The State of the Finance Industry and Its Impact in New York

Prepared for The Business Council of New York State, Inc.

10/30/23

Executive Summary

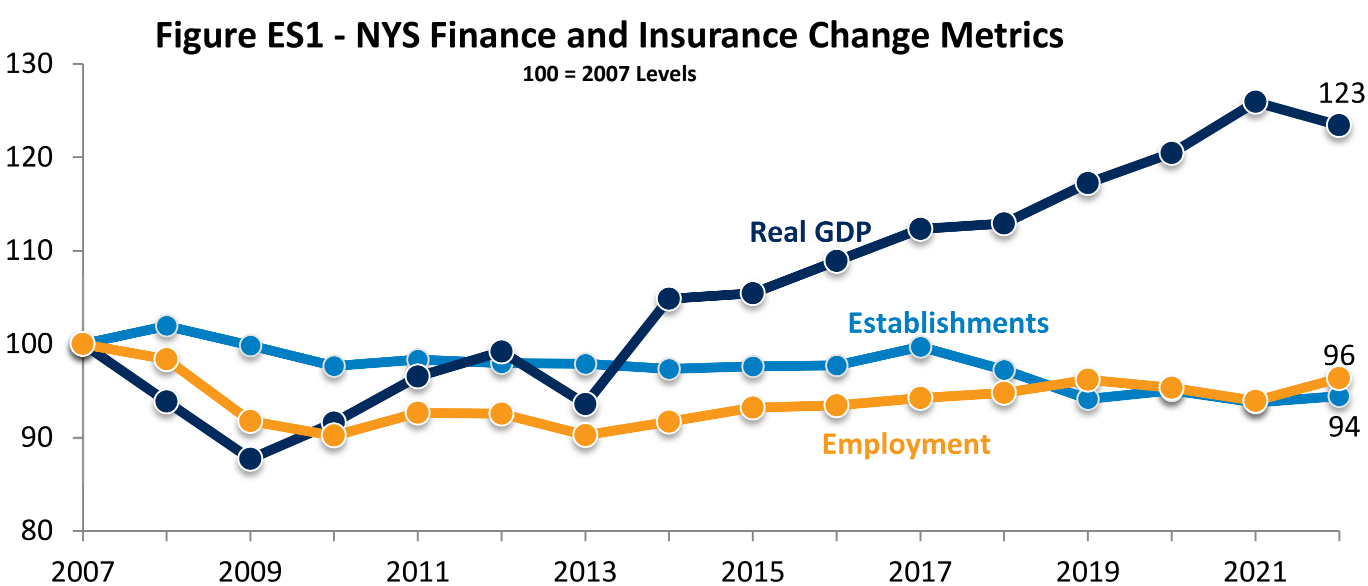
The Business Council of New York State, Inc. (BCNYS) partnered with the Securities Industry and Financial Markets Association (SIFMA) and the New York Bankers Association (NYBA) to produce a report documenting the performance of the financial sector, the sector's impact on the state economy, and potential threats to this sector and the New York State economy. Economic Leadership LLC, an economic development and strategic planning consultancy, was hired to help measure and analyze these trends. This report aims to provide an understanding of the finance sector and its impact on the New York State economy. This report presents sector trends and discusses their implications for the state's future development and prosperity.

The data in this report raises concerns about some trends in the New York financial sector. It shows job growth and assets migrating to other states. Without attention and action, New York risks a weakening of one of its most important sectors, finance and insurance. Data also suggests New York may continue to lose more of its high-net-worth individuals. Tax and business climate issues have reduced the state's competitiveness and new thinking is needed to successfully retain and grow the sector.

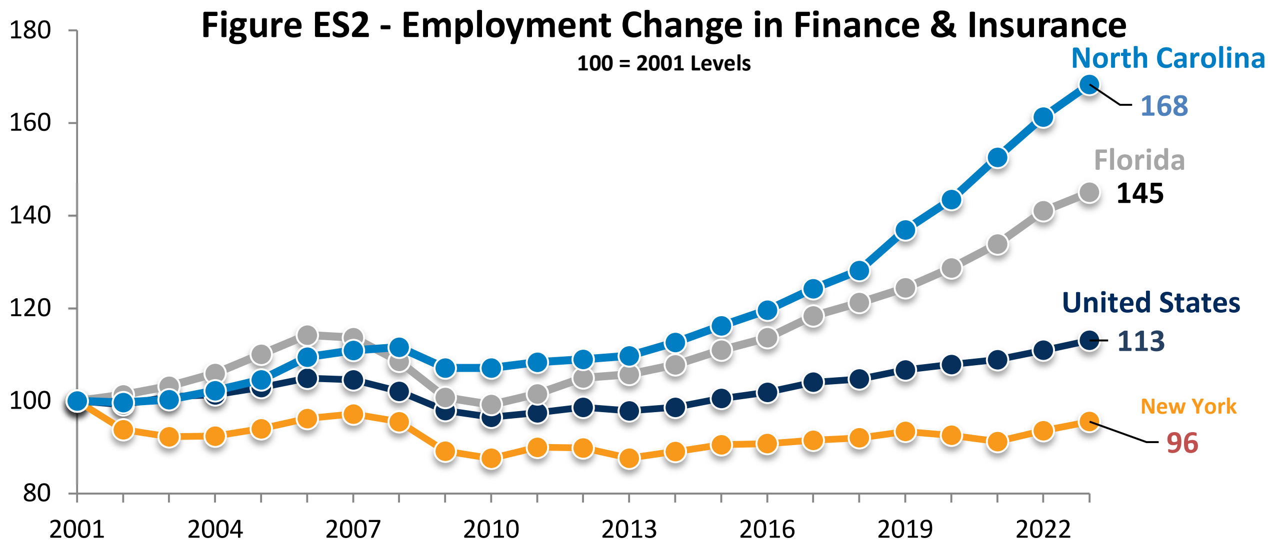
Table ES1 - New York State's Percentage of US Totals

Year	Personal Income	Population
2013	7.5%	6.3%
2019	7.3%	6.1%
2022	7.0%	5.9%

Source: EL calculations based on BEA (2023)



Source: Lightcast 2023.3



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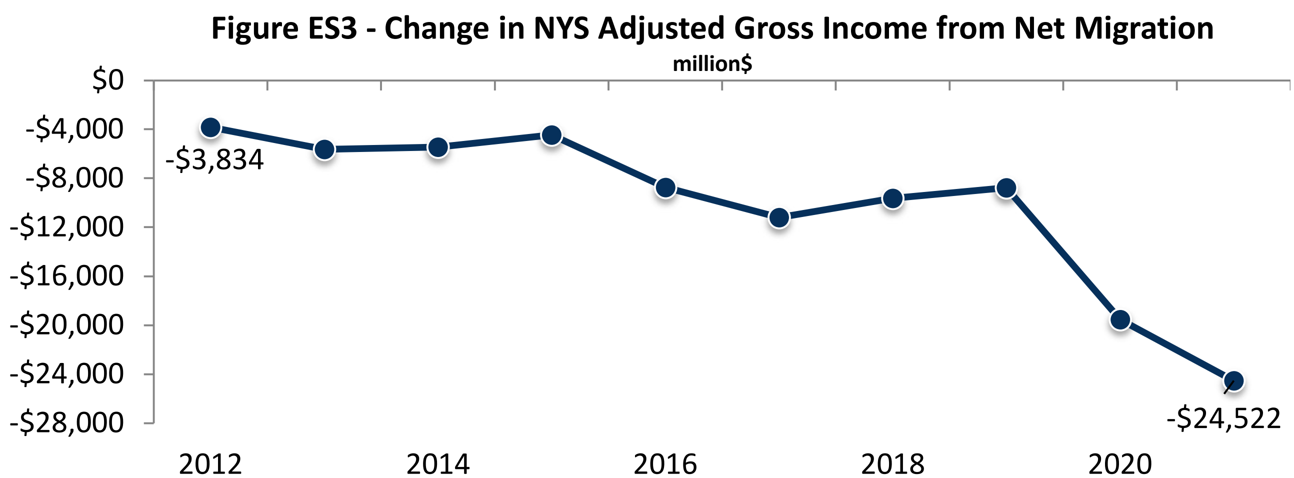


Source: EL calculations based on IRS (2023)

KEY FINDINGS

New York's large and robust economy is buoyed by the critical contributions of leading industries such as the financial sector. The finance and insurance sector is responsible for 16 percent of New York State's total gross domestic product (GDP) and the employment of more than 557,000 people. Every job in finance and insurance creates nearly three additional jobs in the state. However, the national dominance of New York's finance and insurance industry is being chipped away by other states, due to competitiveness issues in New York such as the business climate, cost of living, and tax burden. This report details the issues and challenges that the State of New York must face to reassert the primacy of its crucial finance sector.

Section 1: New York's Population Has Declined In Recent Years

- Prior to 2015, New York consistently ranked as the 3rd most populous state in the United States behind California and Texas. However, even as New York's population continued to increase and reached 20 million residents, Florida surpassed New York's total population in 2015. The state saw net population growth during this time, albeit slower than the national average.

- Since 2019, a net decline of 545,170 residents is estimated. This was the largest decline in the nation over this period.
    - NY ranks 50th among the states for decline in population since 2019.
    - In 2019, the five counties that make up the New York City area (Bronx, Kings, Queens, New York, and Richmond) accounted for about 44 percent of the state's population. Between 2019 and 2021, the NYC area lost over 355,400 residents.
    - In 2021, the largest loss to out of state migration was in the New York city borough counties, which accounted for 62 percent of net migration loss. Surrounding communities like Westchester, Nassau, and Suffolk also lost more taxpayers to out of state than they gained. Overall, NYC, Long Island and northern suburbs accounted for 82 percent of the net migration loss.

Section 2: The Financial Services Industry Is a Pillar of New York's Economy and New York is Heavily Dependent on the Success of the Sector

- The financial services sector is an indispensable pillar of New York State's economy. The presence of renowned banks, investment firms, and other financial services have been key contributors to the state's success by creating wealth, driving innovation, and attracting skilled professionals from around the world. The sector has been key to the state's national and global competitiveness.
    - In recent years, the state's GDP has been buoyed by large gains in the finance and information industries.
    - Finance and insurance employment account for five percent of the state's economy, while the national average is about four percent. This produces a concentration metric of 1.32, meaning that the industry is 32 percent more concentrated in New York than in the nation overall.
    - The average earnings in the finance and insurance sector were almost three times higher than the statewide average for all sectors, at over $309,000 a year. $34,000 of that total is in benefits, with the average salary at around $275,800 per year. New York's finance and insurance sector is the highest compensated similarly situated industry in the state and across the country.

- The total economic impact of the finance and insurance industry on New York's economy equates to an industry employment multiplier of 3.66. This means for every one job created in the finance sector, another 2.66 jobs are created elsewhere in the economy on average. This was the second highest employment multiplier in the state.
- While the Finance sector makes up five percent of the state's employment sector, it contributes 16 percent to the NYS GDP, making the sector the number one GDP creator at $327 billion in value added to the economy. This means that the sector contributes close to three times the impact of the industry's contribution to state employment.
- The finance and insurance sector also plays a significant role for other counties in the state. In Erie, Oneida, Chenango, and Albany counties the industry accounts for more than five percent of total employment. There is also a strong presence of the industry in the surrounding counties of New York City, including Westchester, Nassau, and Suffolk counties.
- Conclusion: The economic health of New York is heavily dependent on the performance of the finance and insurance industry.

Section 3: Financial Services Industry Trends In New York Show an Outflow in the Last Three Years

- Analyzing the data for the last three years, the net job change in the finance and insurance industry has been mostly stable across the state. The finance and insurance industry was one of the six industries in NYS with a net positive employment change with an increase of 1,020 jobs.
    - However, in that same period, the finance and insurance sector increased by a net of 264,500 jobs nationwide. New York was just the 26th fastest growing state in the US for employment. Texas, Florida, North Carolina, and Georgia were the top four gaining states.
    - New York ranked 36th in terms of percentage growth with a small growth rate of 0.2 percent. Results varied by state, with many states experiencing net job losses in the industry.
    - Based on growth trends, two of New York's biggest competitors on the East Coast are Florida and North Carolina. When the historical job patterns are measured for these locations, it shows that North Carolina and Florida have rapidly added jobs in the finance and insurance sector while New York's employment has remained below national growth trends. This divergence has been most pronounced in the last decade.

Section 4: Asset and Migration Trends Prove Similar Outflow from New York

- The number of taxpayers who file in New York has been trending downward, with a net loss registered each year. The trend was most prominent in 2020 and 2021.
    - The IRS also calculates a figure of adjusted gross income by region based on the income submitted on tax forms. When comparing the total income of out-migrators versus in-migrators, there have been net losses every year since 2012.
    - However, the losses in income dramatically increased in 2020 and 2021. This indicates that recent outmigration consists of more high-income individuals.
- Looking at the most recent available data in 2021, New York lost more taxpayers to every other state than it gained from those states. The biggest net losses were to Florida. The next largest net losses were to the neighboring states of New Jersey, Connecticut, and Pennsylvania.
- In 2021 alone, New York saw a net decline of $9.8 billion in income that migrated to the state of Florida. These findings indicate that it is the higher income taxpayers who are migrating out of New York to Florida. This migration may be influenced by state tax rates.
    - Reviewing the net migration of income shows that the largest gross income losses were from New York County at almost $11 billion. The data confirms the flight of the wealthiest from the New York City area.
    - Almost all counties in the state saw a net decline in income from out-migration to other states.
- If the average income from outgoing taxpayers is compared to the incoming average taxpayer income, most New York counties saw a decline in the income of newcomers.
    - The largest difference between incoming and outgoing incomes was in New York County where the average incoming taxpayer earned $74,000 less than the average county taxpayer who left the state.
- Over the past three years, companies managing $993 billion in assets moved their headquarters out of New York to other states; more specifically, 56 firms from New York moved to Florida, according to a Bloomberg analysis.

Section 5: Measuring The Overall Business Climate in New York Highlights Additional Reasons for Outflow to Other States

- Business climate rankings frequently prioritize business taxes and the overall costs of doing business. The Tax Foundation's 2023 Business Tax Climate Index ranks New York 49th. Two competitor states with rapid growth in financial services, North Carolina and Florida, were ranked 10th and 4th.
- The latest legal climate rankings from the U.S. Chamber of Commerce Institute for Legal Reform ranked New York 36th, trailing North Carolina's 16th ranking but ahead of Florida's 46th ranking. Florida has ranked among the ten worst states for legal climate in each of the previous three

reports. The Florida legislature has acted recently to improve the legal climate in the state to be more business friendly. New York's ranking has declined from 21st in 2015. CNBC's 2023 rankings for business friendliness ranks New York 46th, North Carolina 10th and Florida 26th.

- New York has traditionally enjoyed a workforce advantage with a large labor force, significant global in-migration, and high educational attainment (over 40 percent of adults have a bachelor's degree or higher).
    - While the overall labor pool remains very large, population losses have been experienced recently.
    - Placer Labs studied domestic migration in a 2023 report and concluded that "the rising cost of living may be leading some individuals and families to relocate to more budget friendly states and cities." Florida was the fastest-growing state in 2022.
- New York is at a competitive disadvantage in overall costs for individuals, with individual income tax burdens being especially notable. New York is currently ranked 50th by the Tax Foundation as the state with the highest taxes on individuals, while Florida ranks 1st. This single competitive factor is likely playing an influential role in the migration of high net worth individuals as they have the most to gain by leaving a high income tax state for a low, or zero, income tax state.
- While infrastructure and innovation are competitive advantages for New York, the state is also one of a small collection of states that levies a state tax on estates. High-wealth individuals are likely factoring this tax into their location decisions.

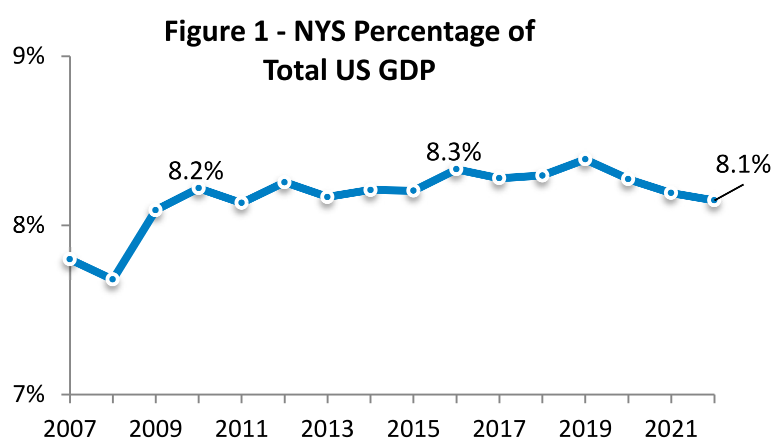
This report should serve as a call to action for leaders across New York to forcefully address the competitiveness issues that threaten one of its most valuable and critical economic forces, the finance industry. The finance sector has long been the investment that pays dividends for the Empire State year after year, but as other states attract talent and investment in the sector, there is no guarantee of future success. Addressing the state's tax burden, business climate, and cost of living can help to ensure New York's position as a national and global leader for finance.

Introduction

> Global cities are hubs of economic activity and population density. They have a high concentration of people, companies, knowledge workers and other resources that help drive their economies.
>
> *Global Cities Index*

Earlier this year, the Global Cities Index once again named New York City as the most competitive global city and ranked it number one for business activity, human capital, and capital markets. The index uses a multifactor analysis to measure global importance and impact. New York has enjoyed a long tenure as one of the top states in the nation for largest economy and highest salaries. Its historical dominance in high-wage industries like finance has made it a top location for companies and high net worth individuals.

Despite this success, some of the data has begun to suggest that the New York State (NYS) national economic impact may be waning. In recent years, New York's population growth has been well below the national average. The state's percentage of the US economy has remained relatively constant through the past decade, with some recent declines.



Source: Lightcast 2023.3

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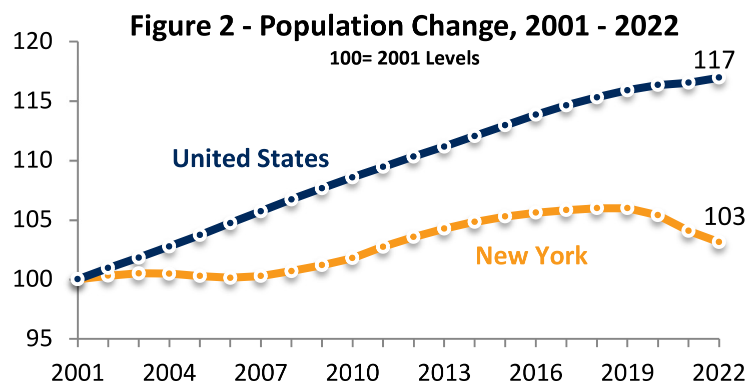
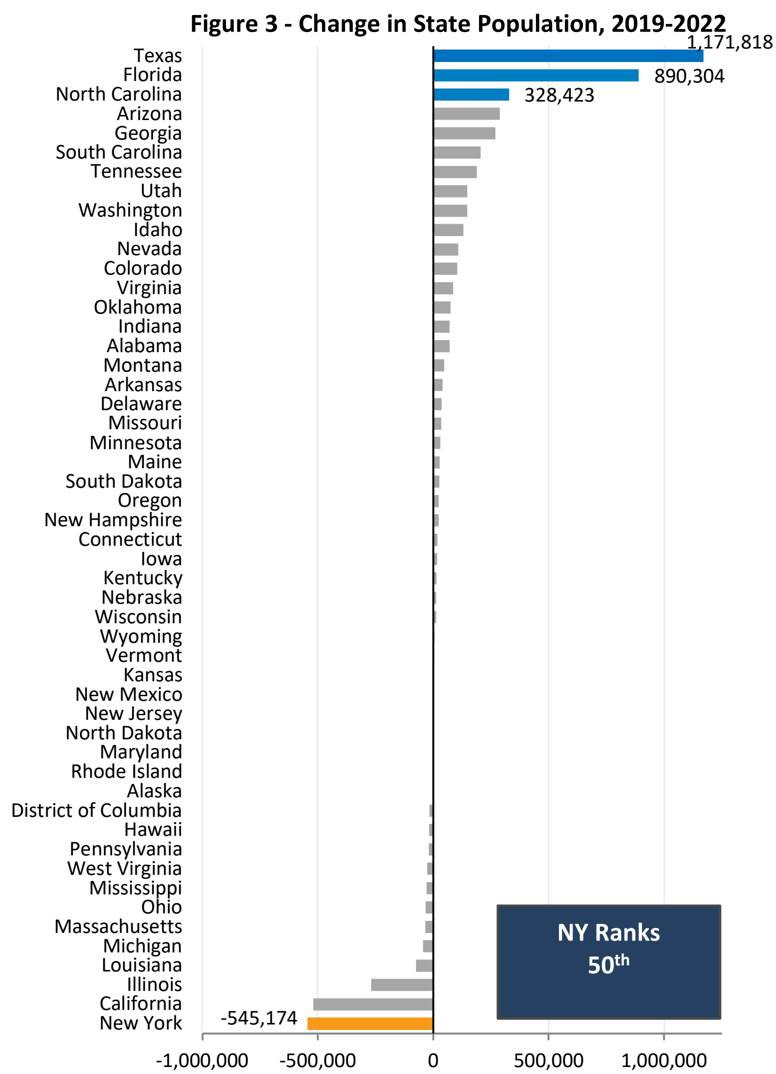
Section 1: New York's Population Has Declined in Recent Years

Population Change



Source: BEA (2023)

Prior to 2015, New York consistently ranked as the third most populous state in the United States, behind California and Texas. However, even as New York's population continued to increase and it reached 20 million residents, Florida surpassed New York's total in 2015. The state still experienced net population growth during this time, albeit slower than the national average (see Figure 2). After 2019, based on estimates from the Bureau of Economic Analysis (BEA), the total population begins to decline. Since 2019, a net decline of 545,170 residents in NYS is estimated. This was the largest decline in the nation over this period. As displayed in Figure 3, Texas and Florida saw large jumps in their total population from 2019 to 2022. Other states in the South and the Intermountain West (non-coastal Western states) also experienced population gains.

