STOCKTON UNIVERSITY | WILLIAM J. HUGHES CENTER FOR PUBLIC POLICY

THE SOUTH JERSEY ECONOMIC REVIEW

ABOUT THE SJER

This edition marks the 10th anniversary of the South Jersey Economic Review. Since its inception the Review has been committed to providing the region's stakeholders and policymakers timely, high-quality research that focuses on the Southern New Jersey regional economy. Over the course of its history, the Review has provided in-depth analyses of the regional economy's healthcare, construction, retail trade, and gaming industries. It has also explored key trends in the region's labor force, demographics, and wages. Economic diversification has also been a key focus of the Review. Indeed, despite the current poor state of the regional economy, efforts to diversify it are well underway. While this diversification process will take time and won't be painless, we are confident it can bear fruit. As all who live in South Jersey know, the regional economy possesses many unique assets that, properly leveraged, can drive robust, sustainable, and broadly-shared economic growth and prosperity over the coming decades. We look forward to analyzing these developments as they unfold and weighing in on the policy decisions that will guide them.

In anticipation of the New Jersey gubernatorial race which seems to have already begun in many respects despite the fact it remains some time off, this 10th anniversary edition of the Review assesses New Jersey's recent economic performance. More specifically, the state economy's performance on several key metrics is benchmarked against other states'. Three different periods are examined: the Great Recession (which officially began in December 2007 and ended in June 2009); recovery and expansion (June 2009 to November 2005); and the entire period since the Great Recession's onset (December 2007 to November 2015). This analysis begins on p. 3. This edition also includes a guest essay from Professor of Finance, Michael Busler, who weighs in on Atlantic City's current fiscal situation.

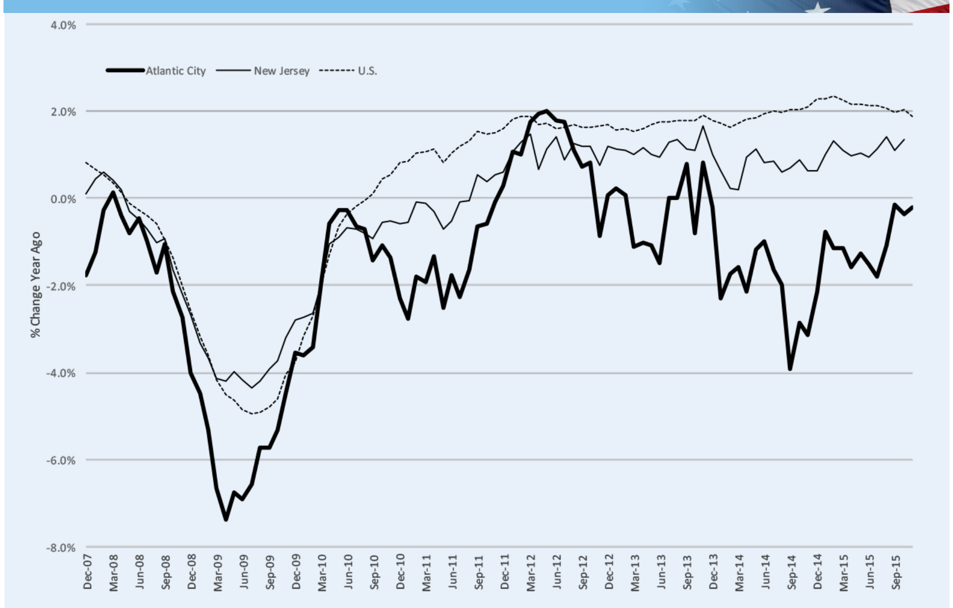
We are also pleased to announce that the Review will now be published under the aegis of Stockton University's William J. Hughes Center for Public Policy. The Review's primary aim fits perfectly with the Hughes Center's overarching mission: to serve as a catalyst for research on public policy and economic issues facing southern New Jersey. This new partnership will expand and deepen the Hughes Center's burgeoning research portfolio and capabilities and increase the Review's dissemination.

Sincerely,

Daniel J. Douglas
Director, William J. Hughes Center for Public Policy

Oliver Cooke, Ph.D
Associate Professor of Economics and Hughes Center Policy Scholar

Figure 1: Establishment Job Growth: Atlantic City, New Jersey and the U.S.
December 2007 to November 2015



Source: U.S. Bureau of Labor Statistics.

ATLANTIC CITY'S CURRENT SITUATION

Atlantic City recorded its 24th consecutive monthly year-on-year job loss in November, as total payroll employment declined by 0.2% (-300 jobs). (Figure 1) By virtue of this statistic, Atlantic City joined a group of 35 U.S. metropolitan areas (there are 381 in total) that have recorded 24+ consecutive months of year-on-year job loss since the *end* of the Great Recession in June 2009. (Table 1) Even more remarkable is the fact that Atlantic City's recent string of consecutive monthly job losses is not its longest since the recession's end. Between July 2009 and November 2011, Atlantic City recorded 29 consecutive months of year-on-year job loss. Atlantic City's neighboring metropolitan area, Vineland-Bridgeton, also recorded a 29-month period of consecutive year-on-year job losses over the same period. The

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Southern New Jersey regional economy's job crisis remains acute.

Total employment in the Atlantic City metropolitan area (which is coincident with Atlantic County) stood at 131,900 last November 2015. Since employment peaked at 153,900 in 2005, Atlantic City's economy has lost 22,000 jobs or 14% of its jobs base.

