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Conflicting trends cloud hiring outlook

Sunday, February 11, 2007

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► **Chart:** [North Jersey Job Market: The retailer, the builder and the health care provider](#)

New Jersey is at an economic crossroads.

A year ago, economists predicted the state would add 35,000 to 44,000 jobs in 2006 -- a mediocre yet solid performance.

Then, midway through the year, two economists released a study that showed a growing, long-term departure of well-paid New Jersey jobs for lower-cost states.

Worse still, employment figures released last month show the state actually created only about 21,000 jobs last year, less than a third of the number generated during similar economic growth spurts in the '80s and '90s.

So where does that leave New Jersey, with its declining manufacturing base, drug industry that leads the world, ascendant service sector and reputation -- warranted, or not -- for being a tough place to do business?

"We are an economy at risk," said Joseph Seneca, one of two Rutgers University economists who reported the ongoing job loss.

Yet for all the grim predictions, some local businessmen -- for the moment -- seem buoyant, and confident in the state's economic health.

"Business is booming," said Ray Pizzo, senior managing partner at Prime Dynamic Technology in Hackensack, a software and Web site design business. He said that due to strong customer interest in a new software product, the company expects to add half a dozen employees to his staff of 14 in 2007.

That doom/boom scenario reflects the complexity of the state's economic position -- still an economic powerhouse and yet seriously challenged for new, well-paid jobs by lower-cost states. The question is: Which one will prevail in the long term and shape the state economy?

Seneca and another Rutgers economist, James Hughes, expect the state's economic performance in 2007 to be much like that in 2006: lackluster job creation but solid gains in personal income. They predict the economy will grow by about 21,000 jobs, or about one-half of one percent.

"It's sort of treading water," Hughes said.

In the long term, the fate of the economy will depend a lot on the success of Governor Corzine's efforts to turn the economy around.

Corzine, the former head of Goldman Sachs, has won widespread praise in the business community for his fiscal savvy and desire to make the state's economic health a top priority.

Shortly after taking office 13 months ago, he introduced two modest corporate tax reductions, which took effect in June. In October, he proposed the creation of two investment funds to help start urban and high-tech



BETH BALBIERZ / THE RECORD

▲ New Jersey Collegiate Career Day at Rutgers University's New Brunswick campus drew a strong response from employers amid increasing demand for graduates.



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businesses, and outlined ways to improve efficiency in efforts to boost commerce and better market the state to corporate leaders.

Those measures are designed to tackle what Hughes describes as a worrisome dynamic in which the local economy creates few high-paying jobs but large numbers of low-paid positions in big-box stores, restaurants and hotels.

"We still have a very powerful core economy," he said. "The problem is, corporate America is directing growth largely outside of New Jersey."

Whatever the success of Corzine's remedies, they are for the most part still in the planning stage, and will have far less impact on the state's economy in the short term than the national picture.

Economists predict the national gross domestic product will grow in 2007 by just over 2 percent, down from 3.3 percent in 2006. The nation is expected to add about 1.8 million to 2 million jobs in 2007, about the same as last year.

Economist Mark Vitner, a New Jersey specialist for North Carolina-based Wachovia Corp., said he expects both the state and national economies to experience a "soft landing."

"The slowdown in the housing sector is likely to bottom out," he said. "The economy will gain momentum in the second part of the year."

That would reverse the trend of 2006, during which fears of an economic downturn were stoked by the rise in energy costs, the slowdown in house sales and relentless foreign competition.

The growing trade deficit also raised concern, as did a drop in the gross domestic product from 5.6 percent in the first quarter to 2 percent by the end of the year.

Yet there were bright patches. The country created enough jobs to push the unemployment rate to a six-year low of 4.6 percent. And the Dow Jones industrial average hit several record highs. The S&P 500 rose by 15.4 percent in 2006, compared with 4.9 percent in 2005 and an average of 10.4 percent since 1926, according to Morningstar Inc.

The ascending stock market certainly helped Mike Ramer, owner of Livingston-based headhunter Ramer Search Consultants, which predominantly fills financial service positions that pay more than \$100,000.

"Right now, I'm pretty bullish on jobs," he said. "If you talk to people in my field, '06 was the best year since the late 1990s."

Others beg to differ. The annual survey by the New Jersey Business and Industry Association, the state's largest business lobbying group, found members more pessimistic about the state economy than at any time since the 1990s. More than half the participants expected the picture to get worse in the first half of 2007.

That was doubtless fueled by the state's weak job creation -- the 21,000 jobs added in 2006 fell far short of the 46,000 added in 2005 and the average of 77,000 added in economic surges between 1982 and 1989 and 1992 and 2000.

Unemployment, too, was disappointing: Even as the national rate fell, state unemployment rose steadily in the first nine months of the year. It fell to 4.5 percent in November, the same as in January.

Some jobs went abroad. Global competition squeezed New Jersey in a variety of industries as U.S. companies looked to cut costs by sending work to Chinese factories, Indian software laboratories, Colombian call centers and a variety of other foreign locations.

The beneficiaries included the Teaneck-based outsourcing company Cognizant Technology Solutions, which used record earnings to spend \$200 million on new facilities in India, and Hackensack-based Ness Technologies Inc, which has software development sites in India and Europe.

Some of New Jersey's problems stem from hard times in industries traditionally considered to be pillars of the state economy.

Employment figures for 2006 showed that the manufacturing employment continued to slide, losing 11,300 jobs. In recent months, for instance, the window and door manufacturer Deceuninck has announced 74 layoffs in its Oakland facility, and in January, Smurfit-Stone closed its Teterboro plant, at a cost of 132 jobs.