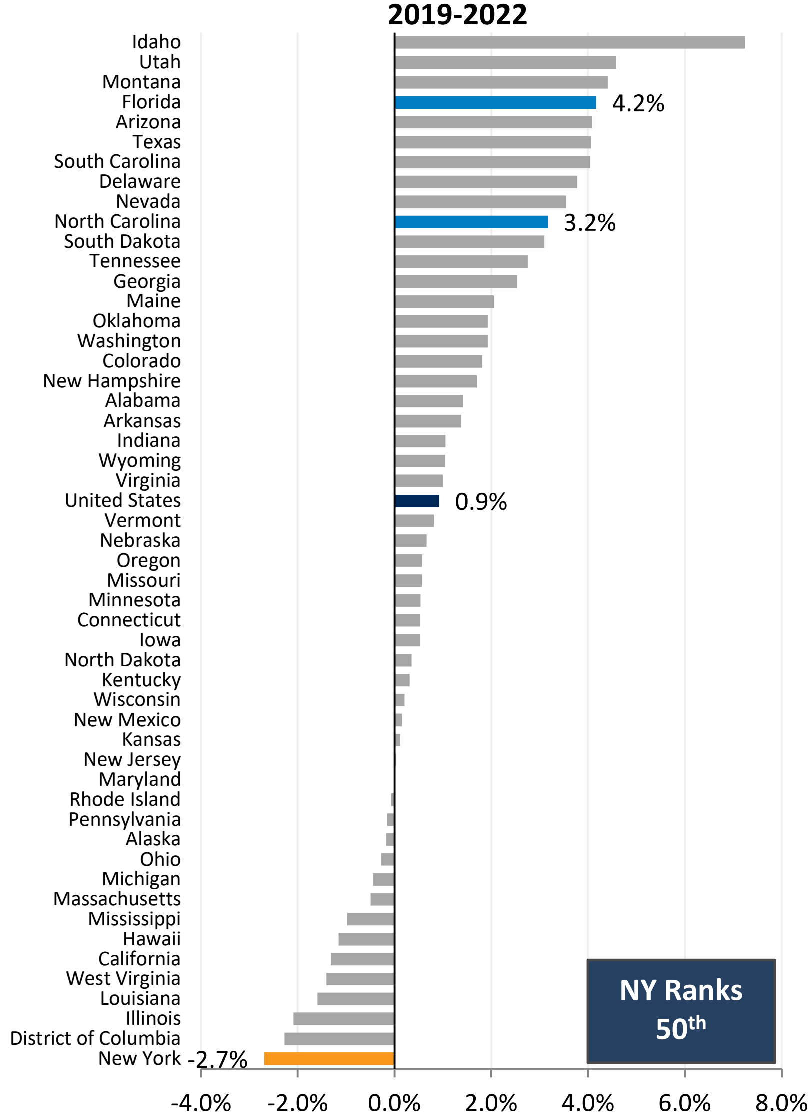


Source: BEA

The percentage change of population during this period was also evaluated (Figure 5), showing that the Intermountain West states experienced some of the biggest percentage increases in population. Florida ranked fourth behind these states with an increase of over four percent, which is significant given its existing large population. New York saw the biggest percentage decline during this time at 2.7 percent. The District of Columbia, Illinois, and California are other densely populated areas that saw declines. Despite these losses, New York remains the fourth most populous state in the nation.
In 2019, the five counties that make up the New York City area (Bronx, Kings, Queens, New York, and Richmond) accounted for about 44 percent of the state's population. Between 2019 and 2021 (2022 data is not yet available at the county level), the NYC area lost over 355,400 residents.

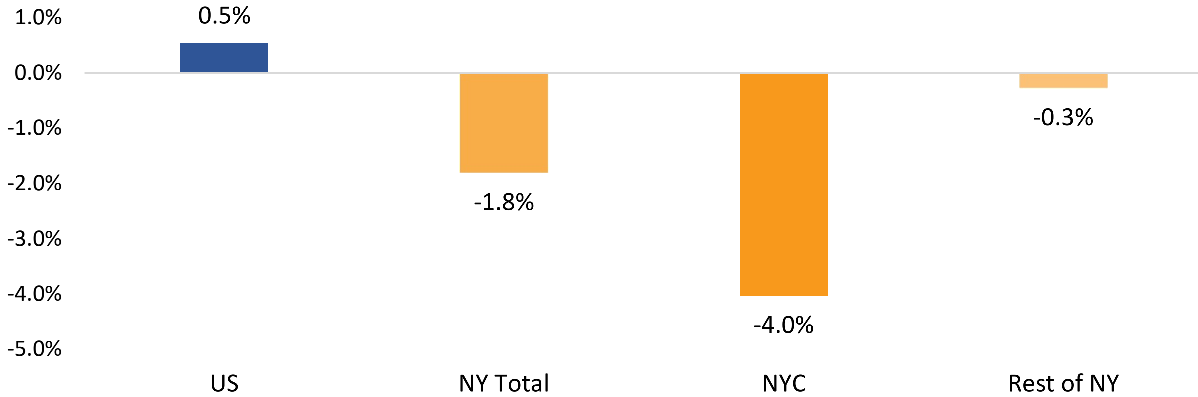
This was a four percent decline and contributed heavily to the total population decline across the state, as shown in Figure 6. The rest of the state's counties also saw a net decline during this time, but much less pronounced. These counties lost a net of about 31,000 residents during the period.

Figure 5 - Percent Change in State Population, 2019-2022



Source: BEA

Figure 6 - Population Change by Region, 2019 - 2021



Source: BEA (2023)

Smart Asset, an online destination for consumer-focused financial information, which is seen by roughly 75 million users each month, conducts an annual survey focused on high-earner movement based on net migration, created with the same IRS data utilized in this report. In this study, New York ranked 49th, second only to California. This analysis had tremendous pickup in the national media, with coverage by *CNBC, Marketwatch, Time, Bloomberg, The Hill, Yahoo Finance* and more – plus additional coverage in many local media markets. On top of the coverage, this content was also socialized on platforms like LinkedIn, X (Twitter) and Facebook.

Where High Earning Households Are Moving

States are ranked by the net migration of tax filers with a minimum of $200,000 adjusted gross income.

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Rank	State	Inflow	Outflow	Net migration
46	New Jersey	10,920	13,537	−2,617
47	Massachusetts	6,623	9,741	−3,118
48	Illinois	5,731	14,862	−9,131
49	New York	11,690	31,485	−19,795
50	California	18,237	45,578	−27,341

Inflow and outflow refer to the total number of tax returns filed in the 2021 tax year.

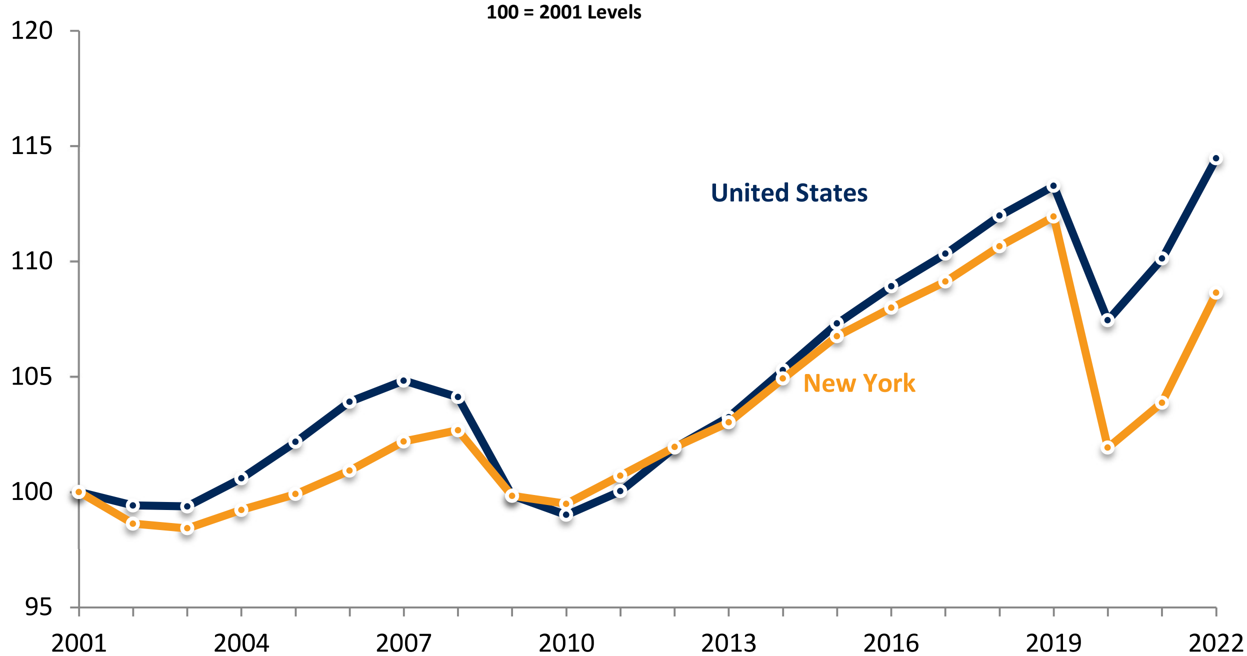
Source: SmartAsset 2023 Study • Get the data • Embed

smartasset

In recent years, United Van Lines has published a list of places where its customers are moving to and leaving. In 2022, New York was number three on the list of states with the most outbound moves. Again, this study is picked up in the media by national and local publications including *CBS, Forbes, Crain's* and other local outlets.

Figure 7 - Employment Change, 2001 - 2022

100 = 2001 Levels



Source: Lightcast 2023.3

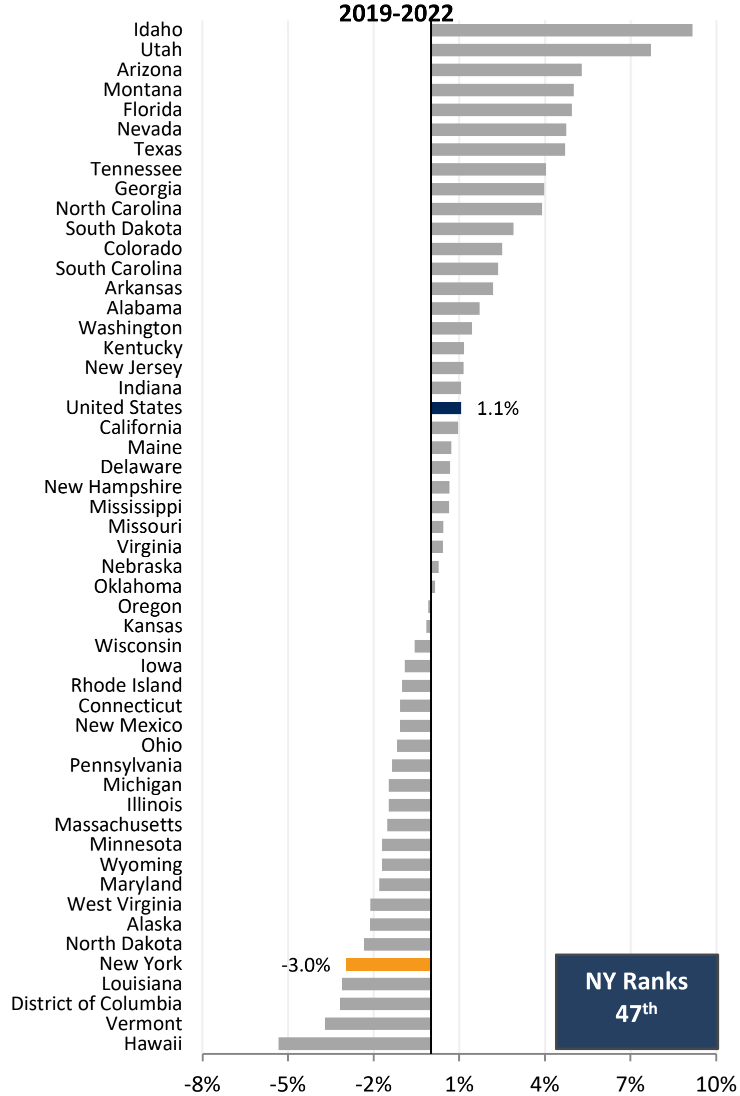
Employment Change

In the aftermath of the Great Recession, New York, and the US economy overall experienced similar and consistent growth in employment. Starting in 2020, their paths diverged.

By 2022, the nation had returned to pre-pandemic employment levels and began to grow further. As of 2022 in New York, the total job count remained three percent below pre-2020 levels. Across the country, results varied significantly. Many of those states that saw large bumps in their population also added similar percentage levels of workers. Other states remained below pre-pandemic job levels.

More recent monthly data available at the state level from the Bureau of Labor Statistics shows that both the labor force and employment levels in New York are trending toward a full recovery, but currently remain below 2019 levels. The percentage of people participating in the labor force has returned to prior averages and employment to population ratios are at similar levels as in 2019. This highlights that the lower total levels might be more related to population and migration patterns than participation in the economy.

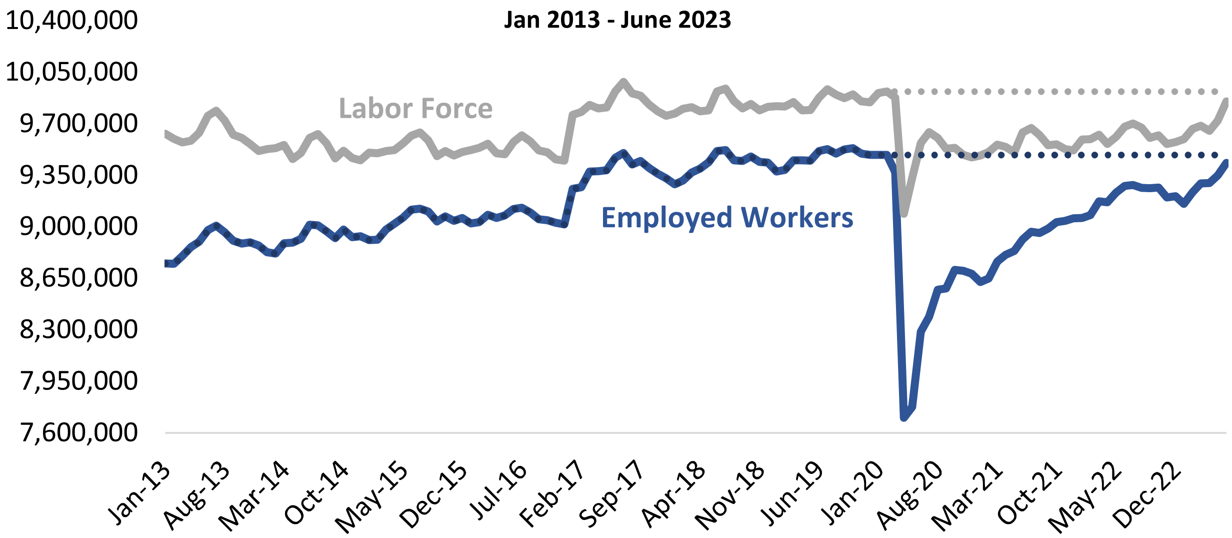
Figure 8 - Percent Change in State Employment, 2019-2022



Source: Lightcast 2023.3

Figure 9 - NYS Labor Force and Employed Workers

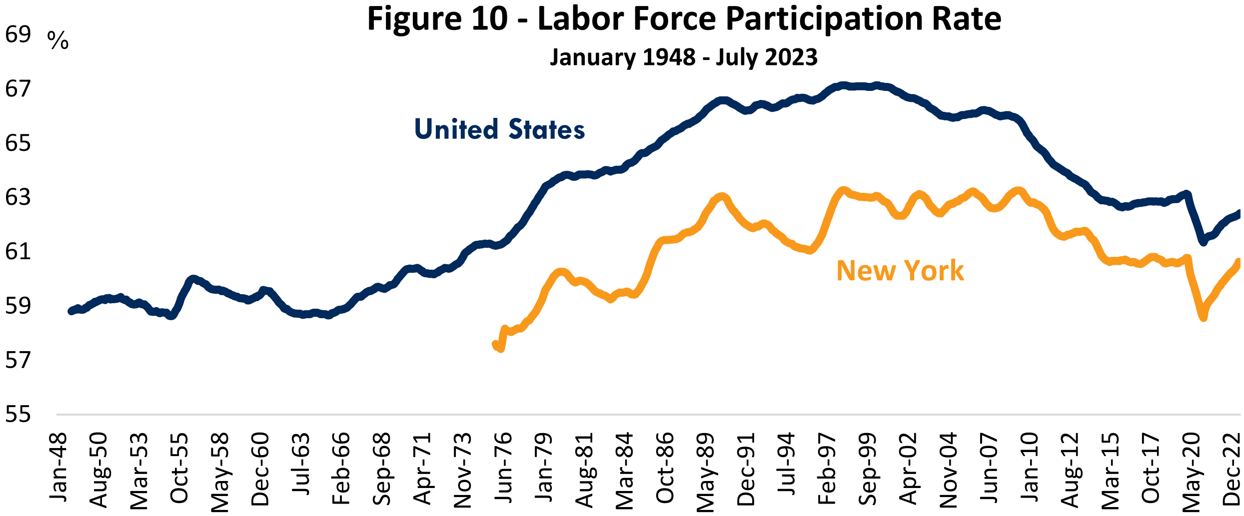
Jan 2013 - June 2023



Source: BLS (2023)

Figure 10 - Labor Force Participation Rate

January 1948 - July 2023



Source: BLS (2023)

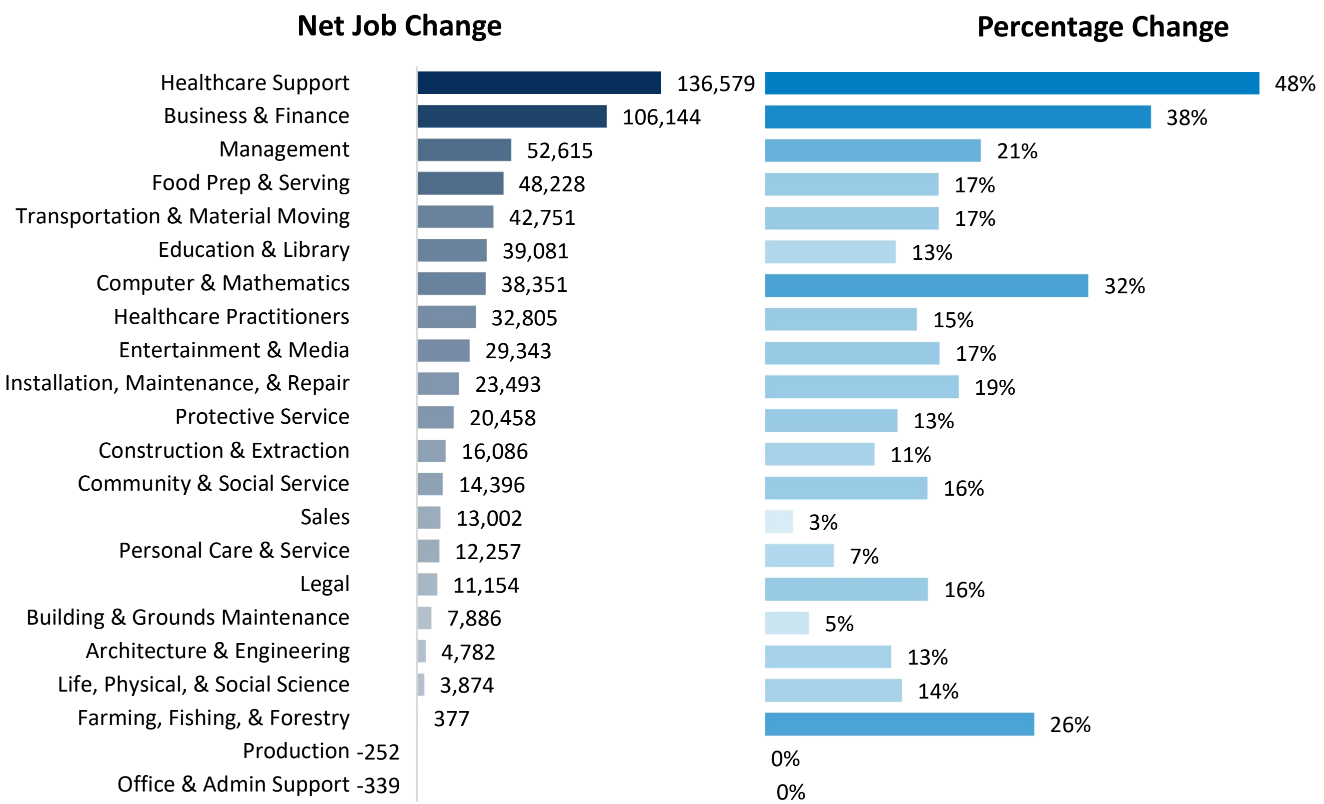
Occupation Trends by Region

To understand the trends and impacts to different jobs in the economy, the change in occupation groups was evaluated in the years before the pandemic and from 2019-2022 for both New York City and the remainder of NYS. This data includes the wage and salaried jobs reported to public sources, as well as self-employed workers, to account for workers switching from traditional employment to opening their own operations. Jobs are often counted where the payroll is filed, so the data has limits and may not account for where the workers reside or if they work remotely.

Many occupation groups within the New York City counties had experienced gains in the years before 2020 (Figure 11), with healthcare support and business & finance jobs showing the biggest gains. Only two occupation groups experienced a slight net job decline between 2013 and 2019: production, and office & administration support jobs.