Through last November, the average monthly job count in Atlantic City was down 1,400 year-on-year. Reflecting the continuation of declining gaming industry revenue (total industry gaming win declined 6.5% last year), casino employment was down 4,100 through last November. (Table 2) Casino employment stood at 21,400 in November. Casino employment has declined by 20,000 (-47.6%) since 2005. Modest gains in several other industries year-to-date through last November—including restaurants/bars (+300), professional and business services (+100), education (+200), and other services (+200)—helped offset the loss of casino jobs. In fact, total employment *excluding* the metropolitan area's leisure and hospitality sector (which includes the casino hotels) was actually up 1,400 year-on-year through November. The biggest contributor to this job gain was construction which recorded an increase of 800 jobs (on a year-on-year basis) through November. While the recent gains in construction employment—tied to several on-going projects in the metropolitan area—have undoubtedly been welcomed by the area's beleaguered labor force, it should be remembered that such jobs are inherently temporary. The real, long-run effects of these projects will ultimately be measured by their ability to create permanent jobs.

ATLANTIC CITY'S PLUNGING LABOR FORCE

Reflecting the precarious state of the local economy, Atlantic City's labor force is in virtual free fall. Between November 2012 and November 2015, the metropolitan area's labor force plunged by 12,780—a startling 9% decline. Only Pine Bluff, AR, whose labor force contracted 12.3% over the same period, saw a greater percentage decline. Remarkably, the *absolute* decline in Atlantic City's labor force was the fifth largest among *all* metropolitan areas in the U.S. during this period. While Memphis, Rochester, Buffalo, and Chicago saw larger absolute declines, their percentage declines paled in comparison to Atlantic City's owing to their significantly larger economies. (Table 3, p3)

Atlantic City's declining unemployment rate—which stood at a seasonally adjusted 8.2% last November, compared to its Great

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Table 1: Metro Areas recording 24+ consecutive months of year-on-year job loss since end of Great Recession (Through November 2015)

Metro Area/Divison	No. Months
Champaign-Urbana, IL	39
Anniston-Oxford-Jacksonville, AL	37
Lake Havasu City-Kingman, AZ	36
Sierra Vista-Douglas, AZ	35
East Stroudsburg, PA	35
Salem, OR	34
Pine Bluff, AR	32
Beckley, WV	32
Brunswick, GA	31
Camden, NJ Metropolitan Division	31
Binghamton, NY	31
Montgomery, AL	30
Redding, CA	30
Shreveport-Bossier City, LA	30
Atlantic City-Hammonton, NJ	**29**
Vineland-Bridgeton, NJ	**29**
Ocala, FL	28
Fayetteville, NC	28
Charleston, WV	27
Prescott, AZ	26
Vallejo-Fairfield, CA	26
Lakeland-Winter Haven, FL	26
Johnstown, PA	26
Texarkana, TX-AR	26
Sacramento-Roseville-Arden-Arcade, CA	25
Dalton, GA	25
Carson City, NV	25
Hanford-Corcoran, CA	24
Stockton-Lodi, CA	24
Yuba City, CA	24
Jefferson City, MO	24
Albany-Schenectady-Troy, NY	24
Goldsboro, NC	24
Weirton-Steubenville, WV-OH	24
Florence, SC	24

Source: U.S. Bureau of Labor Statistics.

Table 2: Establishment Employment by Industry for Atlantic City

Industry	YTD thru November 2014	2015	Change	%Change
Total	133.6	132.3	-1.4	-1.0%
Total ex-L&H	90.5	91.9	1.4	1.6%
Private	110.6	109.1	-1.5	-1.4%
Construction	4.8	5.6	0.8	16.6%
Manufacturing	2.0	2.0	-0.1	-2.7%
Wholesale Trade	2.6	2.6	0.0	1.1%
Retail Trade	15.9	15.8	-0.1	-0.3%
Transportation and Utilities	3.0	3.1	0.1	4.6%
Information	0.8	0.7	-0.1	-9.4%
Financial Activities	3.9	3.8	-0.1	-1.4%
Professional and Business Services	9.6	9.7	0.1	1.2%
Education and Health Services	18.9	19.1	0.2	1.3%
Hospitals	6.0	6.0	0.0	0.3%
Leisure and Hospitality	43.2	40.4	-2.8	-6.4%
Accommodation and Food Services	41.2	37.5	-3.7	-9.0%
Accommodation	28.0	24.0	-4.0	-14.3%
Casino Hotels	26.0	22.0	-4.1	-15.6%
Food Services and Drinking Places	13.2	13.5	0.3	2.1%
Other Services	6.1	6.3	0.2	3.3%
Government	23.0	23.2	0.1	0.6%
Federal Government	2.6	2.6	-0.0	-0.7%
State Government	4.1	4.4	0.3	7.1%
Local Government	16.3	16.2	-0.1	-0.8%

Source: U.S. Bureau of Labor Statistics.

