards, high unemployment and a soft housing market worked together to depress the number of new home loans being written and reduced the need for workers at headquarters operations. The Camden Labor Area hosts several mortgage company processing and servicing centers as well as the national headquarters of PHH Mortgage Company. Real estate and rental & leasing payrolls were down because real estate offices kept fewer salaried employees on their payrolls. In addition, several video rental stores closed in the area since a greater proportion of in-home movies are now being rented electronically.

In professional & business services, job losses were centered in professional, scientific and technical services (-500) as companies outsourced less work to professional businesses such as research, accounting, legal and engineering firms. Businesses required fewer services from outside professionals because many companies are uncertain about the future and have scaled back investments in new products and infrastructure. However, one important industry classified within professional & business services experienced employment gains from 2009 to 2010. Employment services payrolls increased (+900) as businesses hired more workers from employment agencies this year. Although business activity has picked up somewhat since 2009, many companies are waiting to see if the current uptick will last and opted to utilize temporary employees to handle the extra work rather than committing to hiring permanent staff.

Within trade, transportation and utilities, losses in retail trade (-700) and transportation, warehousing & utilities (-700) were partially offset by gains in wholesale trade (+200). Employment at retailers continued to decline in 2010 as consumers closely watched how they spent their money. However, this year's job losses were much less than last year (-3,500). During the recent recession, many households cut back on spending on nonessentials and concentrated on saving cash and paying down debt. Although spending at stores began to pick up somewhat in 2010, shoppers did not return to their pre-recession spending patterns. Stores which closed this year included a Sears Essentials department store (-82) in Evesham (Burlington County), a Genuardi's supermarket in Voorhees (Camden County) and a Macy's department store (-50) in Burlington Township (Burlington County). There were, however, some openings, including an hhgregg electronics store (+60) in Woodbury (Gloucester County) and a Wawa convenience store with gasoline pumps (+50) in Mt. Laurel (Burlington County).

Wholesale trade and transportation, warehousing & utilities payrolls were affected mainly by developments at distribution centers. Wholesale trade jobholding was boosted by hiring at the Simon & Schuster publications distribution center in Riverside and at the Sea Box plant in Cinnaminson, both of which are located in Burlington County. Simon & Schuster reorganized its distribution operations in the region by downgrading a warehouse in Bristol, Pennsylvania and transferring 50 employees to the Riverside location. Sea Box, which sells modified shipping containers to the military, has experienced an uptick in orders due to the wars in Iraq and Afghanistan. The growing company moved across Cinnaminson to a larger facility and added about 20 workers during the year to handle the extra business. Transportation, warehousing and utilities employment was adversely affected by the closing of the Office Depot warehouse (-146) in Westampton Township (Burlington County). The company moved to a new facility in Newville, Pennsylvania.

In government, employment losses took place at the state (-700) and local (-400) levels, while federal government jobholding increased slightly (+100). State government employment was down partly because state agencies have not been replacing all the workers that retire or leave the job for other reasons due to budgetary issues. Another factor was the closing of the Riverfront State Prison in Camden in June 2009 (-239). The prison buildings will be demol-

ished and the land along the Delaware River redeveloped. Local government payrolls were also depressed by cost cutting measures by school districts, municipalities and counties. Despite an overall gain, payrolls at the federal level were negatively impacted by the closing of the US Postal Service mail distribution center in Logan Township (Gloucester County) in February 2010. Of the 550 workers employed there, 329 accepted Postal Service positions in other states. Most of the remainder (189) transferred to other Postal Service locations in New Jersey. Job losses were partially offset by the hiring of temporary workers for the 2010 Census.

The area's average unemployment for the first nine months of 2010 averaged 10.1 percent, up from 9.2 percent in 2009. In comparison, the state's unemployment rate averaged 9.8 percent in 2010, up from 9.2 percent in 2009. During this time, the area's labor force increased (+0.2%) to an average 672,500. However fewer residents were employed (-5,100) and more were unemployed (+6,600), due to the sluggish economy.

In 2011, the outlook for the Camden Labor Area is for modest job gains as the labor area's economy slowly improves. The South Jersey Business Survey published by the Federal Reserve Bank of Philadelphia stated that most Camden Labor Area businesses believe local business activity increased during the third quarter, although the growth appears to have slowed down. This survey also indicates that local company executives expect business activity to remain nearly flat through March 2011.