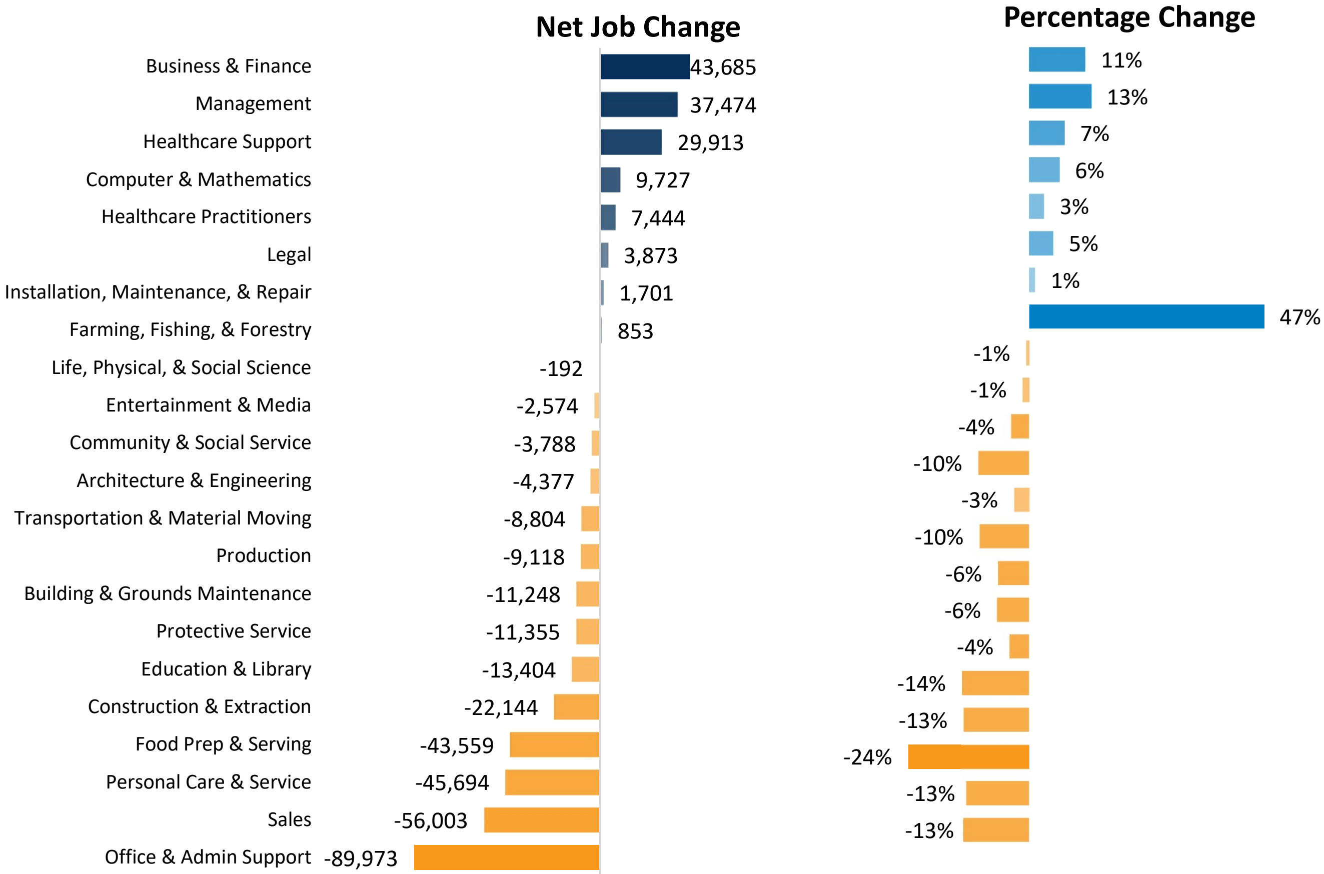
From 2019 through 2022, 13 of the occupation groupings saw net declines in jobs in New York City. Office and administration support jobs include jobs like office clerks, receptionists, and office machine operators. Sales jobs, which include retail workers and cashiers, is the next occupation group with the largest decline. The occupations that fared well after the pandemic tended to be higher wage jobs that require advanced educational training. These include business & finance, technology, legal, and healthcare practitioners.

Figure 11 – NYC Counties Job Change by Occupation 2013 – 2019



Source: Lightcast 2023.3

Figure 12 – NYC Counties Job Change by Occupation 2019 - 2022

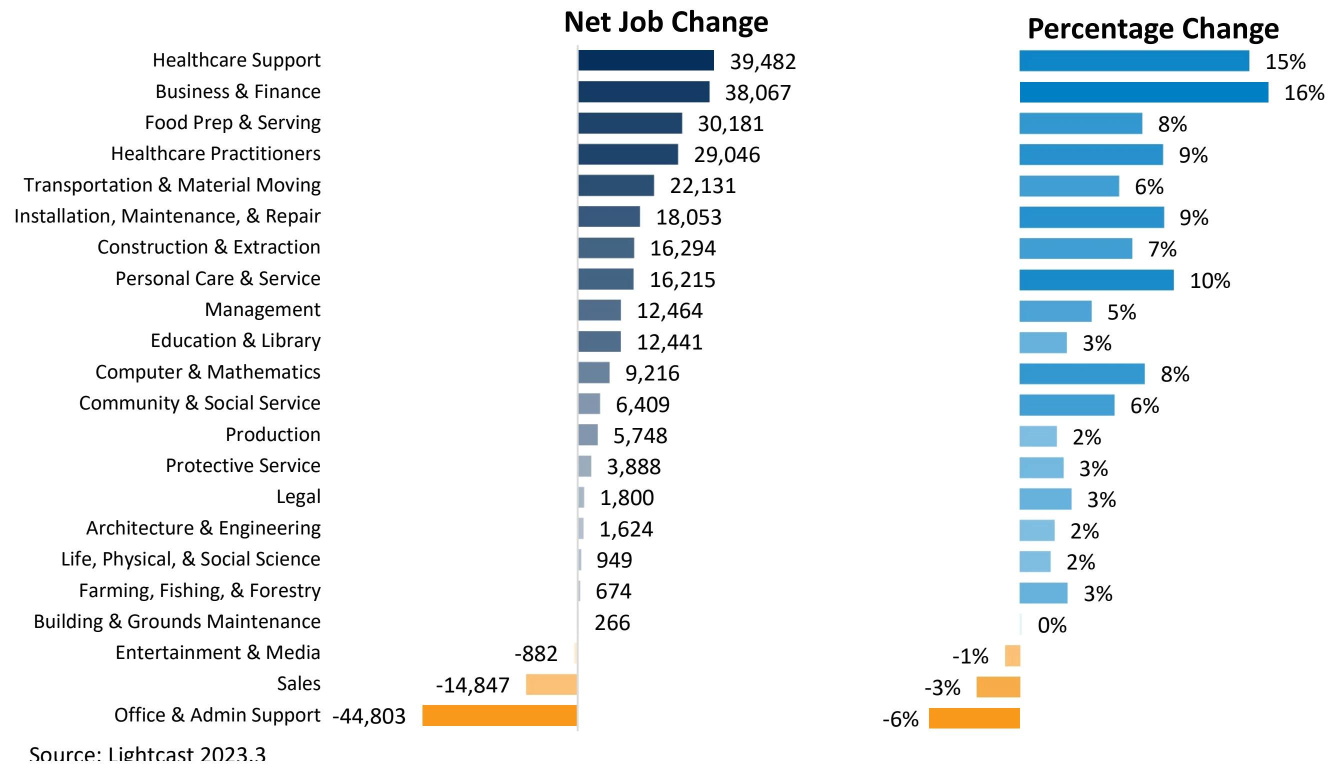


Source: Lightcast 2023.3

From 2019 to 2022, only seven occupation groups saw net job growth in the New York State counties outside of NYC. As in NYC, high wage jobs that were able to go remote like management, finance, and legal were some of the professions that were able to add positions during this time. There was also significant growth in transportation and material moving jobs. Growth in this occupation group included large gains in stockers, order fillers, and truck drivers.

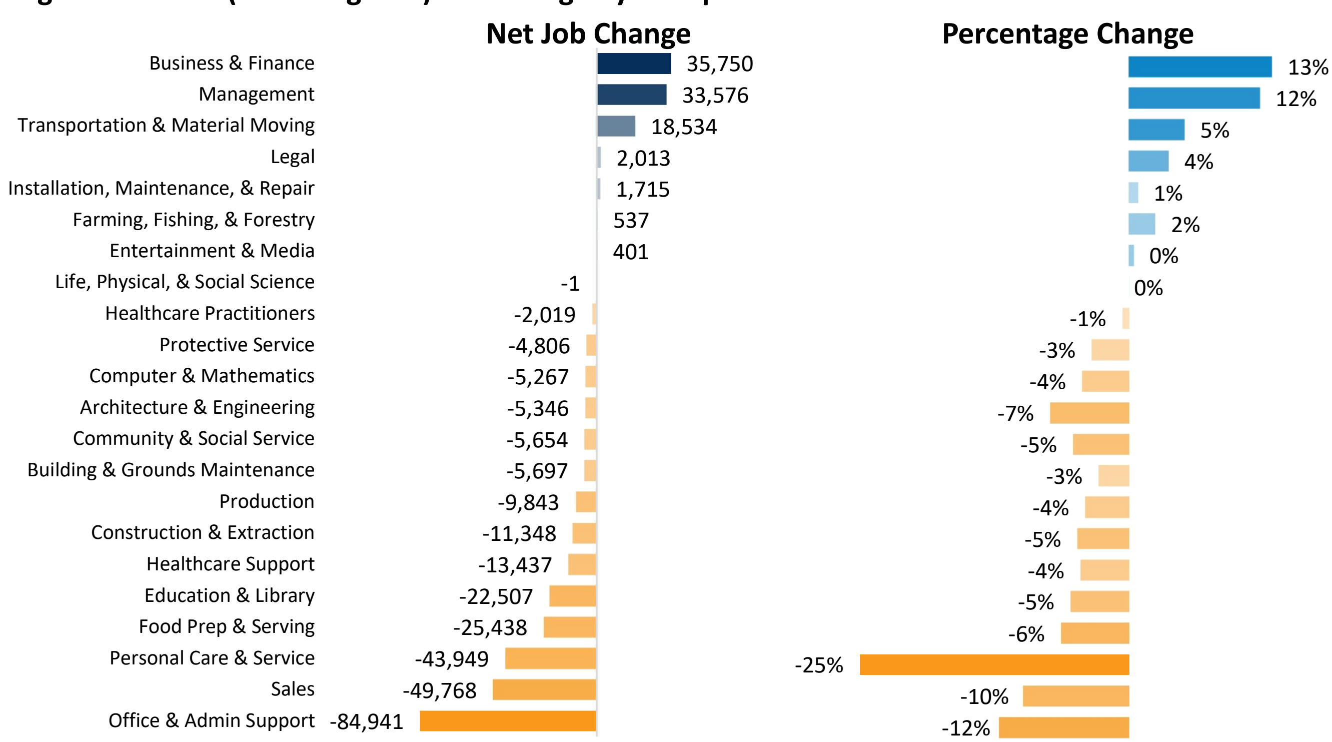
For both regions, demand for installation, maintenance, & repair technicians have remained strong. These are the trade-based skill jobs, like industrial machinery mechanics, that business owners often mention as the hardest jobs to fill during this period of a tight labor market.

Figure 13 – NYS (Excluding NYC) Job Change by Occupation 2013-2019



Source: Lightcast 2023.3

Figure 14 – NYS (Excluding NYC) Job Change by Occupation 2019 - 2022



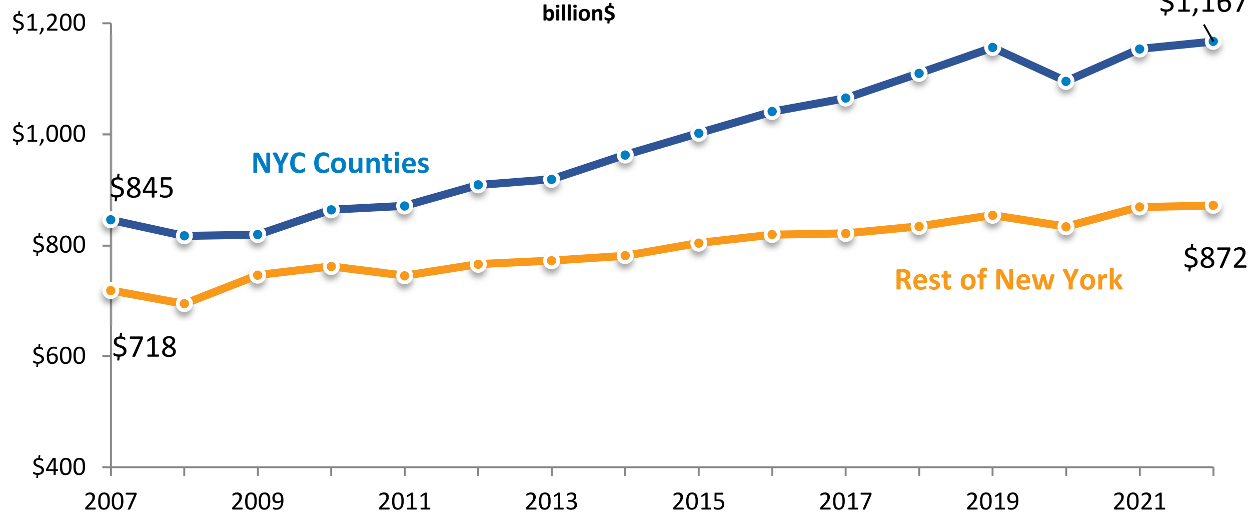
Source: Lightcast 2023.3

GDP Trends

In terms of gross domestic product (GDP) produced in New York State, 2022 levels were about $29 billion higher than 2019 levels. This accounting is in real terms, which adjusts for the recent increases in inflation. Inflation can skew GDP data as GDP can increase just through products having higher prices. Breaking down the real GDP change by the NYC area and the rest of the state, it reveals that both areas have recovered to their pre-2020 levels (Figure 15). Overall, the counties outside of NYC have increased real GDP at a slower rate than the five counties of NYC, indicating that much of the GDP growth in the state since 2007 has come from the NYC region.

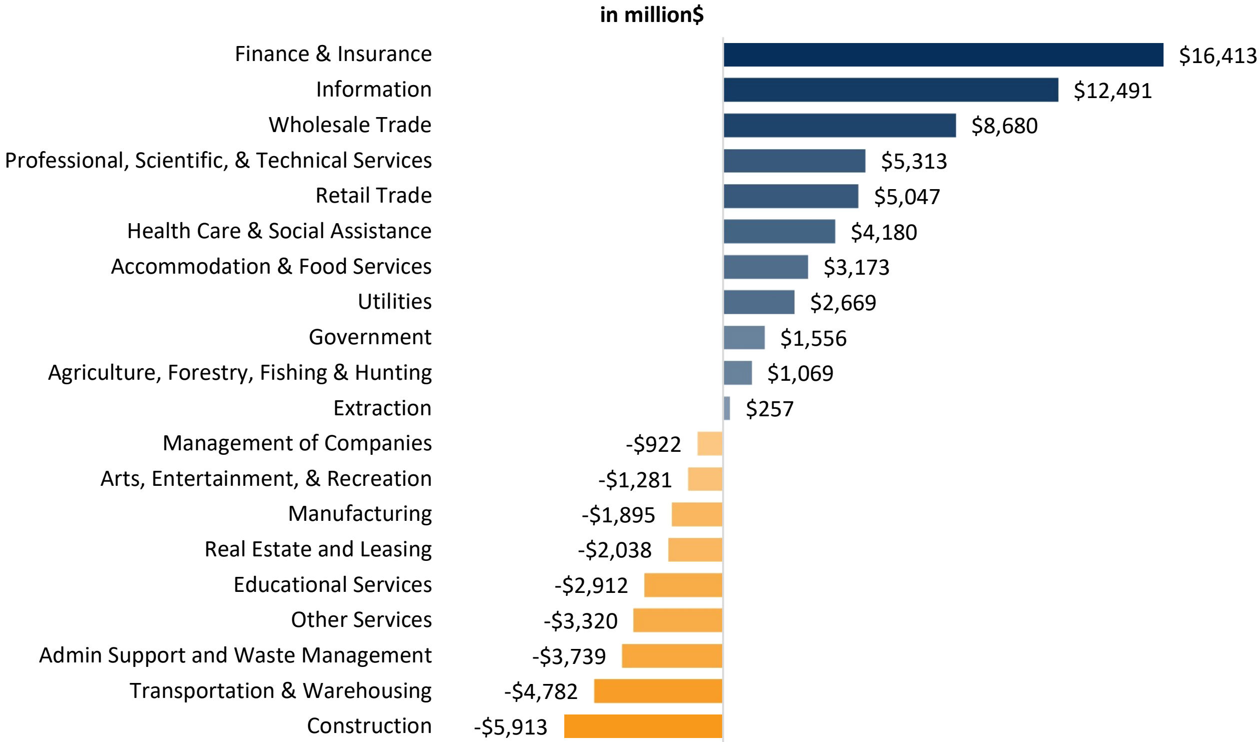
Figure 15 - Real GDP by Area

billion$



Source: EL calculations based on Lightcast 2023.3 and BLS (2023)

Figure 16 - NYS Change in Real GDP by Industry, 2019 - 2022

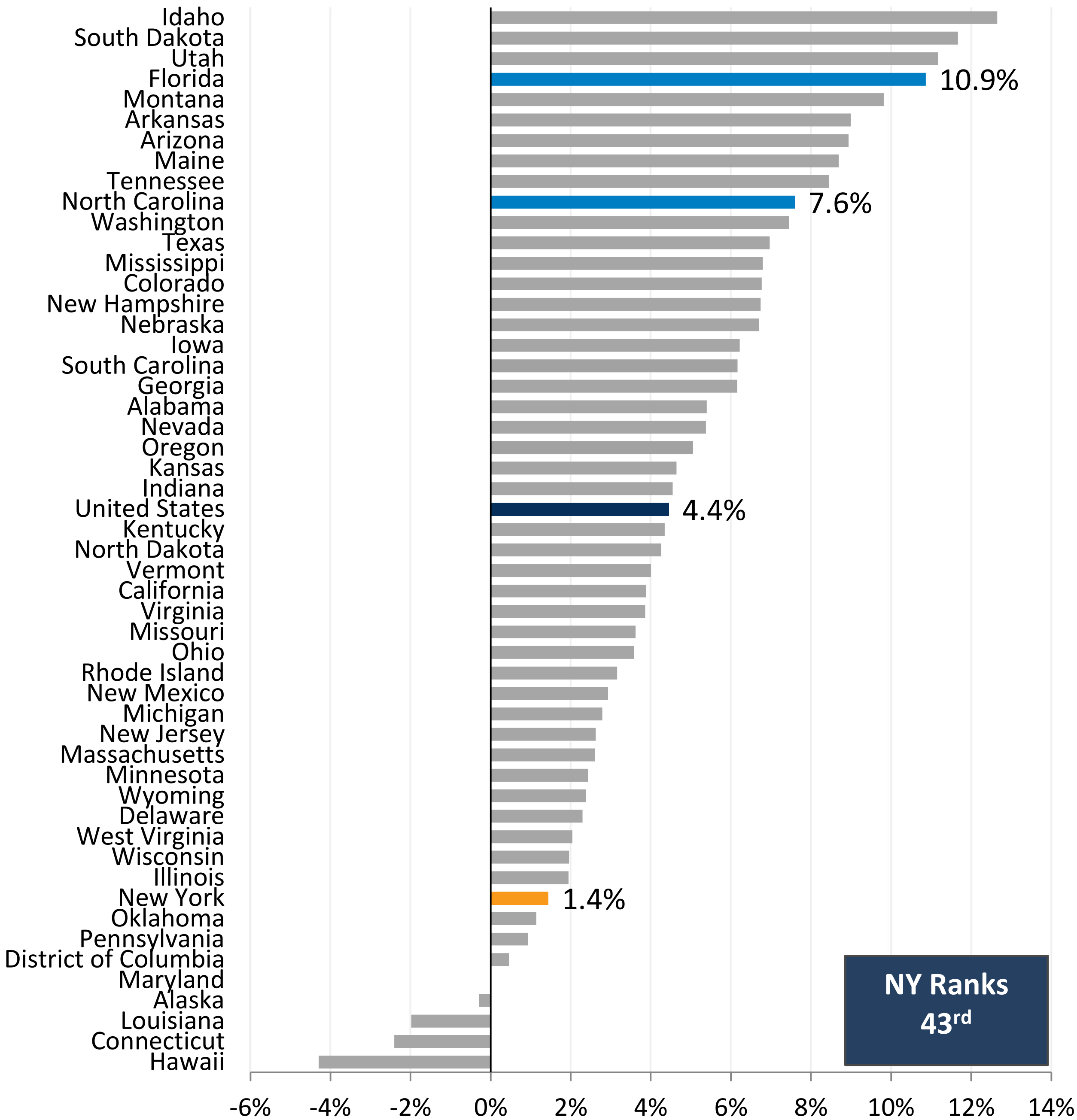


Source: EL calculations based on Lightcast 2023.3 and BLS (2023)

Figure 16 displays the changes in real GDP by industry in NYS since 2019. The state's post pandemic GDP has been buoyed by large gains in the finance and information industries. Further analysis of the GDP change in the financial services sector is provided in Section 2 of this report. Construction and several service-based industries have not yet returned in real GDP to pre-2020 levels. A more detailed analysis of New York's traded cluster industries is provided in the appendix.

When New York is compared to the other states in terms of real GDP change (Figure 17), it performs better than for population and employment change, but still ranks among the bottom ten states. Overall, the national economic recovery has been stronger in terms of real GDP than employment. Many of the top growth areas are the states that experienced large population gains in the Southeast and Intermountain West, while some states' growth was based on unique state-specific factors. South Dakota's GDP was buoyed by large gains in crop production from high yields of corn and soybeans. GDP growth in Maine was driven by gains in management of companies and pharmaceutical manufacturing. The GDP contributions of the finance sector for each state are compared in Section 2.

Figure 17 - Percent Change in Real GDP by State, 2019 - 2022

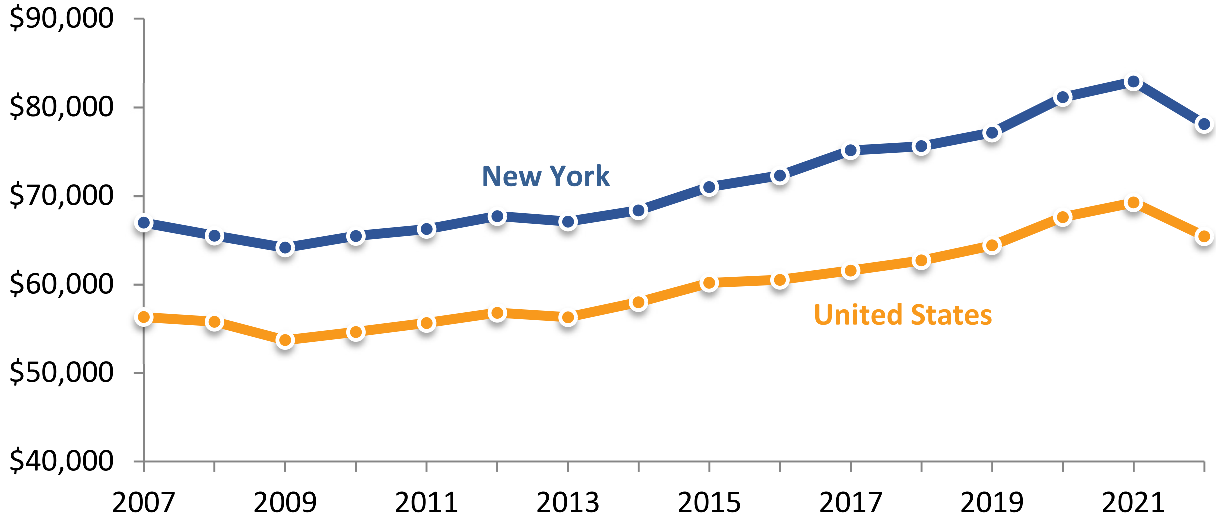


Source: EL calculations based on Lightcast 2023.3 and BLS (2023)

Income Trends

New York's economy has traditionally enjoyed a robust job market that offered high wages in areas like the finance, technology, media, and entertainment industries. These factors – along with being a global hub for commerce, entertainment, media, and innovation – have contributed to high average personal incomes in New York. In 2022, New York's personal income per capita was over $78,000. This accounted for seven percent of all personal income in the nation. This was also the fourth highest personal income per capita value in the US.