Table 3: Metropolitan Areas with Largest Percentage Declines in Labor Force: November 2012 to November 2015

	November 2012				November 2015				November 2012 to November 2015 Change			
Metropolitan Area	LF*	HE*	UN*	UR*	LF*	HE*	UN*	UR*	% Chg LF	Rank LF**	Abs Chg LF	Rank Abs Chg LF**
Pine Bluff, AR MSA	39,736	35,873	3,863	9.7	34,845	32,390	2,455	7.0	-12.3%	366	-4,891	336
Atlantic City-Hammonton, NJ MSA	**142,166**	**122,309**	**19,857**	**14.0**	**129,386**	**118,761**	**10,625**	**8.2**	**-9.0%**	**365**	**-12,780**	**362**
Homosassa Springs, FL MSA	51,367	46,151	5,216	10.2	47,169	43,939	3,230	6.8	-8.2%	364	-4,198	323
Owensboro, KY MSA	56,981	53,002	3,979	7.0	52,483	49,980	2,503	4.8	-7.9%	363	-4,498	328
Warner Robins, GA MSA	85,377	78,302	7,075	8.3	78,995	74,157	4,838	6.1	-7.5%	362	-6,382	347
Binghamton, NY MSA	118,916	109,192	9,724	8.2	110,930	104,638	6,292	5.7	-6.7%	361	-7,986	354
Albany, GA MSA	68,874	62,028	6,846	9.9	64,274	59,924	4,350	6.8	-6.7%	360	-4,600	330
Hinesville, GA MSA	33,679	30,806	2,873	8.5	31,522	29,642	1,880	6.0	-6.4%	359	-2,157	279
Elizabethtown-Fort Knox, KY MSA	66,535	61,230	5,305	8.0	62,410	59,298	3,112	5.0	-6.2%	358	-4,125	320
Elmira, NY MSA	40,746	37,274	3,472	8.5	38,237	36,039	2,198	5.7	-6.2%	357	-2,509	290

* LF=labor force; HE=household employment; UN=unemployment; UR=unemployment rate
** Rank among all U.S. metropolitan areas

Source: U.S. Bureau of Labor Statistics.

AC's Plunging Labor Force...

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Recession peak of 14% reached in November 2012—is thus entirely the product of its declining labor force (not job creation).[1] The sharp decline in the local labor force reflects some combination of a rise in the number of discouraged workers (who are not counted as members of the labor force and thus are not considered unemployed) and out-migration from the area. While the Census Bureau's annual 2015 population estimates for metropolitan areas will not be released until March, it seems likely that they will show an acceleration in the rate of population loss for Atlantic City. Last year's estimates indicated that Atlantic City's population declined 0.3% (-958 persons).[2] As noted in the Summer 2015 edition of the *Review,* last year's population loss in the metro area was its first since the late 1970s.[3]

RESIDENTIAL HOUSING MARKET REMAINS MORIBUND

The dire state of the local economy and the apparent out-migration now occurring continue to be reflected in the local housing market. Foreclosure data from RealtyTrac indicate that 1 in every 261 residential properties in Atlantic County was in some stage (pre-foreclosure, auction or bank-owned) of active foreclosure in December. This compares to 1 in every 553 properties statewide, and 1 in every 1,278 nationally. This past December, the number of properties that received a foreclosure filing in Atlantic County was down 33% year-on-year. (However, the same figure had ballooned to 221% in December 2014, when 1 in every 176 residential properties was in some stage of active foreclosure.) Home sales in Atlantic County were down 65% year-on-year in November 2015. The median sales price of a non-distressed home was $171,000.The median sales price of a foreclosure home was $80,000, or 53% lower than non-distressed home sales. High levels of foreclosures will continue to exert significant downward pressure on local home prices, as they not only increase the supply of homes on the market, but also tend to involve deferred maintenance which further reduces their selling prices. This process can often have deleterious knock-on effects on surrounding homes' values.

Median home price sales data for existing homes from the National Association of Realtors (NAR) also underscore the fragile state of the local residential home market. Third quarter data for 2015 (fourth quarter data will soon be released) indicate that the median sales price of an existing home in Atlantic City declined 3.4% year-on-year to $205,900. Atlantic City's third-quarter year-on-year decline was the fifth-largest among the 180 metro areas tracked by NAR. Similarly, Freddie Mac's Home Price Indices (FMHPI) for metropolitan areas show that of 213 metro areas covered, only 20 have seen single-family home prices fully recover since 2005. Of the 193 that have *not* seen single-family home prices fully recover,

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THE TAKING OF ATLANTIC CITY
(Michael Busler, Professor of Business)

The New Jersey Legislature has just introduced a bill known as the "Municipal Stabilization and Recovery Act." Although some parts of the bill could have wide-ranging impacts, the basic intent is to allow the state to takeover the finances of Atlantic City. The takeover will likely occur in late March and could last as long as five years.

The reason the state is taking this action, which has been rarely used in the past, is that Atlantic City is in severe financial distress. The governor said that in 2011, he told Atlantic City government that he would allow five years for the city to correct its financial problems. It is now 2016, the financial condition has worsened and may be reaching a critical point that could force Atlantic City into bankruptcy, which is something the state wants to avoid.

The timing is critical. This year the city budget is about $260 million while expected revenue will be about $160 million, although additional revenue should be raised through various government aid programs. The city has bond debt approaching $500 million which

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The Taking of Atlantic City...

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professionals view as so risky that the debt carries junk bond status, which means any further borrowing will occur at rates about 8 to10 times higher than they should be.

The alternative is to have the state borrow money for Atlantic City, which the state has already done, but which the governor does not want to do any longer. As a result the city will run out of money by March 31.

Making matters worse, is that the courts have ruled that the city over-taxed Borgata by $160 million dollars and ordered the city to re-pay. Since the city was unable to negotiate a settlement, Borgata asked the court to force the city to pay. The court has ruled favorably for Borgata meaning the city would have to immediately pay $60 million, which the city does not have and cannot borrow.

Making matters even worse, is that there will probably be a referendum on the ballot in November to approve casino gambling in Northern New Jersey. If that passes, which seems very likely, a substantial segment of Atlantic City's market will be virtually eliminated. Couple that with the eight casinos that are scheduled to open within the next three years that are within the marketing range of AC, and the problems worsen further.