Supersectors that are likely to register the largest average employment gains in the first nine months of next year include professional & business services, trade, transportation & utilities, leisure & hospitality and educational & health services. Smaller gains are possible in construction and financial services. Job losses may occur in manufacturing and government.

Professional & business services is expected to benefit from an uptick in general business activity in 2010. Gains are likely in professional, scientific & technical services as well as administrative, support & waste management as expanding companies contract out additional work of all types. As the economic climate improves, larger businesses should begin to hire outside firms to perform services such as research, accounting, legal work and engineering. Most gains in administrative, support and waste management are expected to stem from the employment services industry as companies contract out for more temporary workers.

Most of the jobs in trade, transportation & utilities are likely to be at retailers as people begin to spend more in stores. However, retailers still remain reluctant to invest in new locations, so fewer store openings than usual are planned for the fourth quarter of 2010 and next year. Store developments for the remainder of the year include the opening of a Sixth Avenue Electronics store (+80) in Deptford (Gloucester County) in October and the planned November openings of a Wal-Mart Supercenter with a full supermarket (+300) at the newly renovated CooperTowne Center in Somerdale (Camden County) and a Barnes & Noble University bookstore (+50) on Rowan Boulevard in Glassboro. On the negative side, a Kmart department store in Brooklawn (Camden County, -55 jobs) closed in October because the location was not profitable. In early 2011, additions at two shopping centers are expected to be ready to accept new tenants. Two buildings are slated to open in early 2011 at Towne Place at Garden State Park in Cherry Hill. The new section will be anchored by a Nordstrom Rack outlet store which is scheduled to open in April 2011 with 40 employees. Also, a few new storefronts are expected to be ready for rental this spring at The Boulevard at Voorhees Town Center, which is a main street development adjacent to the former Echelon Mall with retail stores on the ground floor and owner-occupied and rental housing on the upper floors. The new stores in this portion of the Town Center are likely to employ about 50 workers.

Jobholding could increase at wholesalers, warehouses and trucking companies as business improves at retailers. Many of the items sold at local stores come from warehouses located in the Camden Labor Area. As sales improve at stores, more workers will be needed throughout the distribution chain to transport and handle the merchandise.

Payrolls in the leisure & hospitality supersector could experience moderate growth in 2010 as consumers patronize restaurants, fitness centers and entertainment venues more frequently. Spending at restaurants has picked up throughout 2010 and restaurants have been adding workers. Several budget fitness centers opened in the area in 2010, an indication that business operators are expecting an increase in demand. Following the same trend as retail stores, relatively few new businesses are expected to open in this supersector, and most hiring will be at existing locations.

Educational & health services employment is likely to rise next year, with most of the gains in the health care & social assistance segment. Health care payrolls are expected to rise with most of the hiring expected to be at ambulatory healthcare facilities such as outpatient centers as well as at hospitals. Ambulatory healthcare employment is likely to continue its long-running upward trend because technological advances are making it possible to treat more conditions on a walk-in basis. Although the majority of the new jobs at physician's offices and outpatient centers are expected to be at existing facilities, new locations continue to open, though at a slower pace than in recent years. The most recent outpatient center to open in the area was Penn Medicine at Woodbury Heights, which opened in June 2010 with 40 employees. The facility in Gloucester County is operated by the Hospital of the University of Pennsylvania and is expected to add additional employees for the remainder of the year as more physician's practices locate there.

Also, hospitals have been upgrading facilities across the area on a regular basis to keep pace with increased patient volumes and new technology. The largest health-related project expected to open in the labor area in 2011 is the new Virtua-West Jersey Hospital in Voorhees. The \$460-million medical center will have 360 beds, all in private rooms and at 680,000-sq.ft., it is about twice as large as the hospital it is replacing. The new location is on a 120-acre site to allow for additional buildings in the future. Another hospital project now underway is the enlargement of the emergency department at the Kennedy University Hospital in Cherry Hill. The number of treatment bays will increase from 17 to 29 and the size of the unit will expand by about 5,000-sq.ft. The work is scheduled for completion in February 2011 and is likely to result in 30 new jobs.