Figure 18 - Real Personal Income per Capita



Source: EL calculations based on BEA (2023) and BLS (2023)

New York's percentage of the nation's total personal income is higher than its percentage of population (Table 1). However, over the last decade, both metrics for New York State have been falling. The data shows that the US population and wealth is spreading geographically. Wealth migration patterns are further examined later in this report.

Table 1 - New York State's Percentage of US Total

Year	Personal Income	Population
2013	7.5%	6.3%
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Source: EL calculations based on BEA (2023)

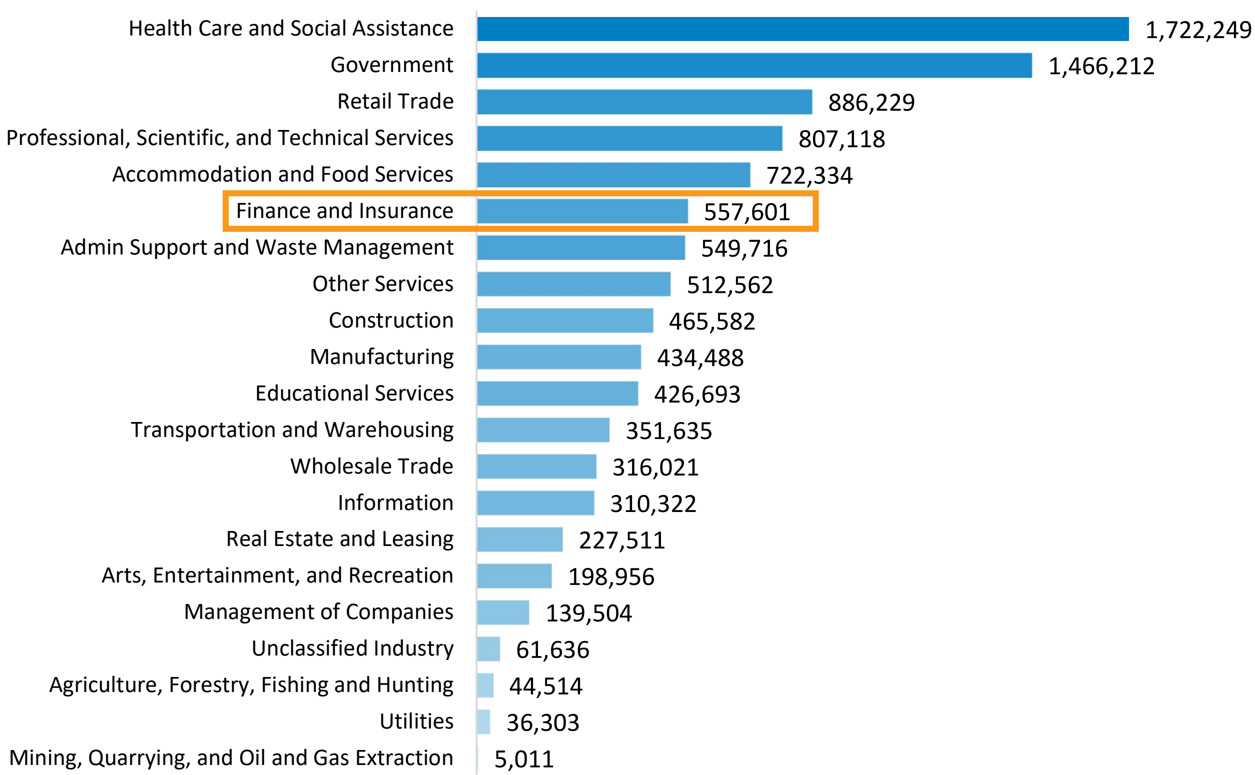
Section 2: The Financial Services Industry Is a Pillar of New York's Economy and New York is Heavily Dependent on the Success of the Sector

The financial services sector is an indispensable pillar of New York State's economy. The presence of renowned banks, investment firms, and other financial services have been key contributors to the state's success by creating wealth, driving innovation, and attracting skilled professionals from around the world. The sector has been key to the state's global competitiveness. In this section, the latest trends of this vital sector are analyzed.

Financial Services Contribution to NYS Economy

The two-digit finance and insurance industry NAICS group is used to evaluate the finance sector overall, and the three-digit codes within the sector are evaluated as subsectors. The finance and insurance industry employed over 557,600 workers in NYS in 2022. This was the sixth largest industry group in the state and accounted for about five percent of the total state's employment.

Figure 19 - NYS Employment by Industry, 2022



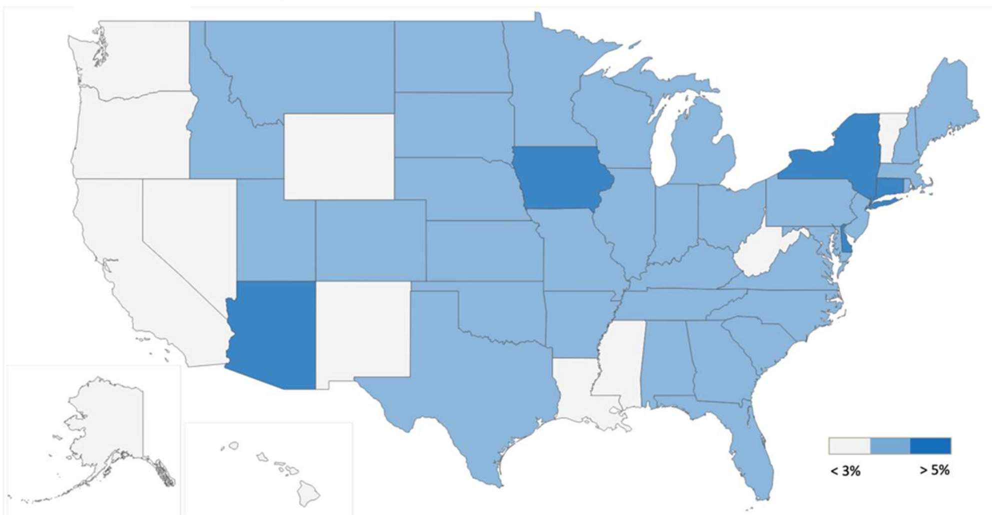
Source: Lightcast 2023.3

Each industry has a variety of occupations within that industry. The jobs are counted based on the industry of the employing company and not by the specific job activity. In the finance sector this

includes jobs that are specifically finance-focused like an investment analyst, but also sales agents, human resource directors, and software developers that work for finance companies.
Another way to measure the impact of an industry on a region's economy is employment concentration. This is calculated by taking the percentage of total employment of an industry and dividing it by the national percentage. A concentration figure of greater than 1.00 demonstrates a higher level of employment than what would be expected based on national levels. This can reveal what industries have an important, outsized presence in New York, and which industries attract significant money from outside the state by exporting goods and services.

Finance and insurance employment accounts for five percent of the state's economy, while the national average is about four percent. This produces a concentration metric of 1.32, meaning that the industry is 32 percent more concentrated in New York than the country as a whole. This is the third highest concentration value in the state, behind education and information (Figure 21).

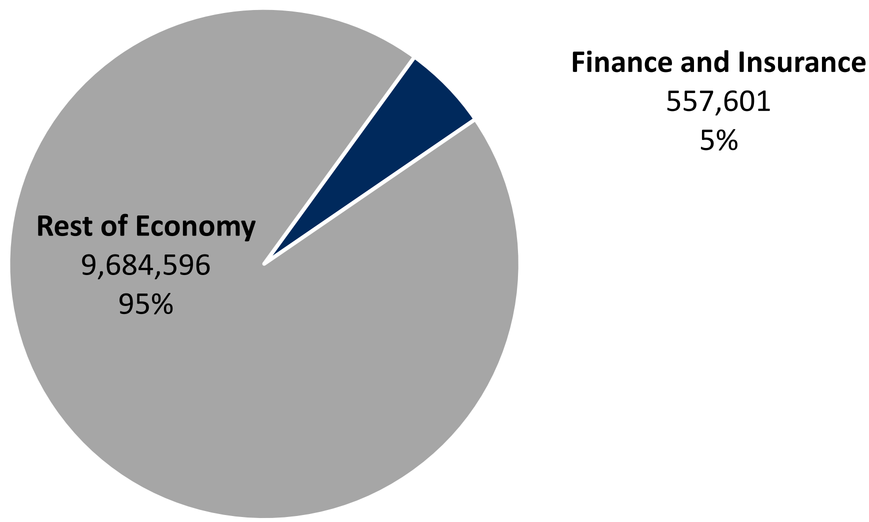
Map 1 - Percentage of Finance and Insurance As Total of All Jobs, 2022



Source: EL caluclations based on Lightcast 2023.3

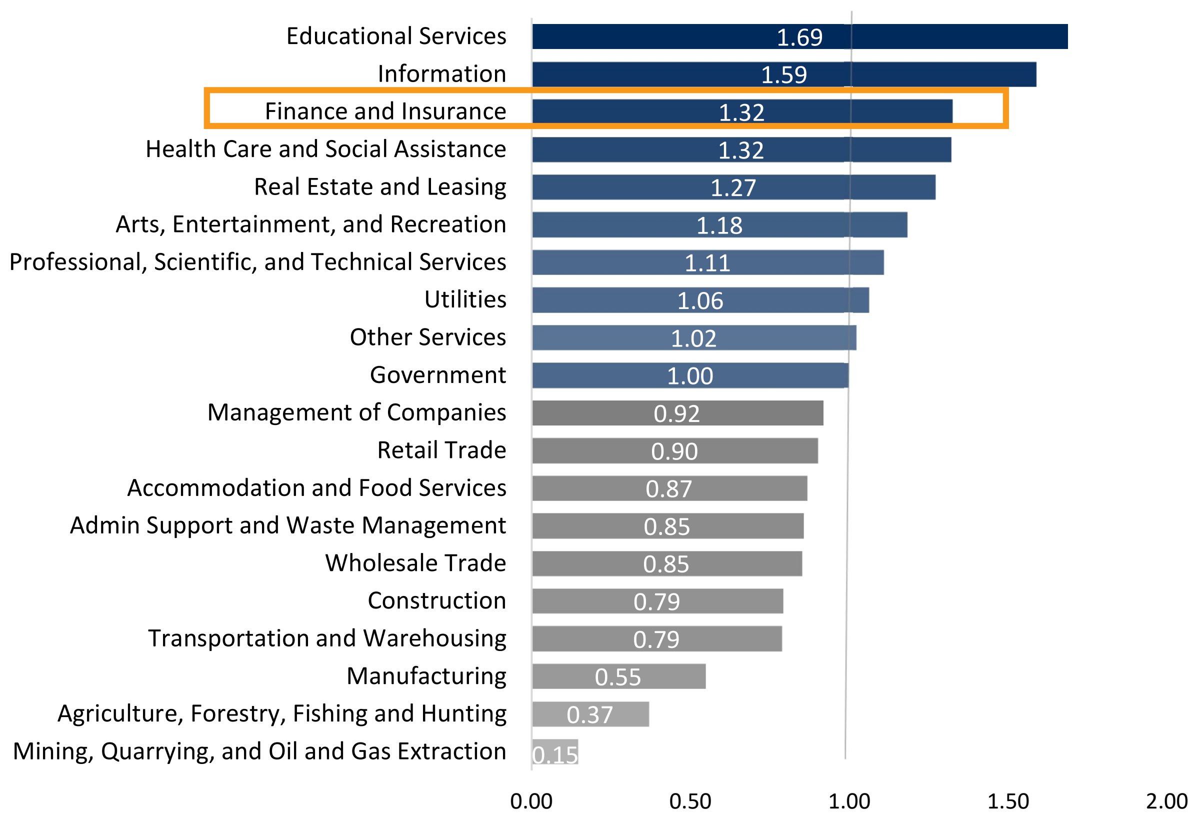
New York's percentage of employment covered by finance and insurance is one of the highest among all states as shown in Map 1. Later in this section, New York's finance sector will be ranked among all 50 states for a variety of metrics.

Figure 20 - Finance and Insurance Contribution to NYS' Employment, 2022



Source: Lightcast 2023.3

Figure 21 - NYS Employment Concentration by Industry, 2022

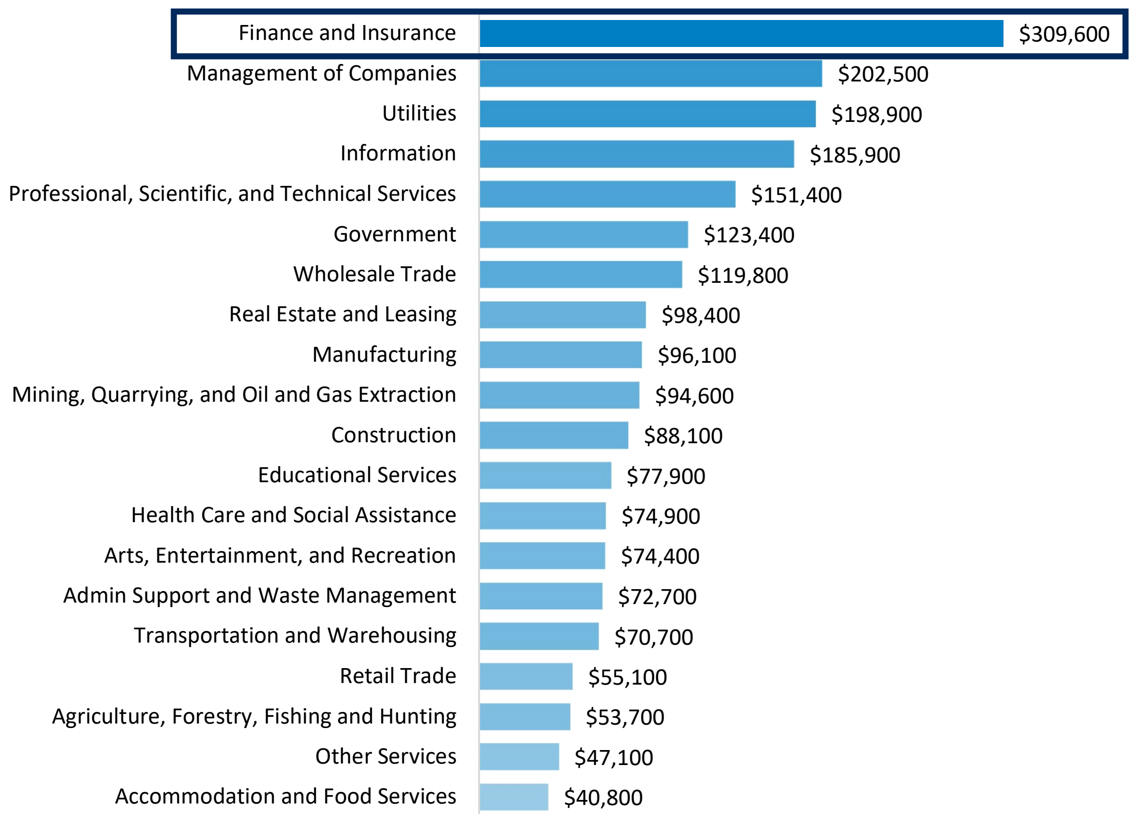


Source: Lightcast 2023.3

One key advantage of a thriving financial services industry is the wages that then ripple through the overall economy. Professionals in this sector command high wages due to the specialized expertise required to make strategic financial decisions, like risk management, and a deep understanding of markets and regulation. The industry is also capable of generating substantial financial gains that are passed on as higher wages for workers in the sector.

To get a sense of total compensation in the industry, the average earnings per worker was measured. This measure of earnings includes wages, profits, benefits, and other compensation. The average earnings per worker for all industries in New York in 2022 was about $104,000. The average earnings for the finance and insurance sector were almost three times that, at over $309,000 a year. Benefits account for $34,000 of that total, with the average salary at around $275,800 per year. New York's finance and insurance sector is the highest compensated two-digit industry in the state and across the country.

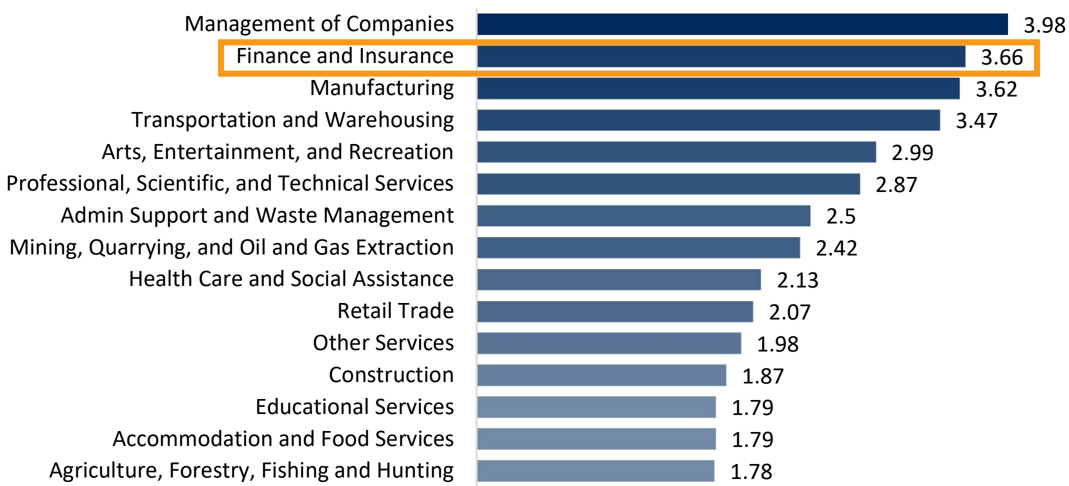
Figure 22 - NYS Average Annual Earnings by Industry, 2022



Source: Lightcast 2023.3

High-wage industries like finance and insurance also offer benefits to the state economy beyond their initial employees and payroll counts. The finance and insurance industry contributes to the state economy far beyond its direct employees and payroll. Supply chain demands and the incomes generated multiply throughout the economy and help support jobs across a variety of industries. Using multipliers from Lightcast's social account matrix input-output model, the total economic impact of the finance and insurance industry on New York's economy was determined. The industry has an employment multiplier of 3.66. This means for every one job created in the finance sector, another 2.66 jobs are created elsewhere in the economy on average. This was the second highest employment multiplier in the state behind management of companies (Figure 23).

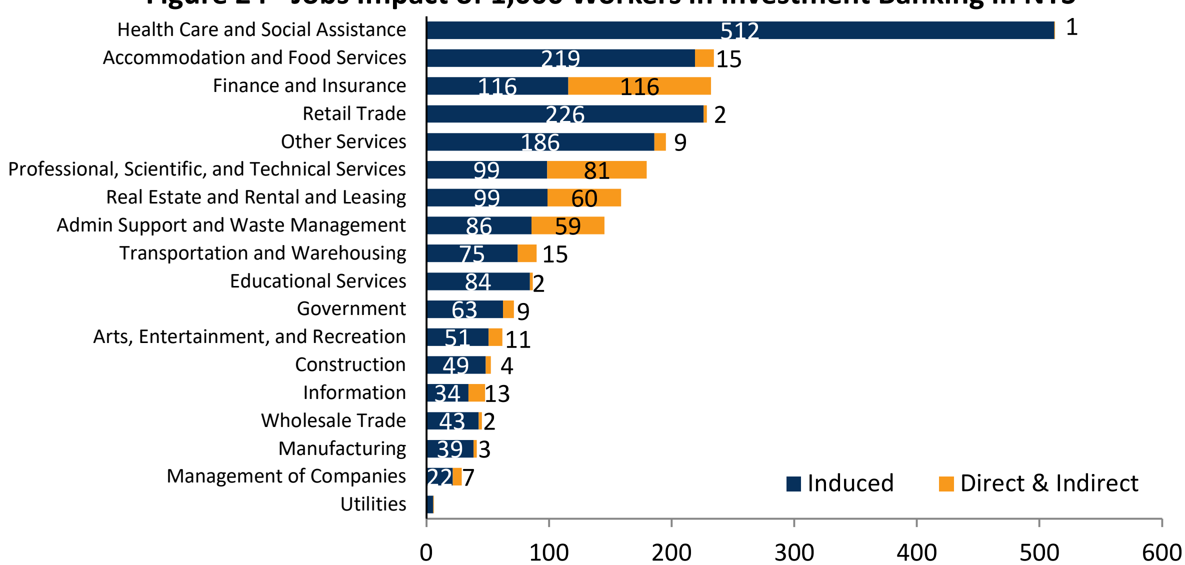
Figure 23 - NYS Job Multipliers by Industry, 2022



Source: Lightcast 2023.3

These effects are multiplied through the economy by supply chain purchases (direct and indirect) and income effects (induced). As a professional service, there are not as many jobs created in the supply chain, but the high wages spent in the economy create a significant induced effect across the state. Below is an example multiplier impact to the state from 1,000 jobs in the investment banking industry. In this example scenario, the financial firm supports additional jobs across the economy in industries like healthcare and retail trade.