Considering all of this, the legislature decided to take financial control of Atlantic City. The bill indicates that the takeover should occur within 30 days of the passage of the bill. Its first step will be to fund the city's operating shortfall. The city could run out of cash before the end of February if Borgata refuses to pay its current tax bill of $7.5 million. Borgata says that since the city owes it $160 million and is not paying that obligation, it will withhold its next tax payment and credit the amount toward the total owed by the city.

The next step is to get the city budget under control and eventually in balance. That will be difficult and painful. On the revenue side, property tax rate increases will be ruled out since the tax rate is already excessive. Boardwalk Hall, the Convention Center, Bader Field and the water company could be sold to private buyers. By selling these assets, hundreds of millions could be raised to repay debt and tax revenue could increase by about $8 million per year.

To increase revenue further, the city will try to bring in new investment and increase the ratable base. New investment will first come from public/private partnerships, then by offering tax credits to lure private investment. With the hardships facing the casino industry that may be difficult, so the new investment will have to come from outside of the casino industry.

Most of the city's operating expenses are for labor, so the first place the state will look to cut costs is the labor contracts. The state's position will be that there are too many public employees who are paid too much, for a city of this size and this cost of living. As such it will look to reduce the number of policemen, firemen, government workers and teachers. They will also look to re-work current contracts. This will be most painful, since the state will likely look for wage decreases in the 20% range and will seek to reduce the workforce by at least 10%.

Local officials will point out the various sources of the tax revenue that are paid to the state from Atlantic City. Perhaps some of the $55 million paid in luxury taxes, parking fees and hotel room tax, can stay in the city, although the state will be very reluctant to permanently lose tax revenue. Locals will also point out that it is unfair to compare spending per capita in AC to that of other New Jersey cities, since no other city has more than 20 million visitors every year. And no other city of 30 some thousand people has as many high rise buildings.

The state takeover could avoid a bankruptcy, but that is not assured. If casino revenue drops further so the PILOT program payments have to be adjusted downward and if there is no resolution on the labor contracts, bankruptcy could still be an option.

Since the state can keep control of Atlantic City's finances for up to five years, this will be a slow process. Eventually the state will exit and leave the city in a sustainable financial position. In the meantime, things will be difficult.

Residential Housing...

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Atlantic City ranks 191st based on price appreciation since price trough. Since last February, the month in which single-family home prices bottomed out in Atlantic City according to FMHPI data, prices have rebounded just +3.2%. And, the metro area ranks 185th based on current price relative to peak price: single-family home prices in Atlantic City remain -30.1% below their July 2006 peak according to FMHPI data.

NEW JERSEY'S ECONOMIC PERFORMANCE SINCE THE GREAT RECESSION'S ONSET

Last year, New Jersey recorded a total job gain of +46,700—a 1.2% increase. While this rate of increase matched 2013's rate of job growth, it was the largest *absolute* job gain the state has recorded since 2000 when it added 93,000 jobs (+2.4%). Reflecting last year's employment gains, the state's unemployment rate declined to 5.1% last December from 6.3% in December 2014. Over the same period, the total number of unemployed New Jerseyeans declined by nearly 50,000 while the labor force increased by 27,500. While last year's generally positive trends for the state economy were clearly welcome news, it remains true that the state economy's overall performance since the Great Recession's onset and during the subsequent recovery (since mid-2009) has been relatively poor.

This conclusion flows from the analysis set out below. Specifically, I examine the state economy's performance across several key metrics and benchmark it against other states'. Three different periods are considered: the Great Recession (which officially began in December 2007 and ended in June 2009); recovery and expansion (June 2009 to November 2005); and the entire period since the Great Recession's onset (December 2007 to November 2015).

EMPLOYMENT

As shown in Table 4 (p5), New Jersey experienced the 24th worst job loss among the states during the Great Recession. The state lost 193,000 jobs between December 2007 and June 2009—a total loss of 4.7%. As shown, New Jersey's loss was greater than Pennsylvania's (-3.5%) and New York's (-2.9%), but less than Delaware's (-5.6%) and the nation's (-5.4%).

Since the formal end of the Great Recession in June 2009, the state has experienced the 7th weakest recovery. (Table 5, p6) Since June 2009, total employment in New Jersey has increased by 3.8% (+147,000 jobs). This compares to total job gains of +4.4% in Pennsylvania, +7.8% in Delaware and +9.2% in New York. Nationally, employment expanded by 9.2% over the same period.

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NJ's Performance Since Great Recession...
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Since the onset of the Great Recession through last November—a period of nearly eight years—New Jersey ranks 43rd among the states in terms of total job growth. (Table 6, p7) As of November 2015, New Jersey's total job count represented 98.9% of its December 2007 count. In other words, as of last November, the state had still not fully recovered all of the jobs it lost during the Great Recession. While the state lost 193,000 jobs during the Great Recession, it had gained back only 147,000 as of last November. Indeed, as Table 6 shows, New Jersey is one of only 13 states that have yet to fully recover all the jobs lost during the Great Recession. In stark contrast, all three of New Jersey's neighbors—Delaware, Pennsylvania, and New York—have more than recovered the jobs they lost during the Great Recession.

EXPLAINING NEW JERSEY'S ANEMIC JOB RECOVERY FROM THE GREAT RECESSION

New Jersey's poor economic performance (in job terms) since the onset of the Great Recession has reflected weak job creation in several key industries since the official *end* of the recession in June 2009. (Table 7, p8) As noted, the state's jobs base contracted 4.7% during the Great Recession. This loss was less than the nation's, which saw total payroll employment decline by 5.4% from peak to trough. The implication of this is that whereas the nation saw payrolls expand 9.2% between June 2009 and last November, New Jersey's expanded by a much more modest 3.8%.