Construction employment should increase modestly in 2011. Data from the US Census Bureau shows that the number of residential building permits issued for the first nine months of 2010 (1,473) was nearly equal to total issuances for the same period in 2009 (1,443). Therefore, declining demand for new residential units may no longer weigh down construction payrolls.

Non-residential building is expected to continue in 2011 at least at the same level as in 2010, with public building and highway projects making up a substantial portion of the work. In the first part of 2011, as work winds down on the nearly-completed Virtua-West Jersey Hospital in Voorhees and the Marlton Circle elimination project in Evesham Township, construction will ramp up on the Cooper Medical School of Rowan University in the City of Camden. The 6-story, 200,000-sq.ft. medical school building is scheduled for completion in the summer of 2012. Another large public works project where work is expected to intensify next year is the South Jersey Port Corporation's marine terminal now being built in Paulsboro (Gloucester County). Two piers are scheduled to be constructed at the terminal in 2011, and work is also

slated to begin in 2011 on an overpass linking I-295 with the seaport. An ongoing highway project that is expected to continue through 2011 is the reconstruction of a section of I-295 in Camden and Gloucester counties. Work is expected to be completed by spring 2012.

Financial services employment is likely to register small gains in 2011, with the bulk of the new jobs coming from nondepository credit intermediation. Sales of new and existing homes have begun to increase slightly across the nation in 2009 and this trend is likely to continue into next year. With home prices lower than they have been since the early part of the last decade and with mortgage rates at historic lows, home ownership is once again becoming an attractive option for many families. Since most homes are bought with mortgages, an improved residential real estate market should create more business and employment opportunities at mortgage companies.

Manufacturing payrolls may continue to decline in 2011, even though consumers and businesses have begun to purchase more goods. Although the demand for many goods has once again begun to increase, this will not necessarily translate into payroll gains at the labor area's factories. During the recent recession, production has fallen off at many plants. Even with increased orders, companies often have the ability to get the additional work out by increasing hours of existing employees or by hiring temporary workers from employment agencies. Perhaps more importantly, some of the area's largest factories produce specialty products for which demand is falling. For instance in October, Viking Yacht laid off 175 workers at its plant in Bass River Township (Burlington County) as demand for luxury recreational boats has decreased dramatically. These craft sell for up to several million dollars each, and the wealthy have cut back on purchases of these craft since the recession began. Also, local plants that make electronic equipment for the military have been getting fewer orders.

Government payrolls are likely to decline in 2011, with losses concentrated in local and state government. State government has been cutting spending and reducing staff through attrition. In local government, many school districts reduced staffing for the school year which began in September 2010. Further reductions in staffing at municipal governments and school districts are likely in 2011 due to budget constraints.

The Camden Labor Area's unemployment rate will probably remain near the state's rate in 2011. The unemployment rate in both the area and the state should decline slightly in 2011 as business conditions continue to improve and businesses increase hiring. It is probable that the area's unemployment rate in the first nine months of 2011 will average between 9.0 and 9.5 percent if economic growth continues at its present slow pace.

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Ocean City Labor Area

Review of 2010 and Outlook for 2011

(Cape May County)

by Chester E. Sherman, Bureau of Labor Market Information

The Ocean City Labor Area's level of nonfarm payroll employment, which had been on the decline since peaking at an average 45,400 in 2005, rebounded strongly in 2010 according to estimates for the first nine months of the year. The county's nonfarm payrolls increased to an average 45,000 for the January-to-September period, a gain of 2,000 or 4.7 percent from the same period in 2009. In comparison, employment in the state declined by 1.3 percent. If the estimates hold up through the annual benchmarking process early in 2011, the Ocean City Labor Area could be the only labor area in the state to record an employment increase in 2010. Estimates for the current year suggest that most of the county's job gains were concentrated in local government (+500), retail trade (+400) and other private service-providing industry sectors which are unpublished under guidelines from the Bureau of Labor Statistics (BLS).

The 6.8 percent jump in local government employment over the year, which exceeds by 300 the county's previous record level of 7,500 in 2007, appears ripe for revision in light of the budgetary pressures faced by local governments and school boards over the past year. The county's job gain in retail trade during 2010 was a 5.8 percent advance that nearly eclipsed the losses posted since retail peaked at 7,400 in 2005 and 2006.