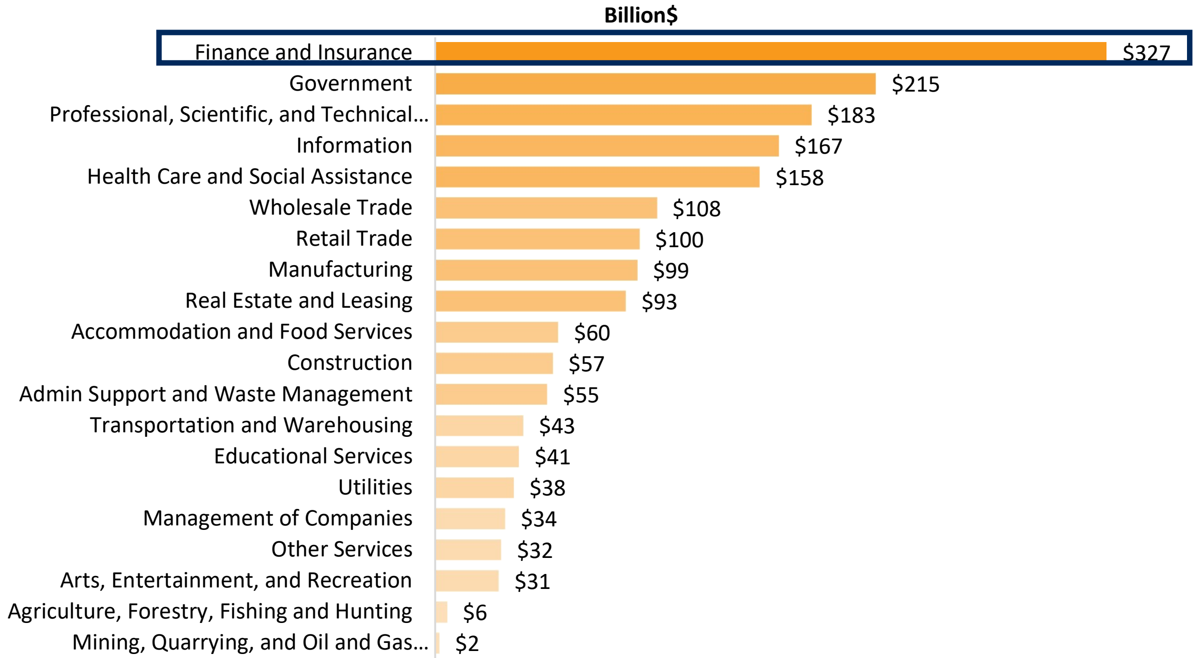
Figure 24 - Jobs Impact of 1,000 Workers in Investment Banking in NYS



Source: EL calculations based on Lightcast 2023.3

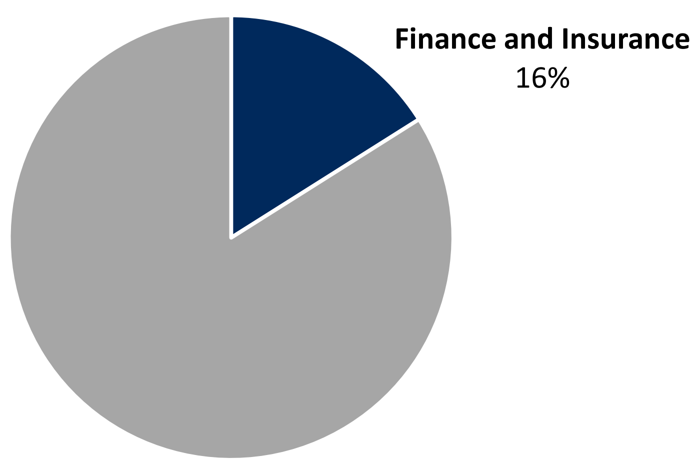
The finance and insurance industry is also the number one contributing industry to the state's GDP. In 2022, the sector created $327 billion in value added to the economy. This was about 16 percent of the state's total GDP, which is nearly three times the industry's contribution to state employment. The economic health of New York is heavily dependent on the performance of the finance and insurance industry.

Figure 25 - NYS GDP by Industry, 2022



Source: Lightcast 2023.3

Figure 26 - Finance and Insurance Contribution to NYS GDP, 2022

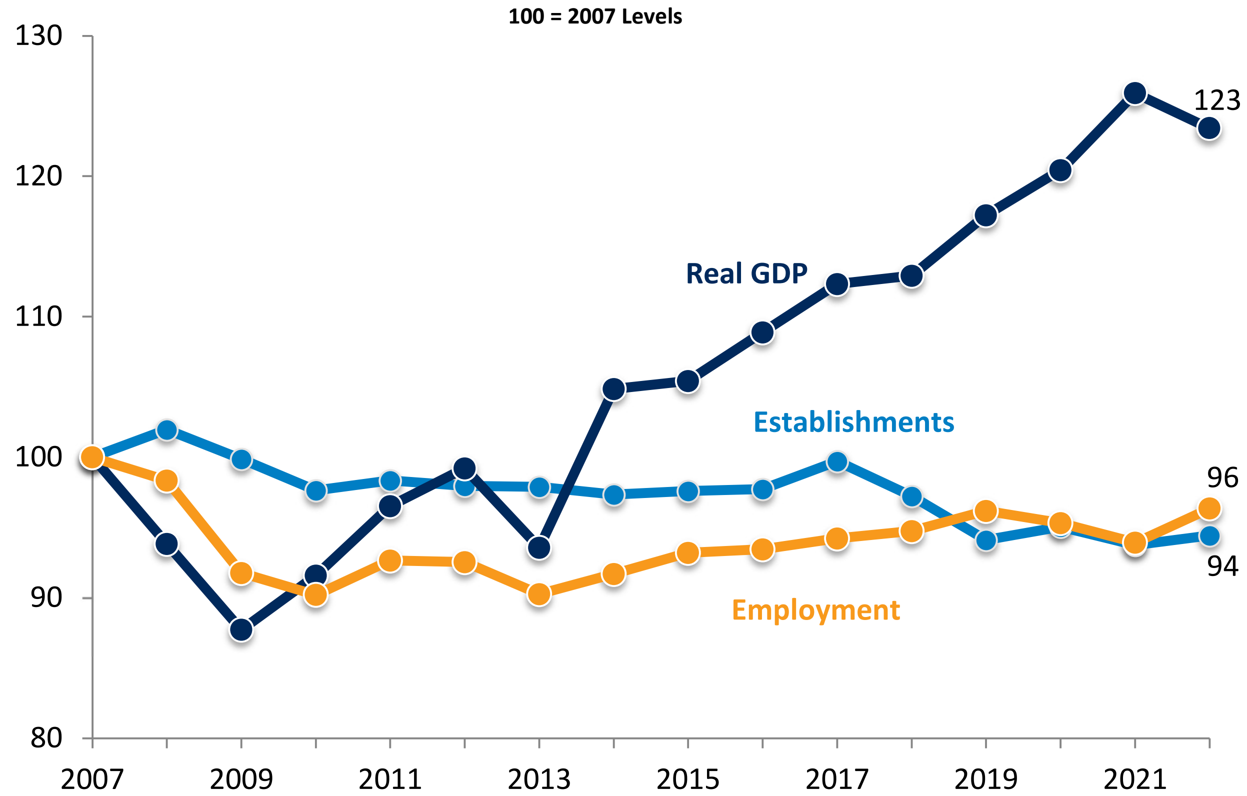


Source: Lightcast 2023.3

Section 3: Financial Services Industry Trends In New York Show an Outflow in the Last Three Years

One goal of this analysis was to understand where the finance and insurance sector was trending in New York. When the rate of change is mapped for key metrics, there is a diverging trend. As would be expected, the industry struggled in the wake of the housing market collapse starting in 2007. In the last decade, however, real GDP in this sector has grown significantly. In 2022, the level of real GDP from the sector was 23 percent higher than in 2007. For other metrics like employment and establishments, the trend lines have remained relatively flat, with some losses.

Figure 27 - NYS Finance and Insurance Change Metrics



Source: Lightcast 2023.3

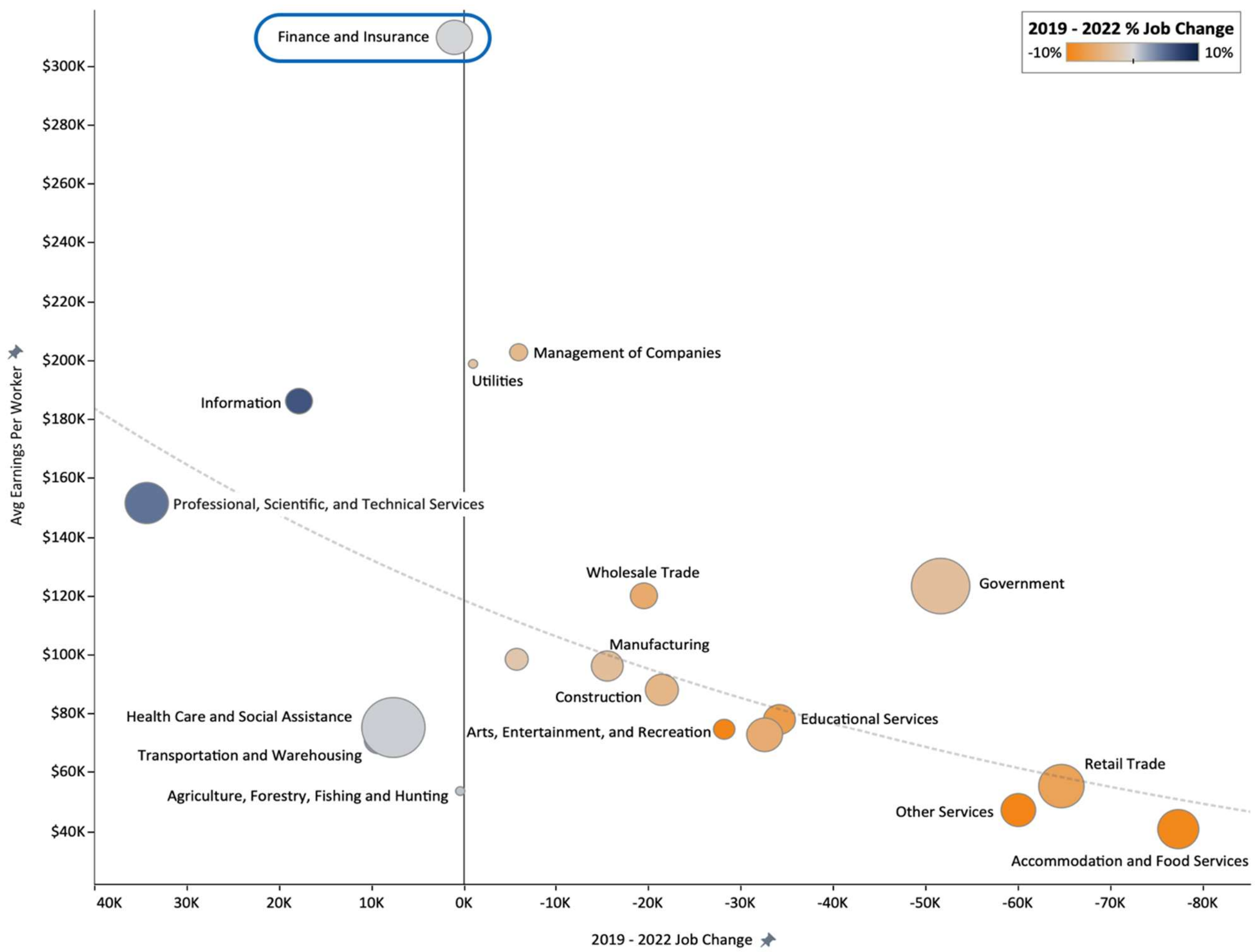
Establishments measure any business location with payroll in an industry, meaning a single company can have multiple establishments. The level of establishments remained stable even after the financial crisis but has declined since 2017. The number of people employed in finance and insurance fell during the housing market collapse, from 2007 to 2009. While financial sector jobs have steadily increased since 2010, they have not fully recovered to pre-recession levels. This divergence indicates that finance firms can increase their output without adding more locations or jobs in the state. Firms could be leveraging technology more and replacing their reliance on lower skilled jobs. This is reflected in the staffing patterns data of the industry. Many of the industry's administrative and clerk positions have lost jobs in the state while specialist and management positions have grown.

Table 2 - New York State Top Occupations in the Finance and Insurance Industry

Occupation Name	Employed in Industry (2022)	Job Change (2019 - 2022)	% of Total Jobs in Industry (2022)	Median Hourly Earnings (2022)
Financial Specialists	125,480	+10,750	23%	$50.50
Sales Representatives, Services	95,180	-10,171	17%	$43.80
Business Operations Specialists	56,890	+5,222	10%	$41.20
Information and Record Clerks	51,330	-3,482	9%	$21.00
Operations Specialties Managers	33,300	+5,227	6%	$86.30
Computer Occupations	32,840	-398	6%	$50.80
Financial Clerks	32,590	-6,662	6%	$22.80
Secretaries and Admin Assistants	27,740	-2,376	5%	$24.30
Top Executives	21,000	+6,080	4%	$59.30
Other Office and Admin Support	19,060	-5,696	3%	$19.40

Source: Lightcast 2023.3

Figure 28 - NYS Job Change by Industry and Wages, 2019-2022



Source: Lightcast 2023.3

Overall, in the last three turbulent years, net employment levels in the finance and insurance industry have been mostly stable. Across the state, only a few industries had recovered to their pre-pandemic levels. Finance and insurance was one of the six industries with a net positive employment change, showing an increase of 1,020 jobs. There have been net job gains in information, healthcare, transportation, and professional services. Other parts of the economy have struggled to recover.

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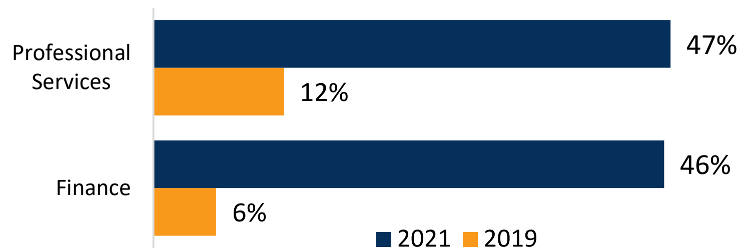
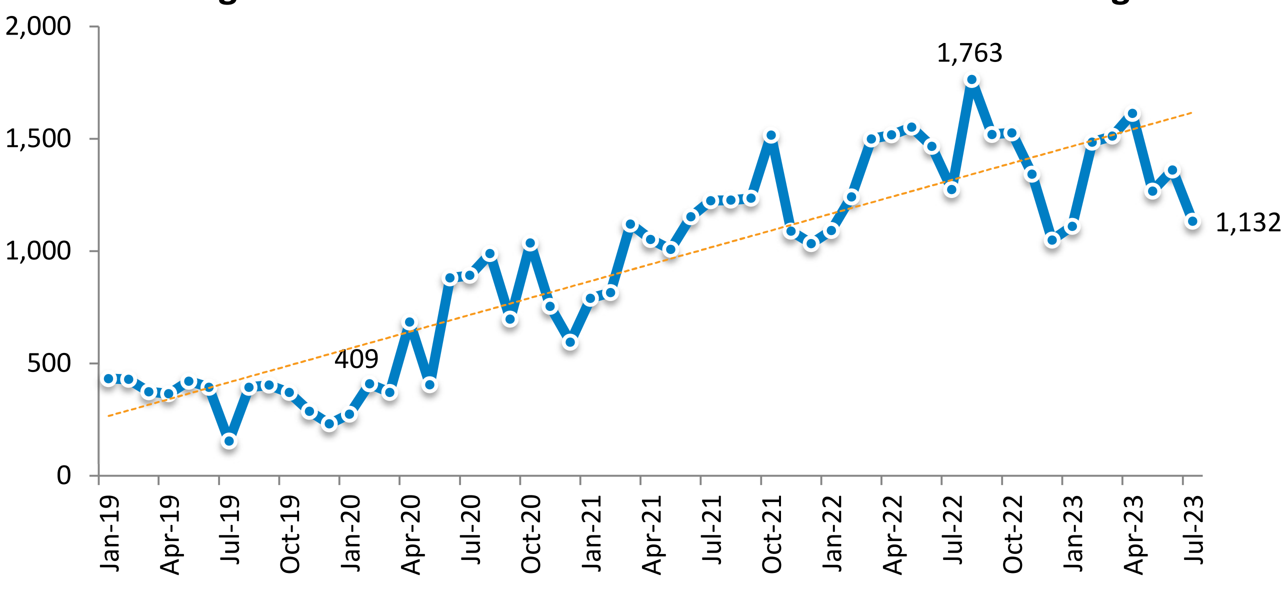
Figure 29 - NYS Employees Remote Working



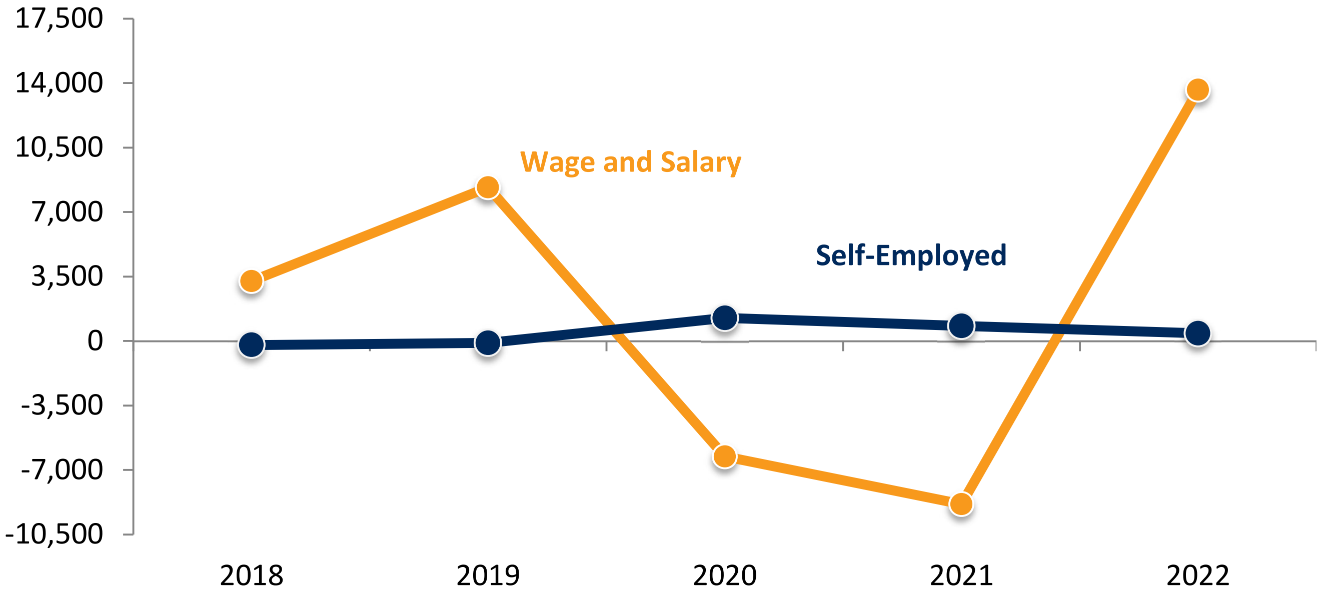
Source: EL calculations based on US Census Bureau - Microdata (2022)

Figure 30 - NYS Remote Listed Finance Sector Job Postings



Source: Lightcast 2023.3

Figure 31 - Finance and Insurance YOY Net Job Change by Job Type



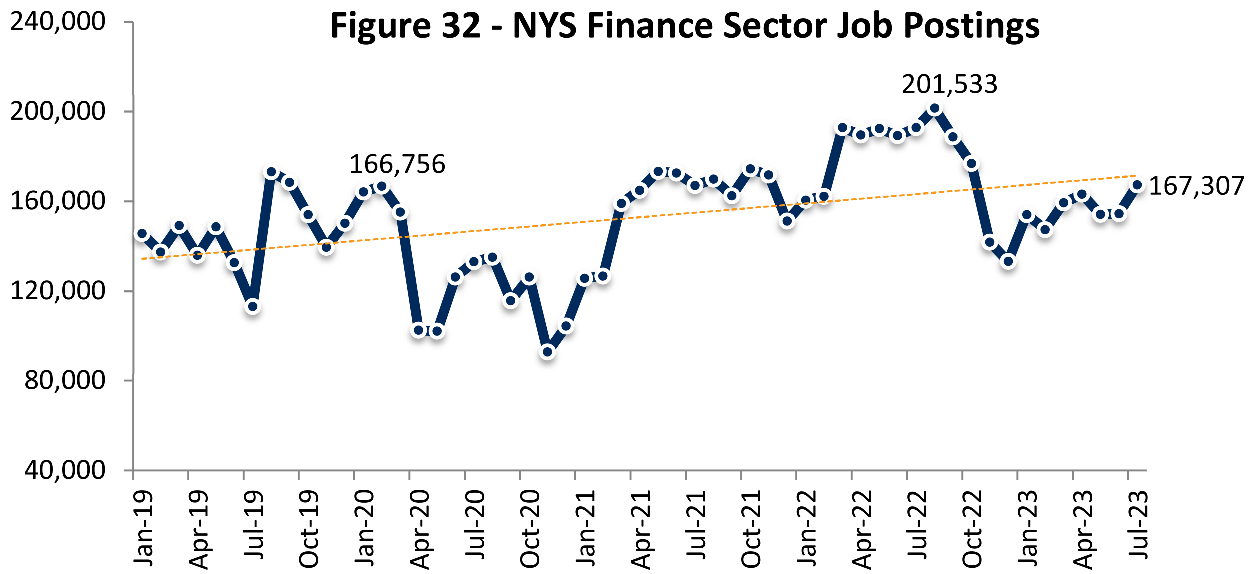
Source: Lightcast 2023.3

Table 3 - NYS Finance and Insurance Industry by Employer Type

Year	Wage & Salary Employment	Self Employment	Net Change Wage & Salary	Net Change Self Employment
2018	535,370	12,980	+3,250	-208
2019	543,700	12,880	+8,340	-97
2020	537,440	14,130	-6,263	+1,256
2021	528,580	14,950	-8,856	+812
2022	542,230	15,370	+13,646	+425

Source: EL calculations based on Lightcast 2023.3

Data on unique online job postings can also provide a real-time trend for worker demand in the industry. The data indicates that after a drop in demand in 2020, and a surge in the next two years after mass COVID vaccinations, the demand for finance workers in mid-2023 is on par with 2019 demand. The industry has also appeared to withstand a drop in demand in late 2022 after high inflation triggered higher interest rates that stressed the banking sector.



Source: Lightcast 2023.3

The finance and insurance industry was broken down for further analysis into subsectors. These subsectors are based on the three-digit NAICS code for the industry. The largest subsector was securities and investing with 215,460 jobs in 2022. Jobs in this subsector have grown by four percent since 2019. The average earnings per worker in this industry are more than $500,000 per year. Employment in the subsector is three times more concentrated than the national level. Commercial banking and insurance are the next two leading subsectors in terms of employment in the industry. Both subsectors have seen employment numbers decline since 2019. Insurance had the largest percentage decline during this time at 4.5 percent.