Table 7 makes clear that a handful of key industries in the state's economy have experienced weak job growth vis-à-vis national benchmarks since the end of the recession. In rank order, the five largest industries in the state's economy in terms of their December 2007 shares of total employment were: government (16%), professional and business services (15.2%), healthcare and social assistance (12.1%), retail trade (11.4%), and manufacturing (7.5%). Combined, these five industries accounted for nearly three-fifths of total statewide payrolls at that time.

Collectively, these five industries have recorded job gains of just 71,000 (2.9%) since June 2009 when the recession ended.

Table 4: Job Losses During Great Recession (thousands)

State	Dec 2007 Emp	June 2009 Emp	Change	% Change	Rank
Nevada	1,293	1,144	-148	-11.5%	1
Michigan	4,246	3,838	-408	-9.6%	2
Arizona	2,679	2,427	-252	-9.4%	3
Florida	7,932	7,221	-711	-9.0%	4
Oregon	1,738	1,608	-130	-7.5%	5
Indiana	2,993	2,770	-223	-7.5%	6
South Carolina	1,949	1,809	-140	-7.2%	7
Idaho	657	609	-47	-7.2%	8
Tennessee	2,806	2,606	-200	-7.1%	9
California	15,422	14,364	-1,058	-6.9%	10
Ohio	5,420	5,049	-371	-6.8%	11
Georgia	4,170	3,897	-273	-6.5%	12
Alabama	2,015	1,884	-131	-6.5%	13
North Carolina	4,168	3,897	-271	-6.5%	14
Utah	1,265	1,186	-79	-6.2%	15
Rhode Island	488	459	-29	-5.9%	16
Illinois	5,988	5,643	-345	-5.8%	17
Kentucky	1,858	1,753	-104	-5.6%	18
Hawaii	628	593	-35	-5.6%	19
Delaware	441	416	-25	-5.6%	20
Mississippi	1,160	1,096	-65	-5.6%	21
Wisconsin	2,878	2,735	-143	-5.0%	22
Connecticut	1,706	1,625	-81	-4.7%	23
New Jersey	**4,084**	**3,890**	**-193**	**-4.7%**	**24**
Colorado	2,351	2,240	-111	-4.7%	25
Washington	2,999	2,862	-138	-4.6%	26
Minnesota	2,771	2,647	-124	-4.5%	27
New Mexico	849	811	-38	-4.5%	28
Missouri	2,802	2,685	-117	-4.2%	29
Maine	621	596	-25	-4.1%	30
Montana	447	429	-17	-3.9%	31
Arkansas	1,208	1,161	-46	-3.8%	32
Vermont	309	297	-12	-3.8%	33
Pennsylvania	**5,815**	**5,609**	**-206**	**-3.5%**	**34**
Massachusetts	3,312	3,197	-115	-3.5%	35
New Hampshire	651	628	-22	-3.4%	36
Maryland	2,612	2,525	-88	-3.3%	37
Kansas	1,386	1,340	-46	-3.3%	38
Virginia	3,776	3,651	-125	-3.3%	39
Iowa	1,525	1,476	-49	-3.2%	40
Wyoming	294	285	-9	-3.1%	41
New York	**8,774**	**8,523**	**-251**	**-2.9%**	**42**
Oklahoma	1,607	1,565	-42	-2.6%	43
Texas	10,530	10,286	-244	-2.3%	44
Nebraska	968	948	-20	-2.1%	45
Louisiana	1,936	1,898	-38	-2.0%	46
West Virginia	762	751	-11	-1.4%	47
South Dakota	408	403	-5	-1.2%	48
Alaska	318	320	2	0.5%	49
North Dakota	362	367	5	1.4%	50
United States	138,350	130,944	-7,406	-5.4%	

Source: U.S. Bureau of Labor Statistics.

Yet, as of last November, total employment in these five industries remained 21,000 *below* (-0.8%) what it was in December 2007. Nationally, employment in this group of industries expanded 8.7% over the same period. While payrolls in the state's retail trade, health care and social assistance, and professional and business services industries have all *grown* since the end of the recession (total employment is up +124,000 (8% compared to 15% nationally), those in

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Explaining NJ's Anemic Job Recovery...
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manufacturing and government shrunk by 52,000 (-5.7% compared to 0% nationally).[4] Thus, while many of the state's industries have experienced some job growth since the recession's end (albeit often modest growth compared to national benchmarks), the real Achilles Heel of the state's "recovery" has proven to be the deep retrenchments in its public sector (especially local government) and manufacturing industries. Combined, employment in these two industries—which accounted for nearly one in every four jobs in the state prior to the recession's commencement—remains 89,000 (-9.3%) *below* its December 2007 level.

Several smaller, but still important, sectors in the state's economy have also struggled to expand payrolls since the national recovery officially began. The state's information sector (which includes the publishing and communications industries) has continued to record employment losses (-10.6% vs. +0.2% nationally) since June 2009. The financial activities sector (finance and real estate) has also continued to experience payroll parings (-3.4% and -0.5%, respectively, compared to national benchmarks of 4.2% and 8.8%). The stark difference between the state's and the nation's respective rates of job growth in real estate is tied to the state's still rather anemic real estate market recovery. (See discussion below.) Finally, the state's leisure and hospitality sector (especially important to its southern region) has managed to record job gains (+9.7% since June 2009). However, this rate of job growth considerably lags the rate of job growth recorded nationally in the sector (+17.3%) over the same period.