The estimates also suggest that the largest identifiable employment declines in 2010 were posted within leisure and hospitality (-500) and the county's goods-producing sector (-200), which largely consists of manufacturing, construction and commercial fishing. The largest component of leisure and hospitality, accommodation and food services, accounted for 40 percent of the lost jobs. By default, the remaining 60 percent would be concentrated in the sector's only other (unpublished) component, the arts/entertainment/recreation services industry.

Leisure and hospitality is Cape May County's largest and most seasonally volatile industry sector. Estimating this sector's monthly employment level, which can quadruple from winter low to summer peak, utilizing a relatively small sample of employers can be problematic. Revisions to the monthly estimates based on unemployment insurance tax records will be made early in 2011. The impact these revisions have on preliminary employment estimates can be substantial; for example, in 2009 the leisure and hospitality sector's average for the first nine months of the year suggested a loss of 1,100 jobs from the same period in 2008. Revisions to these estimates early in 2010 reduced that loss to 100. With the exception of this year's decline to an estimated 10,700, leisure and hospitality employment has fluctuated within a relatively narrow range (11,000 – 11,500) over the past 10 years.

The county's goods-producing sector, where employment has been on the decline since peaking at 4,100 in 2006, now stands at an estimated 2,600. A significant proportion of the job loss in this sector occurred in construction as the pace of new residential building slowed dramatically. Based on residential building permit data for the county from the US Census Bureau, the number of housing units authorized for construction increased to a total of 301 through the first nine months of 2010, up by 85 or 39.4 percent from the same period a year ago. However, the current pace of residential construction is well below the average of more than 1,500 dwelling units authorized during the same nine month periods from 2004 to 2006. According to the state Department of Community Affairs, the estimated cost of all nonresidential construction

in Cape May County through the first eight months of 2010 (latest available data) was \$44.4 million, up from \$27.2 million during the same period a year ago. Overall, the county's pace of nonresidential construction has fluctuated in recent years: falling by 46.8 percent in 2007 and 30.3 percent in 2009; and, rebounding 53.5 percent in 2008 and 63.0 percent in 2010.

The process of estimating Cape May County's unemployment rate, which rose to a historically high nine-month average of 11.4 percent in 2010, may be the more accurate gauge of economic conditions in the county at this point in time. Overall, the estimated increase (before benchmark revisions) in Cape May County's nonfarm payrolls during 2010 had no impact on the county's unemployment rate, which advanced from 10.7 percent for the same period a year ago. In comparison, the state's unemployment rate rose to an average 9.8 percent from 9.1 percent in 2009. The number of unemployed Cape May County residents increased to an average 7,000 in 2010, an increase of 700 from 2009. Sharp seasonal swings in employment largely concentrated in the hospitality and other tourism-related industries tend to keep the labor area's unemployment rates higher than the state's on average.

Cape May County's economy is largely dependent on tourism, particularly summer tourism. In that regard, budget considerations kept New Jersey Travel and Tourism officials from producing official estimates of travel expenditures for the state's counties during 2009, and the same is expected for 2010. An informal, mid-season survey of tourist activity conducted during 2010 by the New Jersey Department of Labor and Workforce Development offers some insight into tourist activity during the peak summer months. Most of those contacted at mid-season felt that tourism revenues along the coast would post an increase in 2010 compared to 2009 if current trends continued through August and into the fall shoulder season. However, the increase is not expected to make up for the recent declines in tourist expenditures and will not be true for every type of business.

Overall, the survey found that despite a late-start to the "school's out" portion of the summer season due to a school year extended by an unusually high number of snow days, most of those contacted reported improved tourist activity through the 2010 season's midpoint. Those who most often proffered positive appraisals credited this summer's consistently hot and sunny weather, which compared favorably to the cooler and wetter summer of 2009. Those who offered less positive opinions tended to blame the average tourist's firm grip on their discretionary spending.