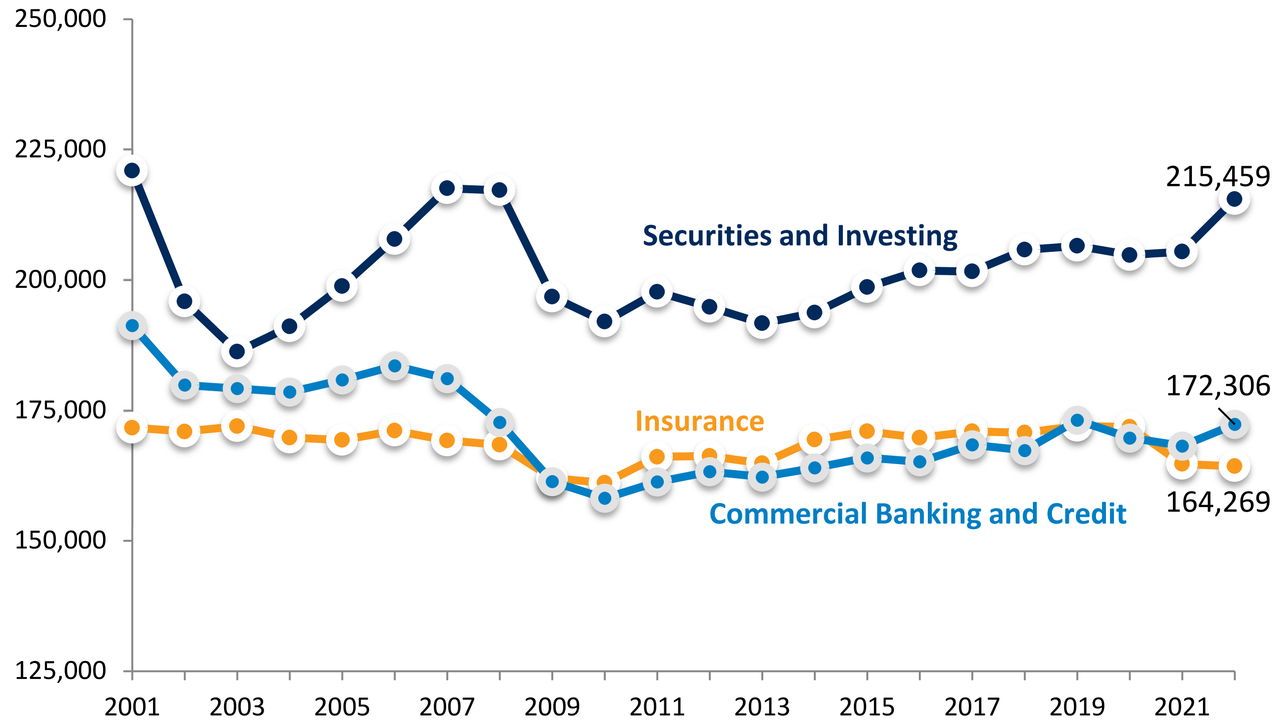
Table 4 – NYS Finance and Insurance by Subsector, 2022

Technology Categories	Jobs, 2022	Job Change, 2019-2022	Establishments, 2022	Average Earnings, 2022	Location Quotient
Securities and Investing	215,460	4.3%	9,835	$518,900	3.17
Commercial Banking and Credit	172,300	-0.5%	8,744	$204,300	1.04
Insurance	164,270	-4.5%	9,172	$147,400	0.89
Funds and Trusts	2,820	31.0%	598	$268,500	1.72
Central Bank	2,740	-1.2%	19	$236,700	2.09

Source: EL calculations based on Lightcast 2023.3

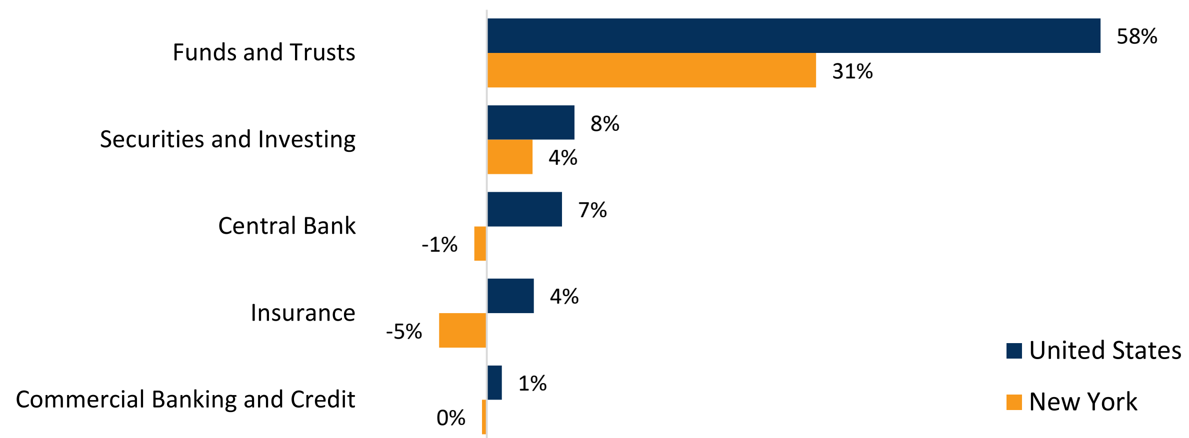
Looking at the broader timeline for these subsectors shows that employment in the top three subsectors has fluctuated, particularly after recessions in 2001 and 2007 (Figure 33). In the last decade, employment for all three has largely remained stable, without major growth. From 2021 to 2022, however, there were job gains in securities and investing and commercial banking. Figure 34 demonstrates that New York's finance subsectors have grown at levels below the national average since 2019.

Figure 33 - NYS Finance and Insurance Job Change by Subsector



Source: Lightcast 2023.3

Figure 34 - Finance and Insurance Job Change by Subsector, 2019 -2022

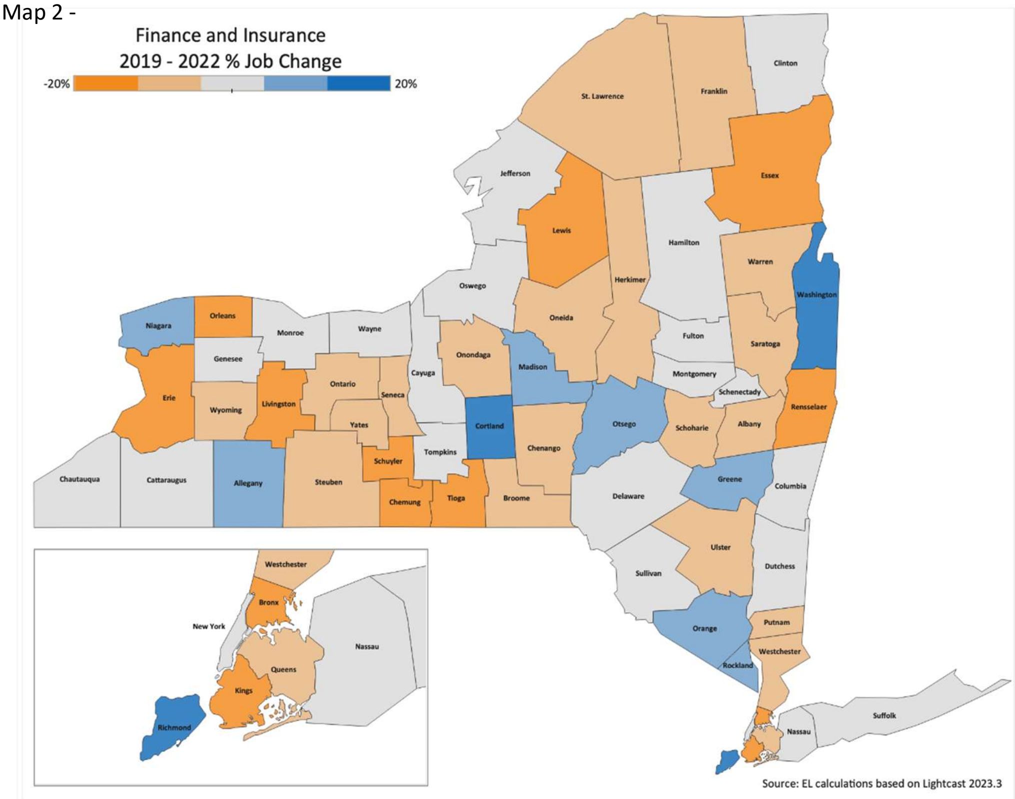


Source: Lightcast 2023.3

New York City has traditionally been the most dominant location for the finance industry in New York State. In 2022, New York County alone accounted for 56 percent of all finance and insurance employment in the state. The industry accounts for over 11 percent of all jobs in New York County.

The finance and insurance sector does play a significant role for other counties in the state. In Erie, Oneida, Chenango, and Albany counties the industry accounts for more than five percent of total employment. There is also a strong presence of the industry in the surrounding counties of New York City, including Westchester, Nassau, and Suffolk counties.

Map 2 -



Employment trends in the finance and insurance sector from 2019 to 2022 have varied dramatically by county. Jobs have recovered in New York County, but several of the other boroughs lost jobs in the sector during this time. One exception was Richmond County, which added a net of over 550 jobs in the industry. This growth was primarily driven by an increase in the insurance subsector. Erie County lost over 4,000 jobs from 2019 to 2022. Most of these losses were in the insurance subsector. Some rural counties made net gains in finance and insurance employment. Self-employment jobs are a small part of the industry (about three percent of all finance jobs) but did increase in numbers in every county in the state over the three-year period.

Table 5 - Top Financial Service Sector Counties in New York

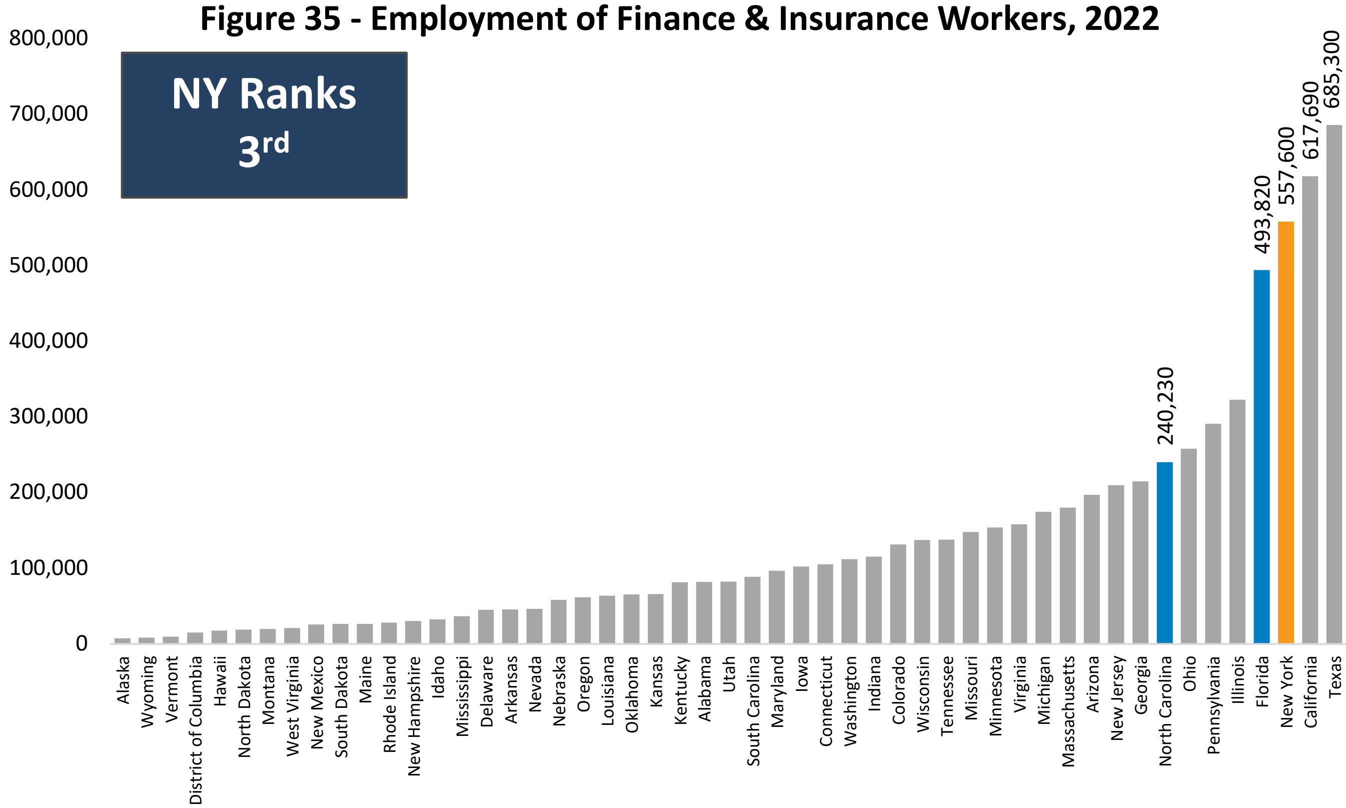
County	Jobs, 2022	2019 – 2022 % Change	Average Earnings, 2022	Employment Concentration
New York	317,130	+1%	$440,700	3.03
Nassau	32,030	-1%	$138,600	1.13
Erie	25,430	-14%	$104,300	1.29
Suffolk	23,040	-4%	$209,700	0.78
Westchester	18,890	-6%	$216,900	0.99
Kings	16,000	-12%	$136,100	0.41
Queens	15,270	-10%	$111,400	0.46

Source: Lightcast 2023.3

State Comparison of Finance & Insurance Sector

Based on the methods for measuring the finance and insurance industry in New York, the same metrics were calculated for the remaining states and the District of Columbia to measure how NYS trends compare. The District of Columbia is included in the charts but not included in the state rankings. This section of the report evaluates many of the New York level metrics shown in the prior section compared against values for the US and all other states. New York State employed about 557,600 finance and insurance workers in 2022. This was the third highest behind California and Texas.

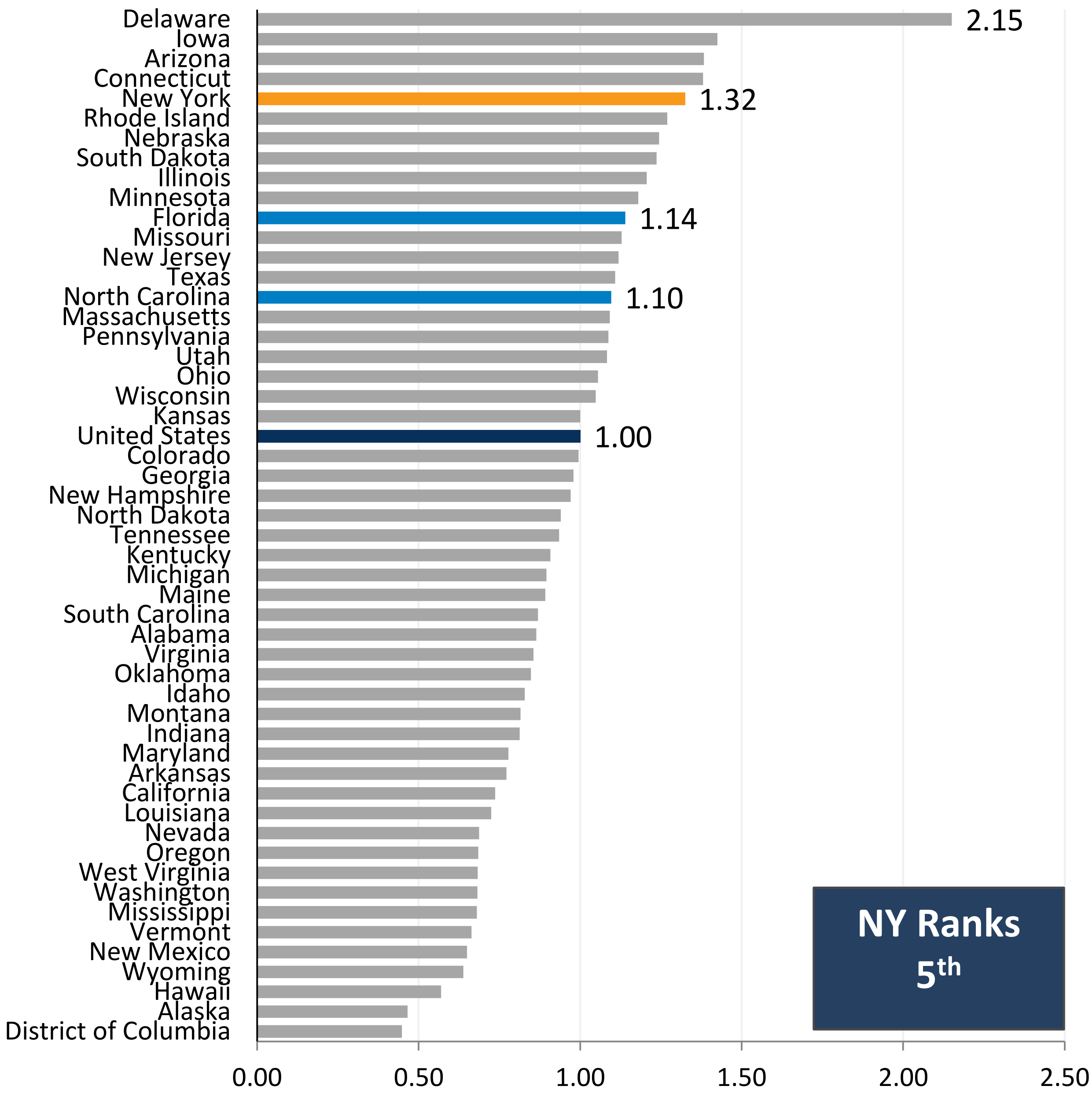
Figure 35 - Employment of Finance & Insurance Workers, 2022



Source: Lightcast 2023.3

When comparing the finance and insurance industry to the make-up of a state's entire economy (Figure 36), New York is also one of the top states in employment density. Its employment concentration ratio of 1.32 is the fifth highest in the US. Delaware is the number one state with a strong presence in the commercial banking subsector.

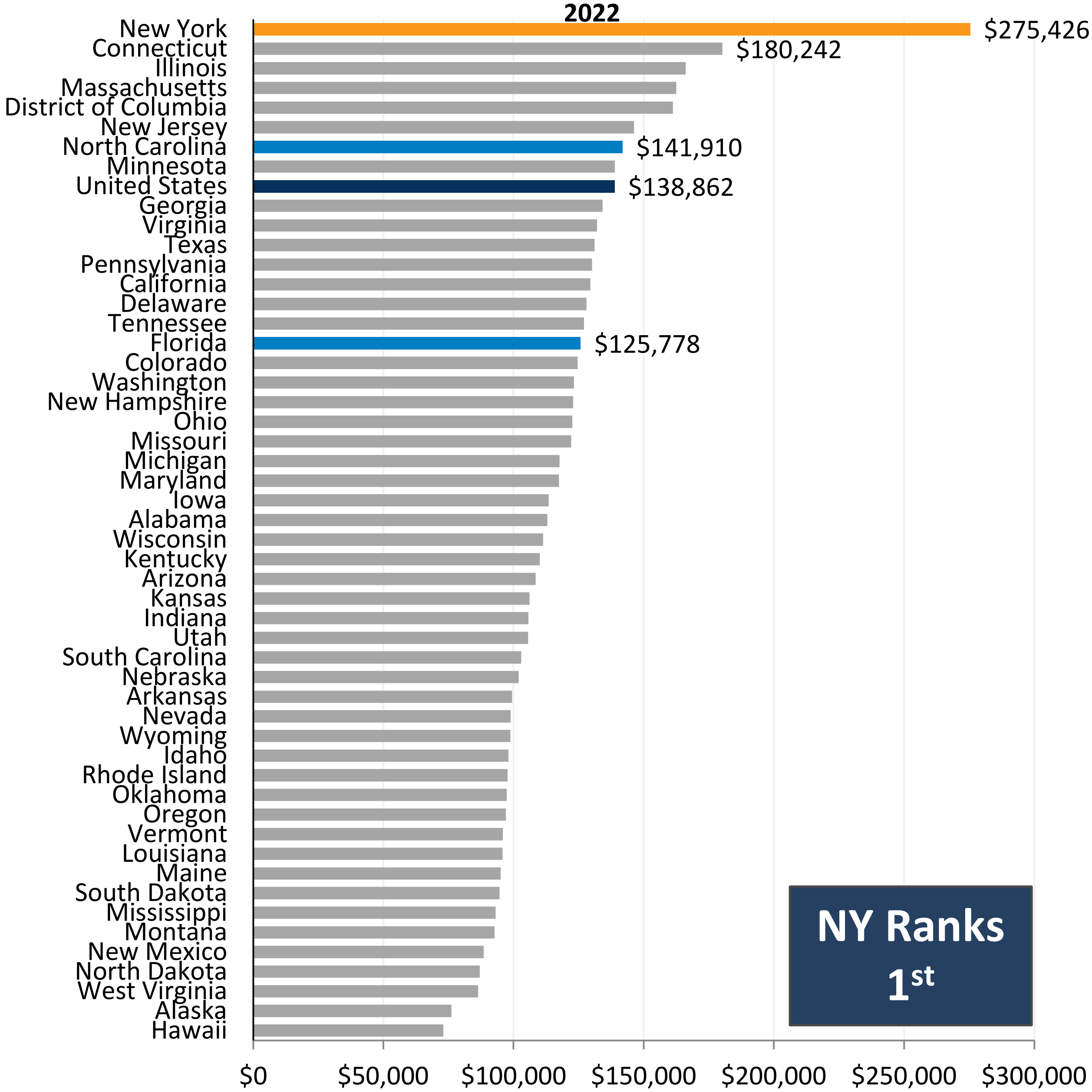
Figure 36 - Concentration of Finance & Insurance Workers, 2022



Source: Lightcast 2023.3

Earlier in the report it was noted that the average earnings per worker in New York for finance and insurance were the highest for any two-digit industry across all 50 states. The cost-of-living index (COLI) for New York state is 112.4 set against the national average value of 100. This means the high wages offered in the state are somewhat offset by the higher cost of goods and services. When finance and insurance earnings are adjusted for COLI, New York's earnings still rank as the top state. Sector earnings in NYS are about $100,000 higher than the number two ranked state.