REAL PERSONAL INCOME AND GDP GROWTH LAG NATION'S AND NEIGHBORS'

The state's anemic job growth since the recession's end has, unsurprisingly, been reflected in weak personal income and real GDP growth. Since the third quarter of 2009 (the recession ended in the second quarter of that year), New Jersey's rate of real personal income growth (through last year's third quarter—the last quarter for which data are available) has averaged 1.2% compared to the nation's 1.9%. This rate of real personal income growth ranked New Jersey 42nd among all states on this metric. New Jersey's rate of growth trailed neighboring Pennsylvania's and New York's rates of 1.4% and 1.7%, respectively.

Table 5: Job Growth Since the End of the Great Recession (thousands)

State	June 2009 Emp	Nov 2015 Emp	Change	% Change	Rank
North Dakota	367	456	89	24.3%	1
Utah	1,186	1,393	206	17.4%	2
Texas	10,286	11,883	1,597	15.5%	3
Florida	7,221	8,185	964	13.3%	4
California	14,364	16,258	1,894	13.2%	5
Colorado	2,240	2,528	289	12.9%	6
Idaho	609	687	77	12.7%	7
South Carolina	1,809	2,025	216	11.9%	8
Washington	2,862	3,203	341	11.9%	9
Oregon	1,608	1,795	187	11.6%	10
Michigan	3,838	4,279	442	11.5%	11
Tennessee	2,606	2,890	284	10.9%	12
Indiana	2,770	3,064	294	10.6%	13
Georgia	3,897	4,309	412	10.6%	14
Nevada	1,144	1,259	115	10.0%	15
Massachusetts	3,197	3,514	317	9.9%	16
North Carolina	3,897	4,279	382	9.8%	17
Arizona	2,427	2,663	236	9.7%	18
New York	**8,523**	**9,307**	**784**	**9.2%**	**19**
Kentucky	1,753	1,913	159	9.1%	20
Minnesota	2,647	2,863	216	8.1%	21
South Dakota	403	435	32	7.8%	22
Delaware	416	449	32	7.8%	23
Hawaii	593	639	46	7.8%	24
Ohio	5,049	5,437	388	7.7%	25
Iowa	1,476	1,585	109	7.3%	26
Vermont	297	317	20	6.7%	27
Nebraska	948	1,011	63	6.7%	28
Maryland	2,525	2,690	165	6.5%	29
Montana	429	457	28	6.5%	30
Oklahoma	1,565	1,664	99	6.3%	31
Rhode Island	459	487	28	6.1%	32
Wisconsin	2,735	2,899	164	6.0%	33
Alaska	320	339	19	5.9%	34
Virginia	3,651	3,848	197	5.4%	35
Illinois	5,643	5,927	284	5.0%	36
Kansas	1,340	1,406	66	4.9%	37
Connecticut	1,625	1,700	75	4.6%	38
Arkansas	1,161	1,214	53	4.5%	39
Louisiana	1,898	1,983	86	4.5%	40
Pennsylvania	**5,609**	**5,856**	**247**	**4.4%**	**41**
New Hampshire	628	656	27	4.3%	42
Alabama	1,884	1,965	81	4.3%	43
New Jersey	**3,890**	**4,037**	**147**	**3.8%**	**44**
Mississippi	1,096	1,133	37	3.4%	45
Missouri	2,685	2,769	84	3.1%	46
Maine	596	613	17	2.9%	47
New Mexico	811	832	21	2.5%	48
Wyoming	285	291	6	2.1%	49
West Virginia	751	751	-1	-0.1%	50
United States	130,944	142,950	12,006	9.2%	

Source: U.S. Bureau of Labor Statistics.

On a compound annual basis, the state's real GSP grew just 1% between the third quarter of 2009 and last year's second quarter. This was half the national rate, and lagged Pennsylvania's 1.5% rate of growth and New York's 1.7%. Reflecting the aforementioned trends in job growth, the state's manufacturing, government and real

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Personal Income and GSP...
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estate industries have been key contributors to its weak real GSP growth since the end of the recovery. Real output in the state's manufacturing sector contracted 3.9% (on a compound annual basis) between the third quarter of 2009 and last year's second quarter. This compares to a national rate of growth of +1.7% during the same period. (The comparable figures for New York's and Pennsylvania's manufacturing sectors were -2.1% and -0.1%, respectively.) Meanwhile, the state's real estate industry (which accounts for an outsized 18% of its GSP—the largest of any industry) experienced real growth of just 0.9% between the third quarter of 2009 and last year's second quarter.[5] This rate of growth trailed those recorded nationally (+2.1%) and by its two neighbors over the same period (NY: +3.4%, PA: +1.7%).

HOUSING MARKET

New Jersey's residential home market experienced the 15th-largest price decline nationally during the national housing crisis, according to Freddie Mac's state-level home price index. Single-family home prices in the state fell 24% between May 2006 and December 2011 (the peak and trough months for national home prices). Neighboring New York and Pennsylvania saw their single-family home prices decline by 13.6% and 10.6% respectively over the same period. Since December 2011, single-family home prices in New Jersey have risen 8.7% (through last September). Only two other states (Connecticut and Vermont) experienced weaker price appreciation over the same period. All told, single-family home prices in New Jersey remained 17.4% lower (as of last September) than they were in May 2006 when the national housing crisis began. This ranked New Jersey as 43rd among all states for single-family home price appreciation/depreciation since May 2006.