The report also found increasing anecdotal evidence that the state's coastal resorts are benefiting from the "staycation" phenomena: a trend some travel experts say is keeping those with financial or employment concerns from traveling to more distant and often more expensive vacation destinations. Since the Jersey Shore is "closer to home" to literally tens of millions within the Middle-Atlantic Region, the state's coastal resort communities may have benefited from their proximity to areas of high population density. However, shore vacationers continued to wait until the last minute to book reservations, remained very careful about discretionary spending, and looked to negotiate over prices and fees.

Whatever the recession's true impact on local tourism, it has not deterred some from continuing to invest in their businesses. Perhaps most notable in 2010 was Morey's Piers' new \$3-million, "Ghost Ship" attraction at their Mariner's Landing Pier. Morey's Piers operates three amusement piers and two water parks in the Wildwoods and regularly creates new attractions. Similarly, the owners of Sportland Pier (North Wildwood) are developing a new 1970's-style haunted house attraction with computer-generated video effects.

There were some major economic development projects in the pipeline for Cape May County prior to the latest national recession but in most cases little in the way of progress can be reported at this point in time. Wildwood officials responded to the loss of hotel and motel lodgings to condominium development in recent years, and attempted to compliment the city's newer convention center by approving plans for at least six high-rise hotel/condominium developments in the vicinity of the new center. Two of these planned developments, which feature several hundred hotel rooms and condominiums in structures that exceed 20 stories, have received the needed approvals but no work has begun or announcements made.

Similar economic and financial issues appear to have stymied a planned \$175-million, hotel/water park development in North Wildwood. The project, which would incorporate the city-owned Seaport Pier, includes a 425-room hotel and a 90,000-sq.ft. indoor water park. A development for which financing appeared not to be a problem in 2010 was a new \$10 million convention center in Cape May City. However, the project's start was delayed when bids came in higher than expected and plans were revised. Work on Cape May City's new convention center is expected to begin in 2011. A development expected to create 150 jobs next year is the completion of renovations to the Victorian Manor Nursing Center in Lower Township. The facility, which closed four years ago, is expected to reopen in March or April 2011.

A major infrastructure project that continued under construction in 2010 with the help of federal stimulus funds is the \$250 million second phase of the Route 52 causeway reconstruction. The rebuilding of the 2-mile long causeway that connects Somers Point in Atlantic County with Ocean City in Cape May County will employ as many as 500 construction workers over the course of the next two years.

The county's commercial fishing industry appears to be holding its own. Fishermen out of the Port of Cape May (Cape May – Wildwood) landed \$73.4 million worth of seafood in 2009 (latest data available) a slight drop from \$73.9 million in 2008. Overall, the port fell from fourth to fifth place in value of seafood landed among the nation's ports in 2009 according to the National Oceanic and Atmospheric Administration. In terms of dollar value, scallops continued to account for a majority of the port's catch in 2009.

The outlook for the Ocean City Labor Area in 2011 includes the possibility of modest improvement in private sector job levels and the pace of economic development. However, expected reductions in government payrolls could offset some private sector job gains during the year ahead. For the same reason, the county's unemployment rate is likely to remain at levels considered high by historical standards.

For more information on the Ocean City Labor Area, please contact Chester Sherman, by e-mail at csherman@dol.state.nj.us or call 609-292-7281.

Salem Labor Area

Review of 2010 and Outlook for 2011

(Salem County)

by Bridget Brinson, Bureau of Labor Market Information

From January 2010 to September 2010, total nonfarm wage and salary employment in the Salem Labor Area averaged 21,800, down from 22,000 during the same period in 2009. The labor area's average payrolls over the first nine months of 2010 declined at a slightly slower rate (-0.9%) than the state (-1.3%).

The over-the-year decline in area payrolls was the result of a loss of 500 jobs in the private sector. Industries that contributed to the overall decline in employment were: manufacturing (-400 jobs), other services (-300), leisure and hospitality (-200) and financial activities (-100). Despite recording a decline, the opening of a Super 8 Motel (Pennsville Township) was a bright spot for payrolls in leisure and hospitality. Over the year job gains were recorded in professional and business services (+500 jobs), government (+300) and natural resources mining and construction (+100). The increase in government jobholding was largely due to local government adding 400 positions.

The unemployment rate in Salem County averaged 11.4 percent during the first nine months of 2010. In comparison, the state's unemployment rate averaged 9.8 percent over the same time period.