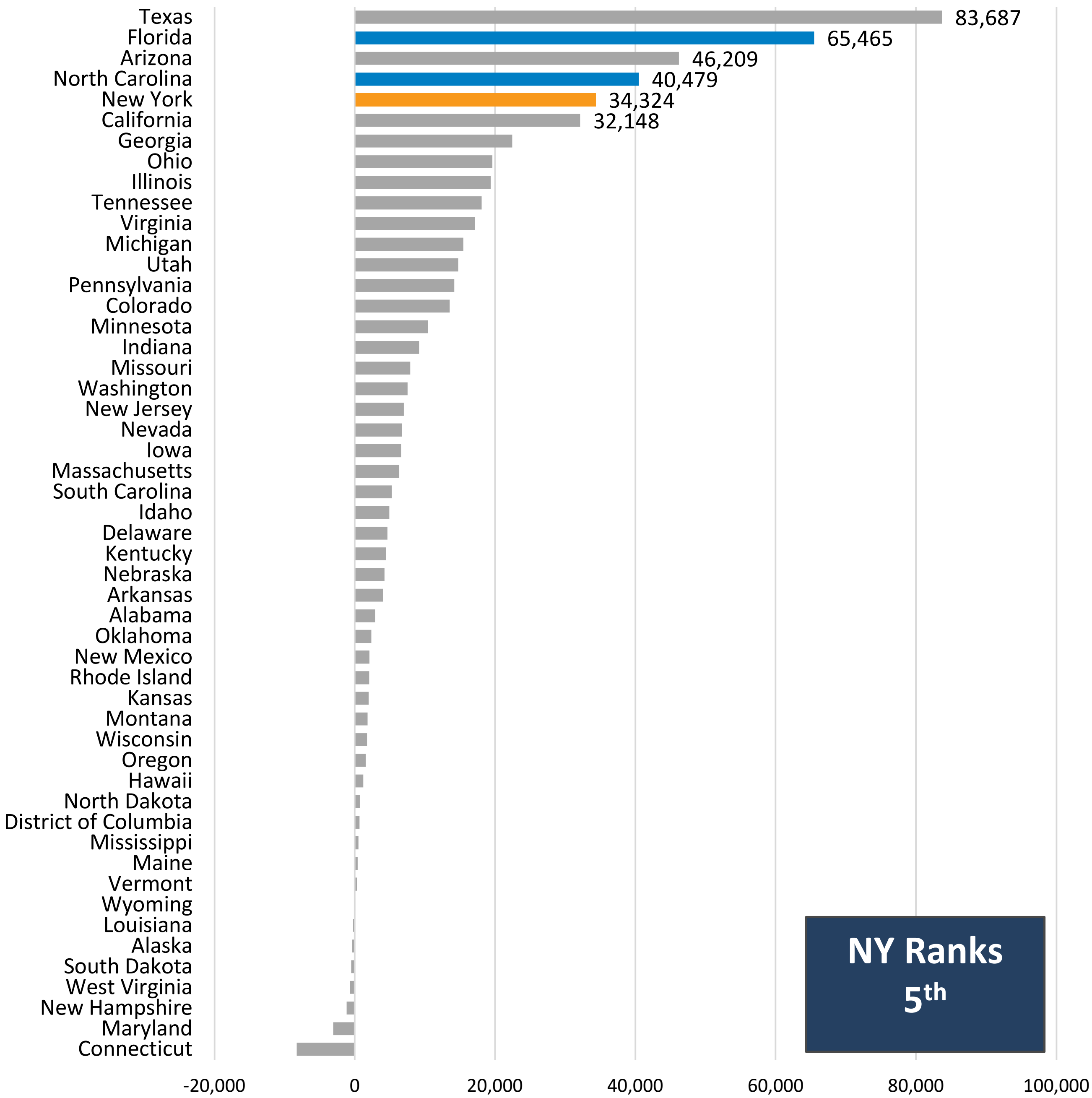
Figure 37- Finance & Insurance COLI Adjusted Average Earnings Per Worker, 2022



Source: Lightcast 2023.3

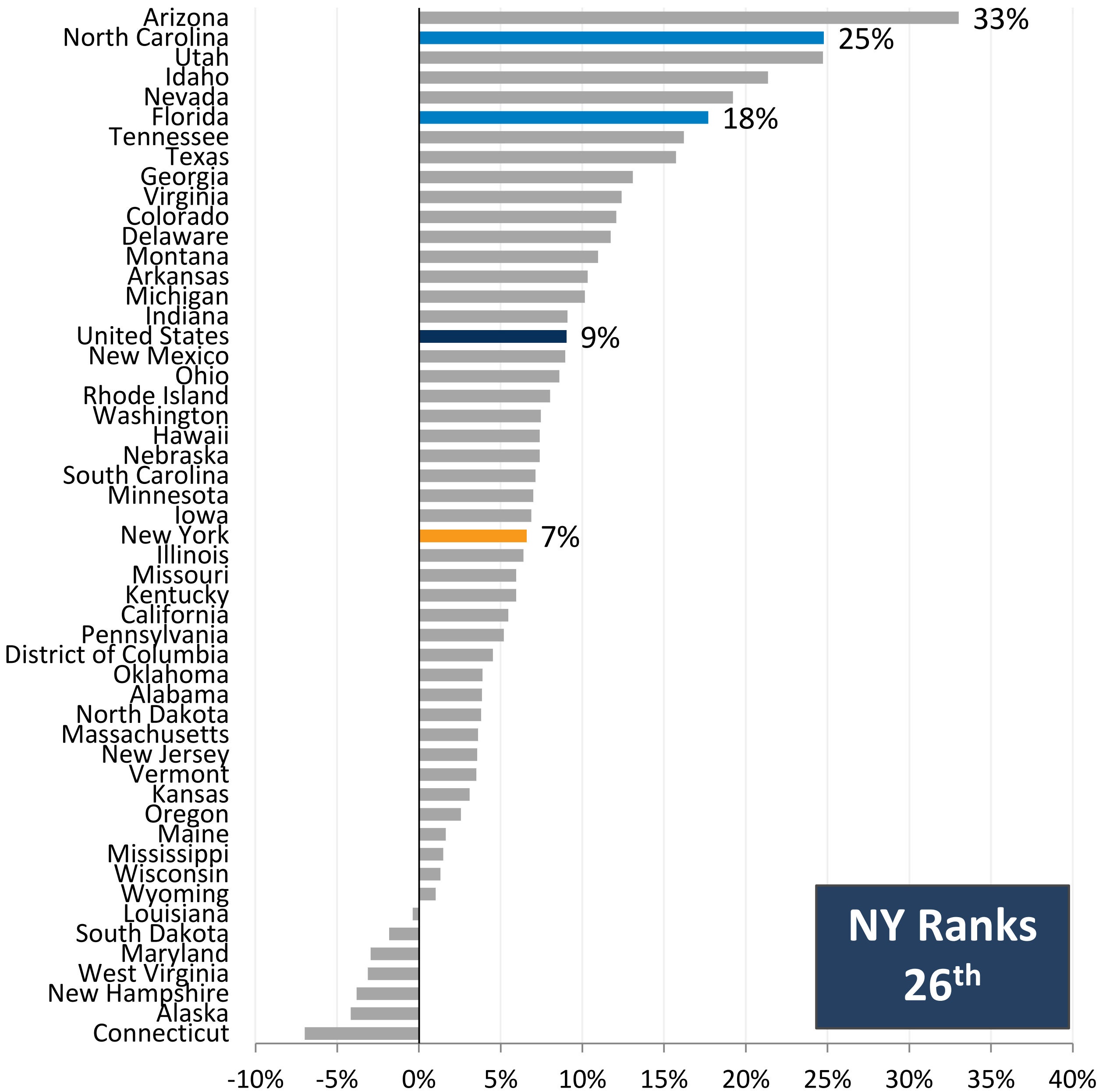
Looking at job growth trends in the industry from 2013 to 2019, New York grew employment in finance and insurance at a rate of seven percent (around 34,320 net jobs). In raw numbers this was the fifth highest net growth during this time (Figure 38). In terms of percentage growth, this was two percentage points below the national average of nine percent. The state ranked in the middle of all states at 26th for this growth metric (Figure 39). Arizona, the top percentage growth state, added 46,200 jobs during this period, mostly in the commercial banking and insurance subsectors. North Carolina added over 40,470 jobs during this period. Utah added more than 14,750 jobs from 2013 to 2019, many of those in the commercial banking subsector.

Figure 38 - Net Job Change in Finance and Insurance, 2013 - 2019



Source: Lightcast 2023.3

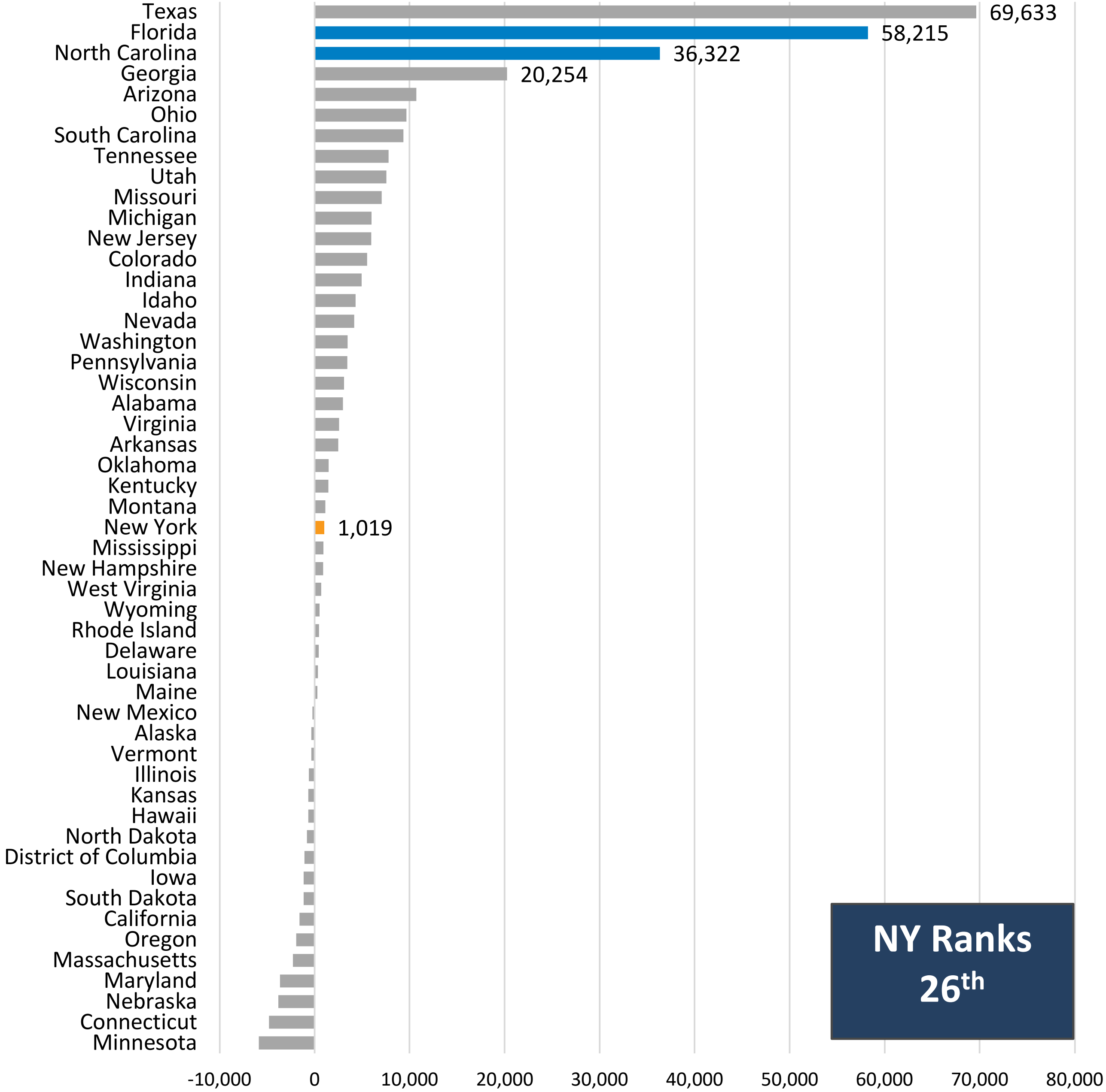
Figure 39 - Finance & Insurance Job Percent Change, 2013 - 2019



Source: Lightcast 2023.3

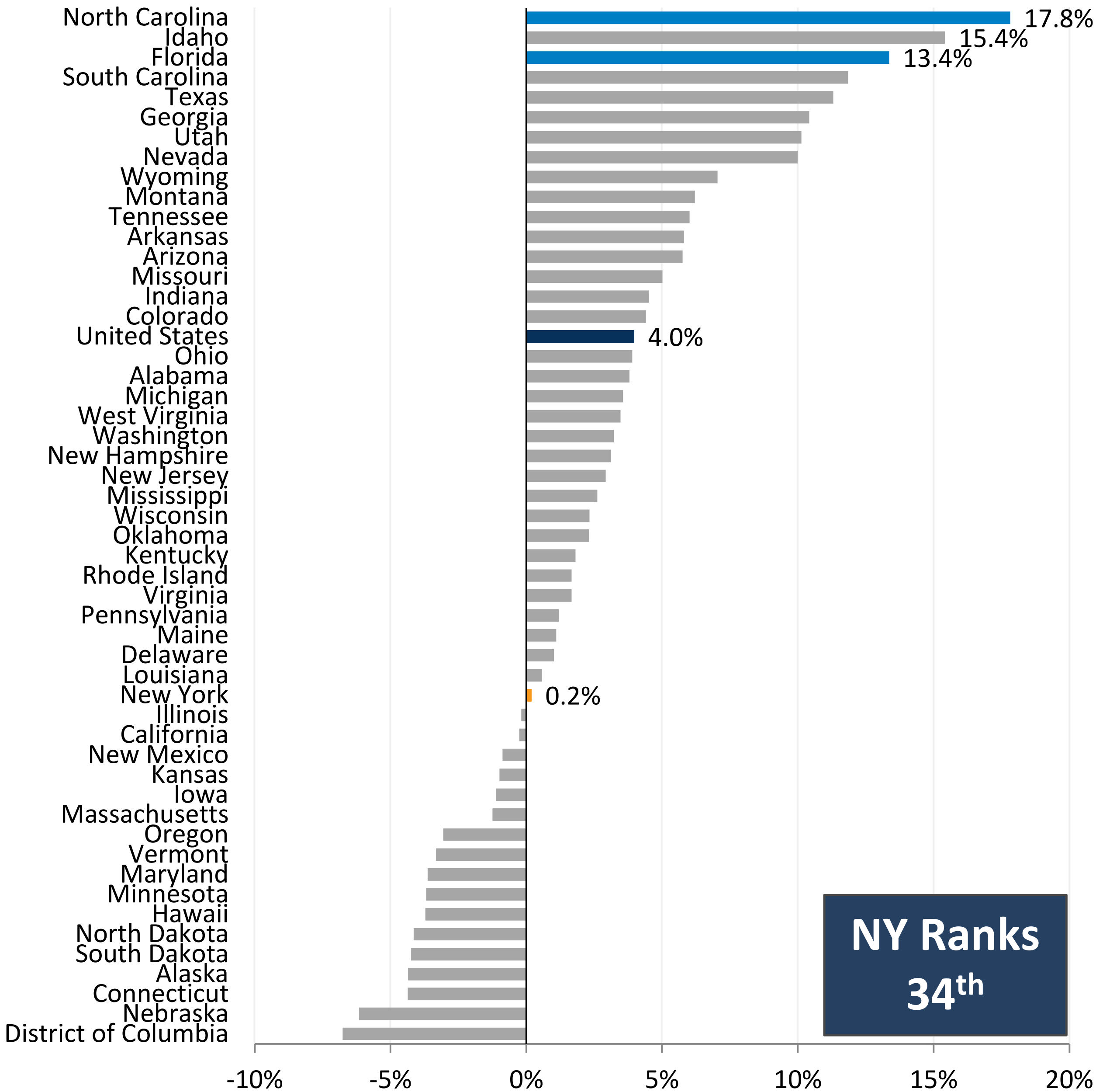
In recent years – between 2019 and 2022 – the US finance and insurance sector increased by a net of 264,500 jobs. New York added just over 1,000 net new jobs during this time. This was the 26th highest growth in the country (Figure 39). Texas, Florida, North Carolina, and Georgia were the top four gaining states. New York state ranked 36th in terms of percentage growth (Figure 41) with a small growth rate of 0.2 percent. Results varied by state, with many states experiencing net job loss in the industry. Florida improved from sixth to third in the rankings compared to the pre-COVID years, and North Carolina moved from second to the top spot in terms of percentage growth.

Figure 40 - Net Job Change in Finance and Insurance, 2019 - 2022



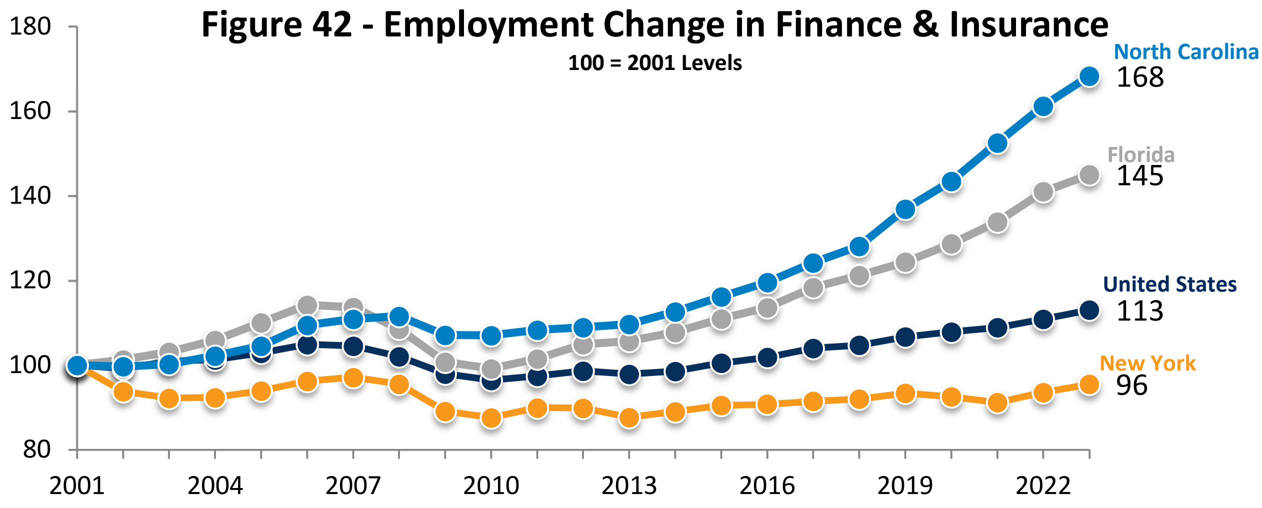
Source: Lightcast 2023.3

Figure 41 - Finance & Insurance Job Percent Change, 2019 - 2022

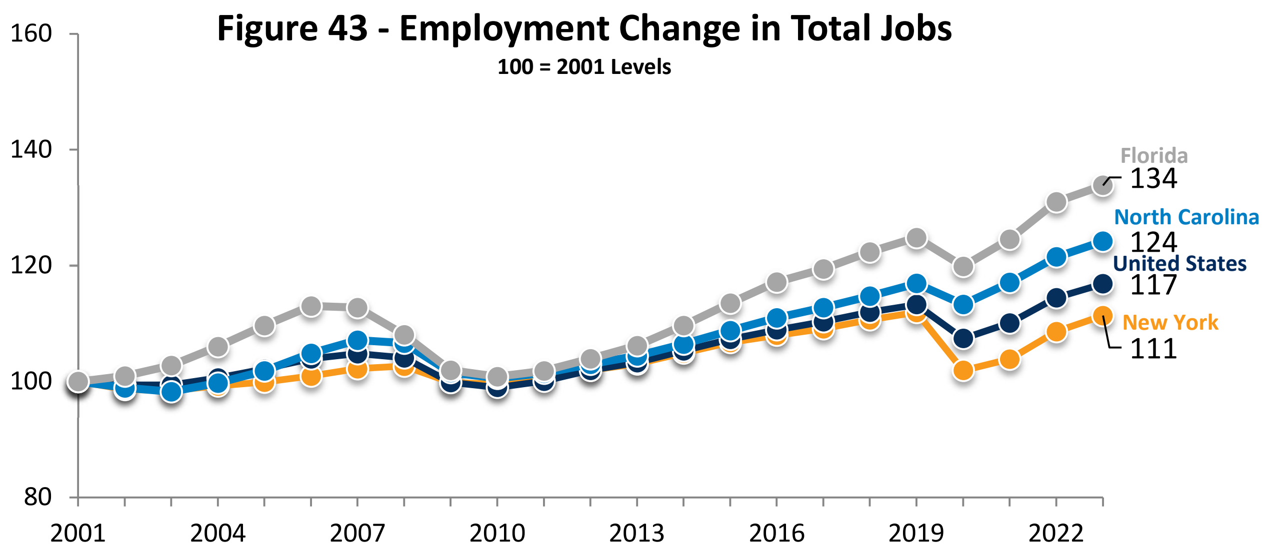


Source: Lightcast 2023.3

Based on these growth trends, two of New York's biggest competitors on the East Coast are Florida and North Carolina. The Intermountain West states that are growing, like Idaho, are often getting migration from other Western states, such as California. Idaho accounted for less than one percent of New York's taxpayer out-migration in 2021. When the historical job patterns are measured for these locations, it shows that North Carolina and Florida have continued to add jobs in the finance and insurance sector while New York's employment growth has remained below national trends. This divergence has been most pronounced in the last decade. While North Carolina has been the top growing state of the three in finance and insurance, Florida has been adding total jobs at a faster rate than North Carolina, New York, and the national average.