The national housing crisis and its effect on single-family home prices in the state is reflected in building permit activity. Permits for single-family home construction in New Jersey, which stood at 21,892 in 2005, eventually declined to 6,471 in 2011. Permit activity began to recover in 2012 and has continued to advance slowly over the past several years. Last year, 10,411 permits for new single-family homes were authorized.

Table 6: Job Gains/Losses Since the Onset of Great Recession (thousands)

State	Dec 2007 Emp	Nov 2015 Emp	Total Change Since Dec 2007	Nov 2015 as Share of Dec 2007	Rank
North Dakota	362	456	94	126.0%	1
Texas	10,530	11,883	1,353	112.8%	2
Utah	1,265	1,393	127	110.1%	3
Colorado	2,351	2,528	178	107.6%	4
Washington	2,999	3,203	204	106.8%	5
South Dakota	408	435	27	106.5%	6
Alaska	318	339	21	106.5%	7
Massachusetts	3,312	3,514	202	106.1%	8
New York	**8,774**	**9,307**	**533**	**106.1%**	**9**
California	15,422	16,258	836	105.4%	10
Idaho	657	687	30	104.6%	11
Nebraska	968	1,011	43	104.5%	12
Iowa	1,525	1,585	60	103.9%	13
South Carolina	1,949	2,025	76	103.9%	14
Oklahoma	1,607	1,664	57	103.5%	15
Georgia	4,170	4,309	139	103.3%	16
Minnesota	2,771	2,863	91	103.3%	17
Oregon	1,738	1,795	57	103.3%	18
Florida	7,932	8,185	253	103.2%	19
Tennessee	2,806	2,890	84	103.0%	20
Maryland	2,612	2,690	77	103.0%	21
Kentucky	1,858	1,913	55	102.9%	22
North Carolina	4,168	4,279	111	102.7%	23
Vermont	309	317	8	102.6%	24
Louisiana	1,936	1,983	48	102.5%	25
Indiana	2,993	3,064	71	102.4%	26
Montana	447	457	11	102.4%	27
Virginia	3,776	3,848	72	101.9%	28
Delaware	441	449	8	101.8%	29
Hawaii	628	639	11	101.7%	30
Kansas	1,386	1,406	20	101.5%	31
Michigan	4,246	4,279	33	100.8%	32
New Hampshire	651	656	5	100.8%	33
Wisconsin	2,878	2,899	21	100.7%	34
Pennsylvania	**5,815**	**5,856**	**41**	**100.7%**	**35**
Arkansas	1,208	1,214	6	100.5%	36
Ohio	5,420	5,437	17	100.3%	37
Rhode Island	488	487	-1	99.8%	38
Connecticut	1,706	1,700	-6	99.7%	39
Arizona	2,679	2,663	-16	99.4%	40
Illinois	5,988	5,927	-61	99.0%	41
Wyoming	294	291	-3	98.9%	42
New Jersey	**4,084**	**4,037**	**-46**	**98.9%**	**43**
Missouri	2,802	2,769	-34	98.8%	44
Maine	621	613	-8	98.7%	45
West Virginia	762	751	-11	98.5%	46
New Mexico	849	832	-17	98.0%	47
Mississippi	1,160	1,133	-28	97.6%	48
Alabama	2,015	1,965	-50	97.5%	49
Nevada	1,293	1,259	-33	97.4%	50
United States	138,350	142,950	4,600	3.3%	

Source: U.S. Bureau of Labor Statistics.

The future direction of home-building activity in the state over the coming years—and its consequent impact on construction employment growth—will be closely tied to the state economy's overall health (in particular new job creation and household formation) as well as the interest rate environment. The widely discussed boomeranging of recent college graduates

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Table 7: Comparing Job Growth by Industry: New Jersey vs. United States