The outlook for the labor area is encouraging due to employment opportunities planned from the end of 2010 through 2011 in several industry sectors. Within retail trade, the dormant Eatmor market in Pittsgrove Township reopened with a new name and ownership. The new owners doing business as Eatmor and Payless market opened at the end of October with 23 employees and hope to expand their employment to a total of 50-60 employees in 2011. Leisure and hospitality will benefit when Denny's moves into the now-vacant site which used to house The Country Market Restaurant and Buffet in the Flying J Travel Plaza in Carneys Point. Denny's will be hiring 70-90 workers for their opening around Thanksgiving. Manufacturing may see gains as Siegfried USA, a pharmaceutical and medicine manufacturer completes a new \$1.5 million warehouse at its manufacturing plant located in Pennsville Township. The 7,000-sq.ft. structure will add four times the storage space to the plant and employ about 20 additional workers once completed in November.

Continuing work at Harvest Point Apartments in Salem City will help maintain construction payroll levels in the short term. Two hundred and sixty new and renovated residential housing units have replaced 276 degenerated units at the Whispering Waters Apartment Complex off Grieves Parkway on Salem's east side. All except one of 18 buildings of Phase I and II of the project have been completed. The remaining building will be demolished and rebuilt and should be completed by the end of December 2010. The buildings were either leveled and rebuilt or refurbished. The second phase of construction included a community center.

A positive for construction will be the start of the Pilesgrove solar farm project in Pilesgrove Township. This project is being developed by Pilesgrove Solar LLC, a joint enterprise of conEdison Development and Panda Power Funds. The company is investing about \$85 million to \$90 million and will build 71,000 solar panels using about 100 construction workers. The solar farm, one of the largest in the Northeast, will cover approximately 100-acres.

In the utility sector, The U.S. Nuclear Regulatory Commission (NRC) has given approval to PSEG Nuclear to produce Cobalt-60 at its Hope Creek generating station on Artificial Island. Cobalt-60 is a radioisotope used in cancer treatments and for sterilizing foods and medical devices, among other applications. PSEG Nuclear will produce Cobalt-60 in partnership with GE Hitachi Nuclear Energy. Hope Creek is one of three nuclear reactors operated by PSEG Nuclear at Artificial Island. Hope Creek and its neighboring Salem 1 and Salem 2 plants comprise the second largest commercial nuclear complex in the United States. PSEG Nuclear has applied to the NRC for 20-year extensions to each of the three plant's current 40-year operating licenses. The company has also submitted an Early Site Permit application to federal authorities as it explores the possibility of building a fourth and possibly fifth nuclear reactor at the Island.

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Vineland-Millville-Bridgeton Labor Area Review of 2010 and Outlook for 2011

(Cumberland County)

by Bridget Brinson, Bureau of Labor Market Information

Based on nine-month averages, total nonfarm wage and salary employment in the Vineland-Millville-Bridgeton Labor Area is at its lowest level since 1998 (58,900 jobs). From January to September 2010, nonfarm payrolls averaged 59,200, down slightly from the 59,700 jobs averaged over the same nine-month period in 2009. The area's 0.8 percent decline since 2009 was less than the 1.3 percent decline realized statewide.

Employment in the private sector averaged 45,000 over the first nine months of 2010 remaining stable when compared with the previous year while public sector employment dropped by 500 jobs. Industries adding to their payrolls were: educational and health services (+300 jobs), professional and business services and leisure and hospitality (+200 each). These gains offset declining payrolls in the following industries: manufacturing (-300), natural resources, mining and construction, retail trade, information, financial activities and other services (-100 jobs each). The losses in employment reflect the lingering effects of the national recession.

Similar to the state, the area's manufacturing payrolls have been declining for decades. Since reaching a high point in 1990 (earliest data available) when there were 15,000 manufacturing jobs, employment has steadily declined reaching its lowest level in 2010 (8,200 jobs).

Despite long-term decline, there have been some recent positive developments for area manufacturing, such as Michigan-based AJM Packaging, (which took over the former Santa's Best property in Vineland in 2006) adding 2nd and 3rd shifts creating 68 jobs in 2010. AJM, a paper tableware manufacturer, makes plates, cups, grocery bags and similar products for grocery retailers and wholesale and food service distributors. The company plans to add additional staff by the end of 2010, and broke ground in October on a 300,000-sq.ft. addition which should be ready within the next year.