The difficult manufacturing environment was demonstrated by Elmwood Park-based Marcal Paper Mills, which filed for bankruptcy in November, blaming a 40 percent increase in energy costs.

The trade, transportation and utilities sector lost 1,200 jobs in 2006 and the information sector -- which includes publishing, telecommunications and internet companies -- suffered too. It lost 3,300 jobs, including 300 cut by Newark-based IDT in April after a long-distance telephone service failed to attract customers.

Verizon Communications Inc. said in May that it would cut a "significant" number of its local phone business employees. And the state is still suffering fallout from the \$16 billion acquisition of AT&T by San Antonio-based SBC Communications. Completed in November 2005, the purchase is expected to mean the loss of 13,000 jobs from the combined workforce of 197,100.

The dominant pharmaceutical industry, too, is facing a variety of problems, from the shortage of new blockbuster drugs to public concern over medicine prices and legal battles over the side effects of drugs such as Vioxx.

Although the HealthCare Institute of New Jersey said in June that pharmaceutical companies employed 60,555 workers, or about 500 more than in 2005, drug giants continued to shed employees or create jobs outside New Jersey.

Pfizer said in November that it would cut 2,200 U.S. sales jobs, some of 5,000 positions the company has said it will eliminate since 2005. And in June, Schering-Plough announced cuts of 1,100 jobs, including 500 in Kenilworth and Union.

Merck & Co. said late in 2005 that it would eliminate 7,000 jobs, including several hundred in Rahway. And North Carolina officials revealed in December that Merck would spend \$100 million to expand its \$300 million vaccine manufacturing facility built in Durham in 2004. The expanded facility will employ about 200 people.

Nevada showed how vulnerable New Jersey is to rivals looking to lure corporations and jobs, launching a marketing campaign in August to attract New Jersey biotech companies.

Corzine's response is to make New Jersey more business-friendly and create programs that will promote investment and cultivate start-up and entrepreneurial companies.

The legislature, for instance, approved a \$270 million package to help establish stem cell research centers in New Jersey, and make the state a leader in the field.

That and other initiatives are designed to capitalize on the state's strengths. In 2006, they included leisure and hospitality, education and health services and professional and business services, which added 5,000, 10,900 and 11,300 jobs respectively.

And for all the focus on New Jersey's weaknesses, some companies arrived or expanded in the state. Unilever U.S., having closed a research center in North Jersey three years ago, announced plans in 2006 to expand its headquarters in Englewood Cliffs, adding 300 to 400 jobs to the 1,200 already there. And Brooklyn candle maker Star Candle moved to Ridgefield, bringing 200 jobs.

Indeed, several North Jersey business owners interviewed at random in recent weeks appear optimistic about the state's economy this year.

Robert Waller, president and owner of Ridgewood-based Walker Personnel Service for 30 years, said he expects the company's business in 2007 to surpass its healthy performance last year.

He said one encouraging sign is the preference of many clients in his two main business areas -- health care and the business and industrial sectors -- for making permanent hires. An emphasis on temporary hiring usually means employers are uncertain about the future, he said.

"I'm probably the most optimistic going into 2007 that I have been in the last four or five years," he said. "A lot of our companies who call up and start out with a temporary job because they are not sure, then offer them a permanent position after a month or two -- which is another very good sign."

A similar outlook also surfaced at the New Jersey Collegiate Career Day, which drew more than 250 businesses and government agencies to Rutgers University's New Brunswick campus last month. They included major corporations such as Merrill Lynch, Target, Toys "R" Us, J.C. Penney and Schering-Plough.

Staffing a table this year, human resources manager Karen Espinosa of Morristown-based Schindler Elevator Corp. said employer demand for college graduates was "definitely picking up."

"This time around, there's more competition," she said, noting that student interest had been slow for the half-dozen engineer and financial positions she wanted to fill.

Indeed, some of the more than 2,000 students at the fair had little doubt that they would find a decent position on graduation.

"There's a lot of companies here with a lot of opportunities," said Michael Wolfin, 21, of River Vale, an Indiana University student who hopes to get into marketing or advertising when he graduates in May.

And the National Association of Colleges and Employers, in its annual survey of employers, concluded that the class of 2007 will face the best job market in four years. It reported that employers expect to hire 17.4 percent more graduates in this year than in 2006.

Economists, too, said there were encouraging signs in the state economy's 2006 performance.

Seneca said that one "very positive aspect" was the state's 7 percent increase in personal income. And the state's total of just over 4 million jobs is a record, added Hughes, noting that state employment figures had been significantly stronger than the nation's for several years, falling behind only this year.

Corzine, the economists and the state's business leaders all agree that the way out is to improve the state's business environment, and that also means improving the budgetary position of state government and even its reputation.

A high priority of most business leaders is curbing the state's high property and income taxes. Other issues that scare off corporate executives and investment are high home prices, the thicket of red tape that entrepreneurs must negotiate to start up or expand a business, and the state's rigorous environmental protection regulations.

Hughes said that's why the state's job creation is so weak, compared with the past.

"The job growth that we would have gotten in the 1990s is now going to North Carolina, Georgia and Virginia and the like," he said.

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Winners and losers

New Jersey gained just 20,500 jobs in 2006, down from 46,000 in 2005. Here is how each sector fared:

	Increase/decrease	% change
Total non-farm jobs	20,500	0.5
Natural resources and mining	100	5.6
Construction	800	0.4
Manufacturing	-10,800	-3.5
Trade, transportation & utilities	-1,200	-0.1
Information	-3,000	-3.2
Financial activities	1,000	0.35
Professional and business services	9,800	1.6
Educational and health services	11,400	2.0

Leisure and hospitality	5,900	1.7
Other services	1,900	1.0
Government	4,600	0.7

Source: New Jersey Labor Department

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