Industry	New Jersey Employment (000) Dec-07	Jun-09	Nov-15	Great Recession Dec 2007-June 2009 New Jersey Chg	% Chg	U.S. % Chg	Recovery & Expansion June 2009-Nov 2015 New Jersey Chg	% Chg	U.S. % Chg	Entire Period Dec 2007-Nov 2015 New Jersey Chg	% Chg	U.S. % Chg
Total	4,083.5	3,890.4	4,037.3	-193.1	-4.7%	-5.4%	146.9	3.8%	9.2%	-46.2	-1.1%	3.3%
Private	3,431.9	3,235.6	3,414.9	-196.3	-5.7%	-6.6%	179.3	5.5%	11.6%	-17.0	-0.5%	4.3%
Mining & Logging	1.7	1.4	1.3	-0.3	-17.6%	-7.3%	-0.1	-7.1%	15.2%	-0.4	-23.5%	6.8%
Construction	171.1	138.1	154.1	-33.0	-19.3%	-19.8%	16.0	11.6%	8.0%	-17.0	-9.9%	-13.3%
Manufacturing	**305.5**	**265.7**	**245.8**	**-39.8**	**-13.0%**	**-14.7%**	**-19.9**	**-7.5%**	**5.1%**	**-59.7**	**-19.5%**	**-10.4%**
Durable Goods Manufacturing	138.1	118.4	111.9	-19.7	-14.3%	-17.5%	-6.5	-5.5%	8.2%	-26.2	-19.0%	-10.7%
Non-Durable Goods Manufacturing	167.4	147.3	133.9	-20.1	-12.0%	-9.8%	-13.4	-9.1%	0.2%	-33.5	-20.0%	-9.7%
Wholesale Trade	230.8	215.9	222.3	-14.9	-6.5%	-7.6%	6.4	3.0%	6.5%	-8.5	-3.7%	-1.6%
Retail Trade	465.3	435.5	454.4	-29.8	-6.4%	-6.6%	18.9	4.3%	8.5%	-10.9	-2.3%	1.3%
Transportation &Utilities	177.1	165.8	181.5	-11.3	-6.4%	-6.1%	15.7	9.5%	12.2%	4.4	2.5%	5.3%
Information	93.4	84.2	75.3	-9.2	-9.9%	-7.5%	-8.9	-10.6%	0.2%	-18.1	-19.4%	-7.4%
Financial Activities	273.7	255.4	248.4	-18.3	-6.7%	-5.6%	-7.0	-2.7%	4.7%	-25.3	-9.2%	-1.2%
Finance & Insurance	213.7	200.0	193.3	-13.7	-6.4%	-4.8%	-6.7	-3.4%	4.2%	-20.4	-9.5%	-0.7%
Real Estate	60.0	55.4	55.1	-4.6	-7.7%	-5.4%	-0.3	-0.5%	8.8%	-4.9	-8.2%	2.9%
Professional & Business Services	622.4	582.8	636.5	-39.6	-6.4%	-8.9%	53.7	9.2%	21.5%	14.1	2.3%	10.6%
Prof, Sci, & Tech Svs	290.7	275.5	290.1	-15.2	-5.2%	-4.2%	14.6	5.3%	17.1%	-0.6	-0.2%	12.2%
Management of Companies	75.1	76.0	79.6	0.9	1.2%	-2.5%	3.6	4.7%	20.8%	4.5	6.0%	17.7%
Admin and Waste Manag.	256.6	231.3	266.8	-25.3	-9.9%	-14.9%	35.5	15.3%	26.3%	10.2	4.0%	7.5%
Education and Health Services	582.3	595.9	655.9	13.6	2.3%	3.6%	60.0	10.1%	14.2%	73.6	12.6%	18.3%
Educational Services	88.7	88.8	97.8	0.1	0.1%	3.9%	9.0	10.1%	13.1%	9.1	10.3%	17.5%
Health Care and Social Assistance	493.6	507.1	558.1	13.5	2.7%	3.5%	51.0	10.1%	14.4%	64.5	13.1%	18.5%
Leisure and Hospitality	343.9	333.6	366.1	-10.3	-3.0%	-3.5%	32.5	9.7%	17.3%	22.2	6.5%	13.2%
Arts, Entertainment, and Recreation	53.5	52.7	61.8	-0.8	-1.5%	-5.1%	9.1	17.3%	15.9%	8.3	15.5%	10.1%
Accommodation and Food Services	290.4	280.9	304.3	-9.5	-3.3%	-3.2%	23.4	8.3%	17.5%	13.9	4.8%	13.7%
Other Services	164.7	161.3	173.3	-3.4	-2.1%	-2.6%	12.0	7.4%	5.5%	8.6	5.2%	2.8%
Government	**651.6**	**654.8**	**622.4**	**3.2**	**0.5%**	**0.9%**	**-32.4**	**-4.9%**	**-2.6%**	**-29.2**	**-4.5%**	**-1.8%**
Federal Government	60.4	59.3	49.5	-1.1	-1.8%	2.1%	-9.8	-16.5%	-2.5%	-10.9	-18.0%	-0.4%
State Government	153.7	153.9	146.5	0.2	0.1%	0.7%	-7.4	-4.8%	-1.3%	-7.2	-4.7%	-0.6%
Local Government	437.5	441.6	426.4	4.1	0.9%	0.7%	-15.2	-3.4%	-3.1%	-11.1	-2.5%	-2.4%

Source: U.S. Bureau of Labor Statistics.

(who have moved back in with parents post-graduation) could serve to increase the rate of household formation over the next several years. However, this potentiality will largely turn on the pace of job and wage growth across the state.

As the above analysis makes clear, the state economy's overall performance in recent years (especially since the end of the Great Recession in June 2009) as been relatively poor vis-à-vis the nation's and neighboring states'. While deep retrenchments in the state's manufacturing and government sectors have played an important role in this performance, job growth in several other key industries has also been decidedly lackluster. This anemic job growth has been reflected in slow rates of real personal income and GSP growth. And, the state's residential housing market—while improved—remains in a weakened state. As the state moves into its next gubernatorial election cycle over the coming year, New Jerseyeans deserve a serious discourse by candidates that seeks to understand the underlying determinants that have undermined the state economy's overall health in recent years and proposes policies designed to address them.

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ENDNOTES

[1] As stated, during the Great Recession's aftermath, Atlantic City's unemployment rate peaked at 14% in November 2012 and then declined until July 2014. The wave of casino closings during the fall of 2014 drove the unemployment rate back up to 11.3% in early 2015. Since then the rate has fallen.

[2] This decline would have been greater had it not been for international in-migration to Atlantic City (+1,506) which helped offset nearly half of the domestic out-migration (-3,052).

[3] See https://intraweb.stockton.edu/eyos/office_of_academic_affairs/content/docs/SJER%20Summer%202015.pdf

[4] This 0% rate of growth, however, masks an important difference across these two industries. More specifically, whereas manufacturing employment actually increased 5.1% nationally between June 2009 and last November, government payrolls declined by 2.6%.

[5] Nationally, real estate accounted for 13.4% of national real GDP in last year's second quarter, 14.7% of New York's, and 13.1% of Pennsylvania's.

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