The recent opening of a Boeing facility in Millville also helped to offset job losses in manufacturing. Boeing Global Services and Support's arrival at the Millville airport is a promising economic sign for the present and future. Boeing, a leading manufacturer of tactical aircraft,

airlift, rotorcraft, weapons, unmanned aerial vehicles, which also provides numerous military and commercial airline support services, occupies an 80,000-sq.ft. facility at the Millville airport. The facility houses office, storage, shop, and interior aircraft parking. The U.S. Army has contracted with Boeing to retrofit helicopters. There are currently 22 workers employed at the facility and Boeing hopes to add a total of 100 new positions by the end of next year (2011).

The unemployment rate averaged 13.6 percent over the first nine months of 2010, in the Vineland-Millville-Bridgeton Labor Area rising by 1.2 percentage points over the same period last year. In comparison, the statewide unemployment rate rose from 9.1 percent in 2009 to 9.8 percent in 2010.

The outlook for the labor area is somewhat promising and payrolls could increase through the end of 2010 and into 2011 as a mixture of economic developments are underway or will begin in the area. The leisure and hospitality sector will contribute the majority of the employment growth.

Three hotels are being built in Millville, the result of the successful New Jersey Motorsports Park creating the need for additional hotel rooms. All three could be opened by the summer of 2011. Two Marriot brand hotels, a 120-room Marriott Townplace Suites and another 118-room Fairfield Inn and Suites hotel, will be built at a cost of approximately \$30 million. The hotels are being built on a 21.87-acre site located near Route 55 in Millville and should create about 50-60 jobs. The third hotel, a 108-room Hilton "Home2 Suites" is being constructed on 14.5 acres along Route 47, near the interchange with Route 55 in Millville. About 50 staff will be needed once the hotel is completed.

Ongoing projects in the labor area should help keep construction payrolls near their current level. The first of three phases of repairs and upgrades to the municipal sewer utility in Millville will provide about 80 full-time construction jobs for about a year. Phase I is currently underway and should be completed in February 2011. Also, 130 construction jobs will be created as the New Jersey Department of Transportation makes improvements to Routes 49 and 55 as well as the intersection of Route 49 and Wade Boulevard. The \$10 million project could be completed in the fall of 2011.

In the educational and health services sector, South Jersey Healthcare hospital system is planning to convert the former Matt Blatt car dealership located in Vineland into an all-inclusive senior care facility. The hospital would add about 70 new jobs to run the facility.

In manufacturing, Tectube USA, a division of TecTubes/Tetrapak Sweden, is planning to move its Pitman (Gloucester County) based facility to the Industrial Park in Vineland. TecTubes USA is a contract decorating and manufacturing facility serving the cosmetic, personal care, pharmaceutical (human and animal health) and consumer health and goods industry. The company has been operating for more than 35 years in southern New Jersey. The move will bring roughly 50 jobs to the area in the spring of 2011 and the company hopes to add 20 to 25 additional jobs in the future. Tectubes USA will take over the former GE Aerospace facility.

The retail trade component of trade, transportation and utilities will add to its workforce when Babies "R" Us joins Toys "R" Us at the Cumberland Mall in Vineland. The store celebrated its grand reopening in October with 53 employees. Also, Wal-Mart is adding a 40,000-sq.ft. grocery section to its Millville store, making it a superstore. The company will also completely renovate the exterior of the building and give it a new look. The store will not close during renovations. It presently has over 200 employees and will hire additional staff to cover

the expanded hours. The store will turn into a 24 hour a day operation when the grocery section opens in the spring.

Retail will also benefit from the renovation and conversion of the old J.J. Newberry building along Landis Avenue in downtown Vineland into the Landis Marketplace. Once the renovation is completed in the spring of 2011 over 100 workers will be hired for the over 30 stores that are expected to open. An Amish market will take up much of the first floor

Residential homebuilding may show some improvement in 2011 as residential building permits, an indicator of future building activity, totaled 301 year-to-date through September 2010, an increase over the same period in 2009 when just 187 permits were issued. Permitting activity has fallen each year after reaching a decade high of 737 authorizations in 2006.

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