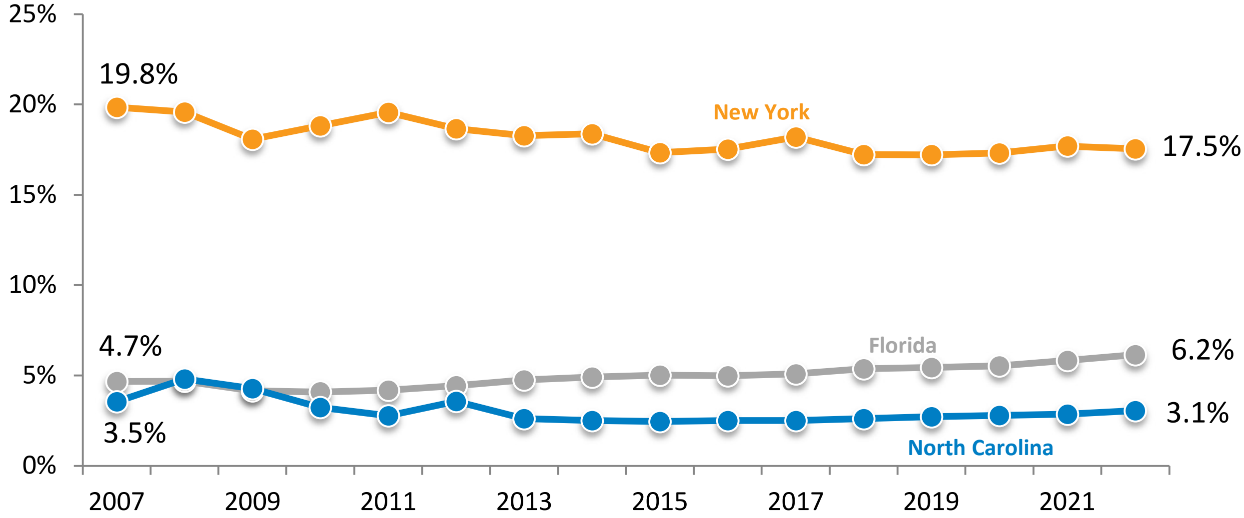
Source: Lightcast 2023.3



Source: Lightcast 2023.3

While employment trends are shifting geographically, earnings trends have not experienced as great of a shift. Looking at New York's percentage of all earnings in the US finance and insurance sector (Figure 44), the state accounted for 17.5 percent of earnings. This was the highest share across all 50 states. New York's percentage has come down slightly but gains in Florida and North Carolina have not been as significant.

Figure 44 - State Percentage of US Finance & Insurance Earnings



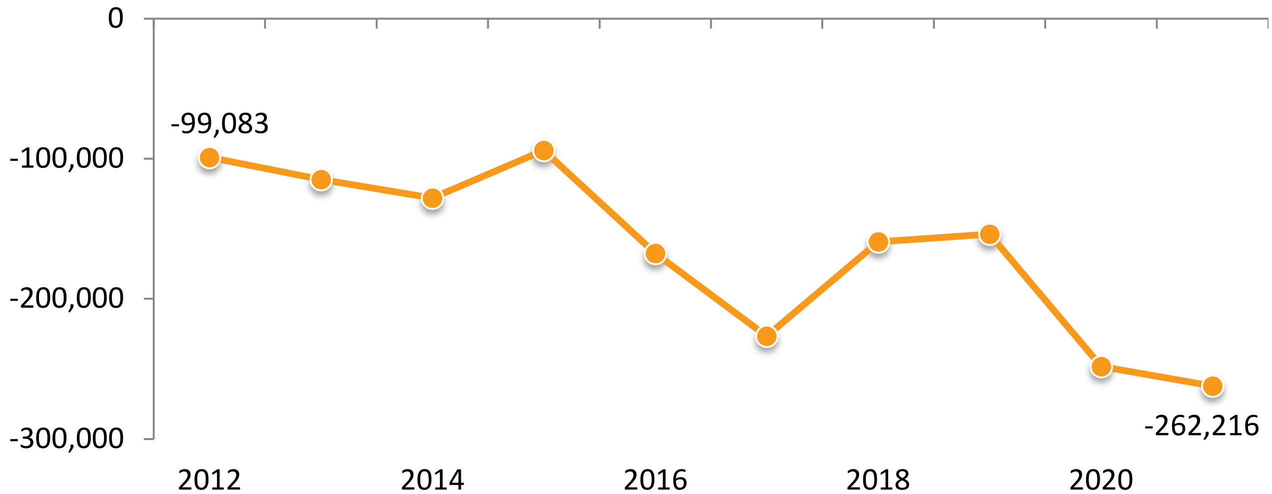
Source: EL calculations based on BEA (2023)

Section 4: Asset and Migration Trends Prove Similar Outflow from New York

Looking at employment data may not present the full picture of recent economic shifts, as job data tends to be registered at the place of payroll. This does not account for workers who could have moved to another state while the job stays registered with a company based in New York. To better understand how population and people's assets migrated in recent years, data from the Internal Revenue Service (IRS) was utilized to track the geographic changes of taxpayers. Since taxpayers are required to file taxes based on their residence and not their place of work, it can provide insight into where workers are located and thus insight into changes in tax base. Unfortunately, this data is not broken down by the industry or occupation of the taxpayer. The IRS data does provide a sense of overall migration and asset movement going back to 2012. This data is not a comprehensive assessment of population movement because it only focuses on people who filed taxes.

The number of taxpayers who file in New York has been trending downward, with a net loss registered each year. The trend was most prominent in 2020 and 2021. The IRS also calculates a figure of adjusted gross income by region based on the income submitted on tax forms. When comparing the total income of out-migrators versus in-migrators, there have been net losses every year since 2012. However, the losses in income dramatically increased in 2020 and 2021. This suggests that recent outmigration consists of more high-income individuals.

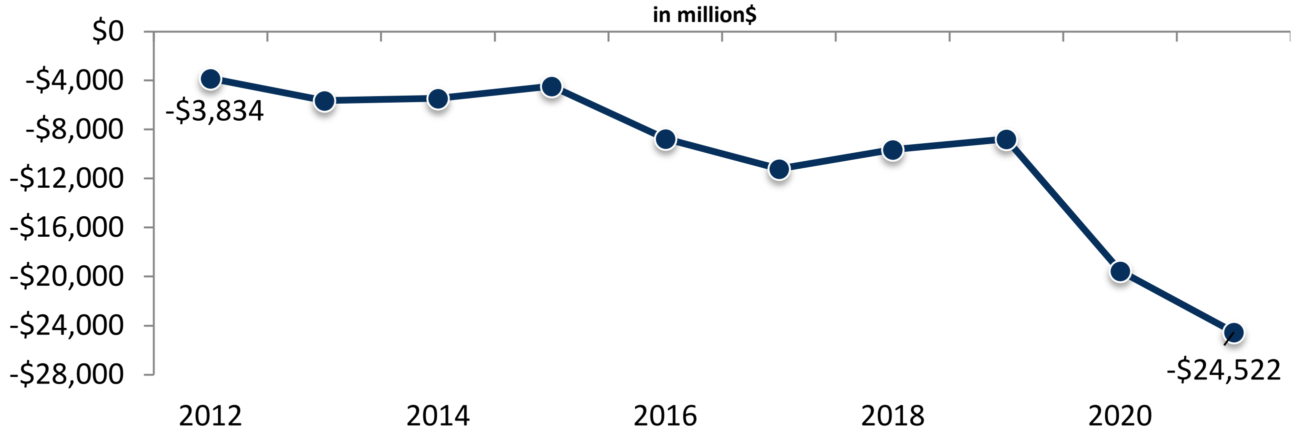
Figure 45 - NYS Net Migration Change in Number of Taxpayers



Source: EL calculations based on IRS (2023)

Figure 46 - Change in NYS Adjusted Gross Income from Net Migration

in million$



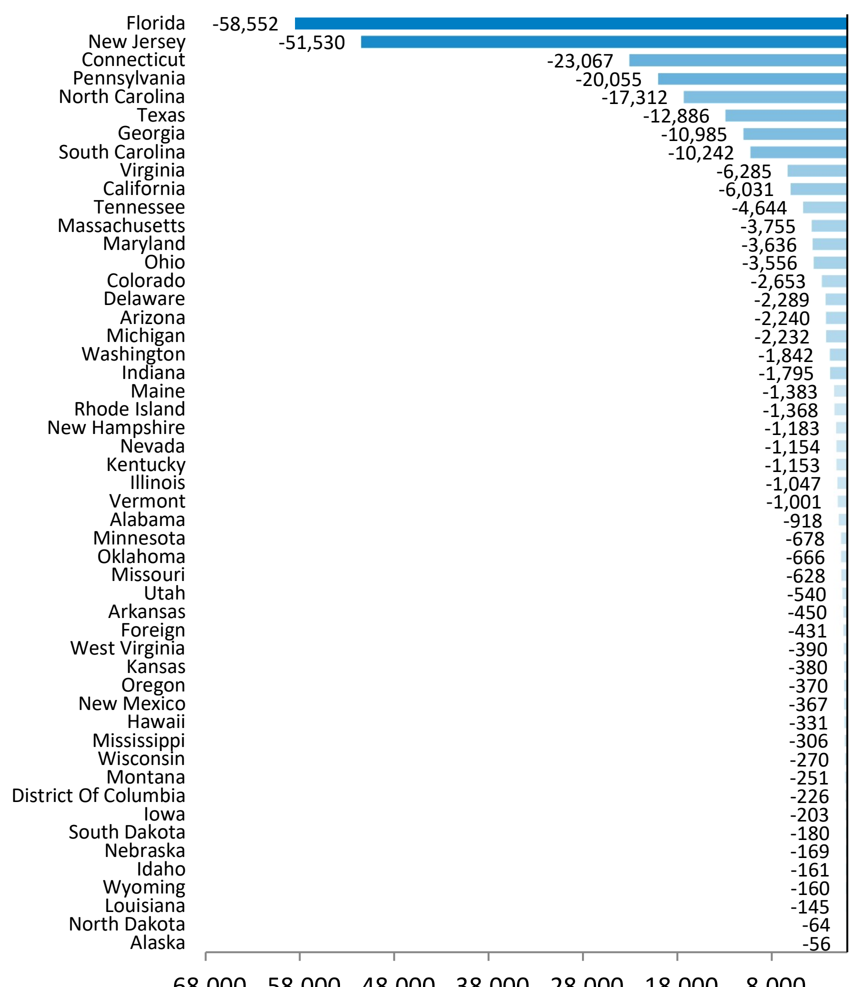
Source: EL calculations based on IRS (2023)

Looking at the most recent available data in 2021, NYS lost more taxpayers to every other state than it gained from those states. The biggest net losses were to the state of Florida. The next largest net losses were to the neighboring states of New Jersey, Connecticut, and Pennsylvania. Other major losses were to Southern states like the Carolinas, Tennessee, and Texas.

When out-migration of income is compared to in-migration, New York state saw net losses of adjusted gross income (AGI) to every state except one. This is partially explained by the higher earnings of workers in New York than in many other states. However, for some states the movement of assets was significant.

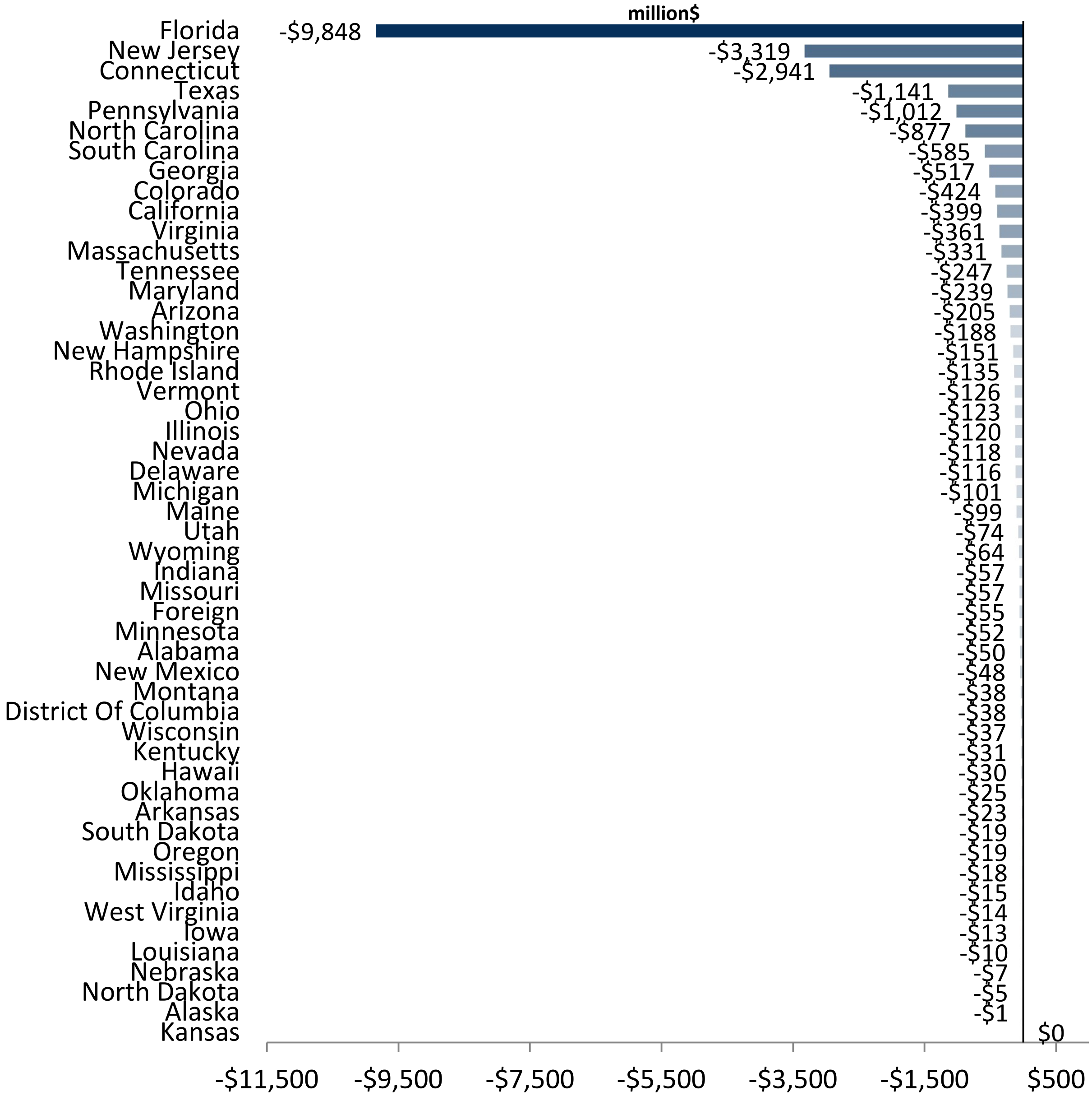
In 2021 alone, New York saw a net decline of $9.8 billion in income that migrated to the state of Florida. The transfer of income to neighboring states was much less pronounced. These findings indicate that it is higher income taxpayers who are migrating out of New York to Florida. This migration may be influenced by state tax rates. For less wealthy individuals the movement out of New York includes nearby states in the Northeast.

Figure 47 - Change in Taxpayers from NY to New State, 2021



Source: EL calculations based on IRS

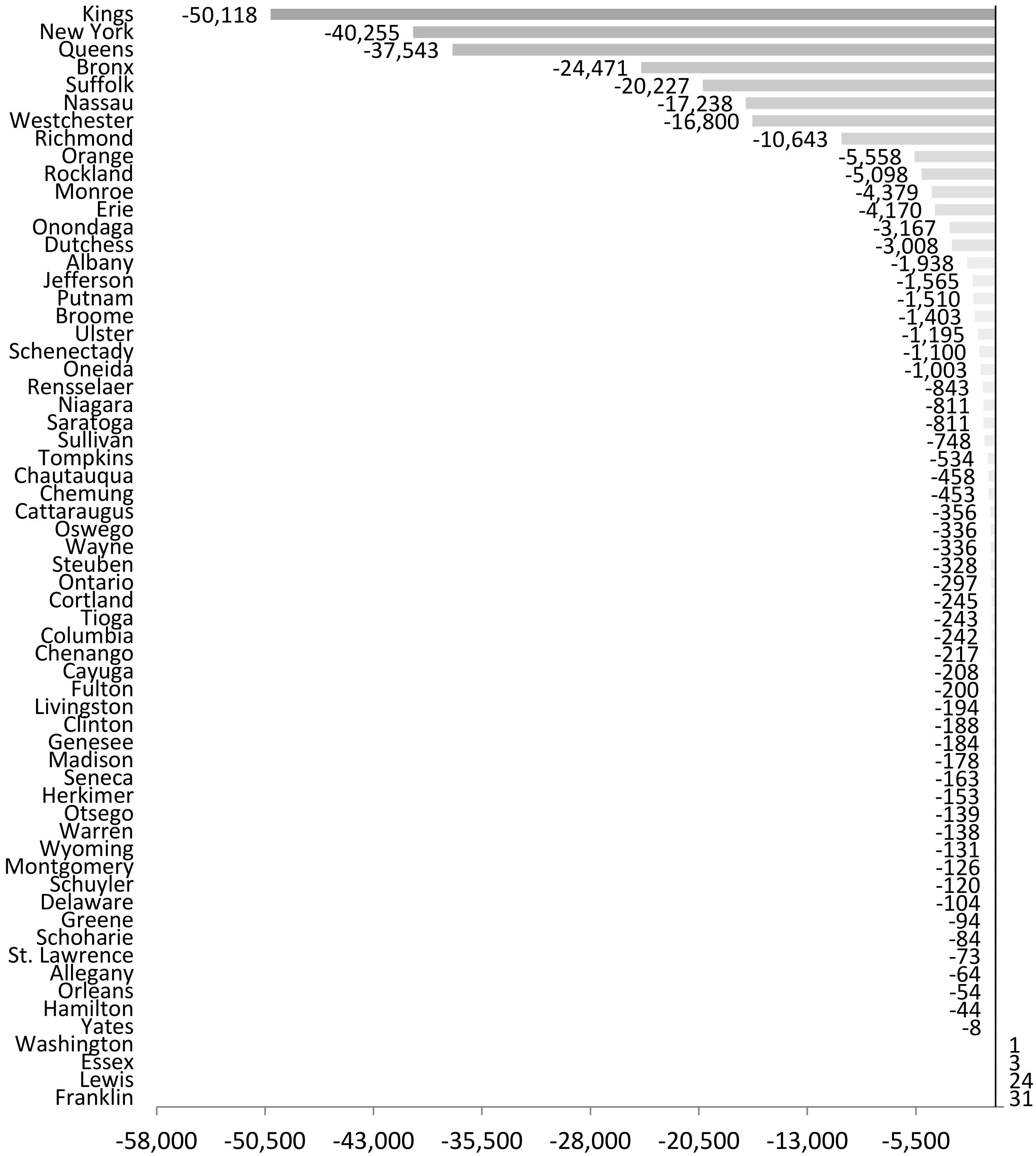
Figure 48 - Net Migration Change in AGI from NY to New State, 2021



Source: EL calculations based on IRS (2023)

The next set of IRS data reviews the net change of taxpayers moving out of state by county compared to the number of taxpayers who moved into the county from out of state. In 2021, the largest loss to out of state migration was in the New York city borough counties, which accounted for 62 percent of the net migration loss. Bedroom communities like Westchester, Nassau, and Suffolk also lost more taxpayers to out of state than they gained. Overall, “downstate” (NYC, Long Island and northern suburbs) accounted for 82 percent of the net migration loss. Only a few counties in the state saw positive net gains in this metric.

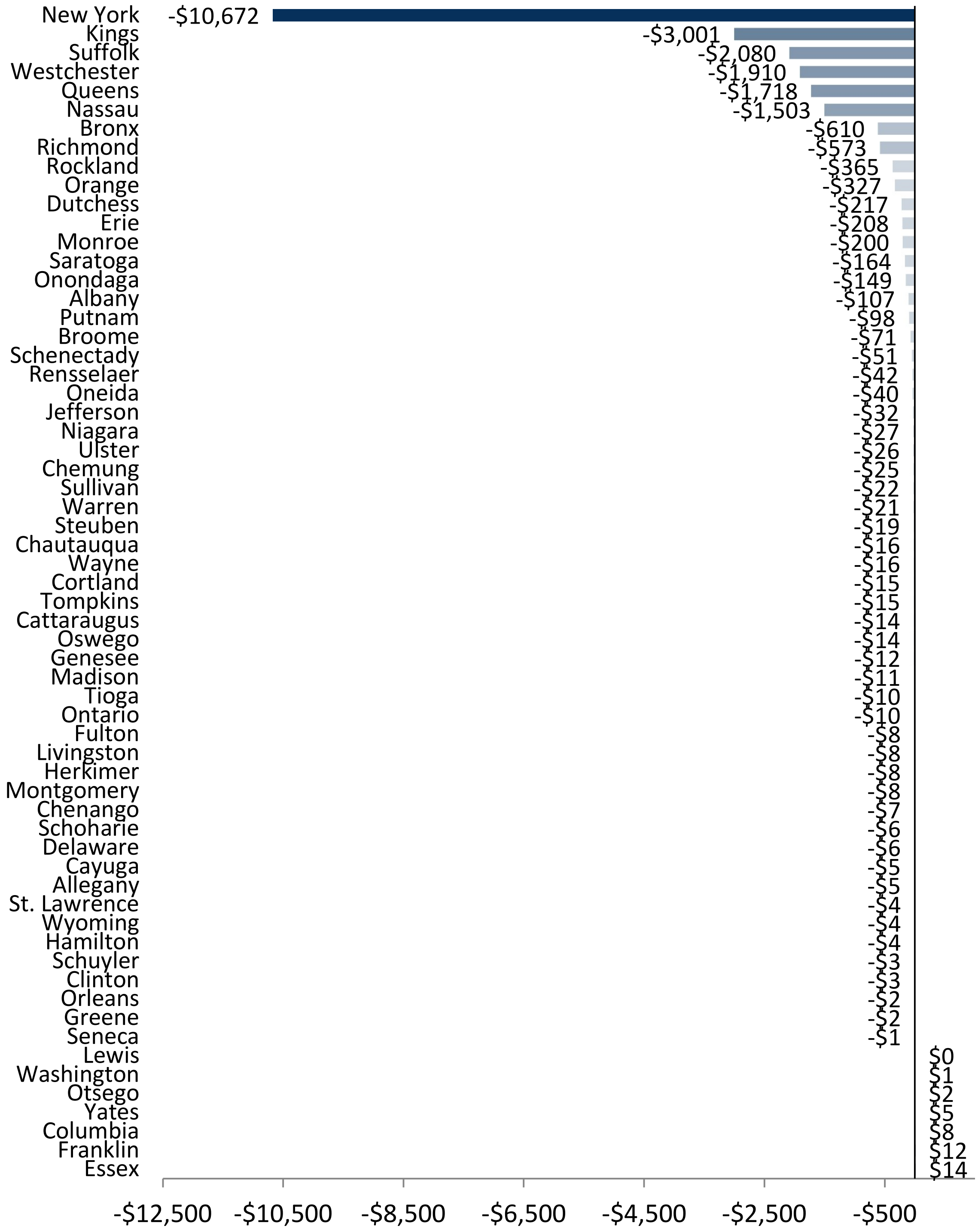
Figure 49 - Net Change in Different State Migrants by NY County, 2021



Source: EL calculations based on IRS (2023)

Reviewing the net migration of income shows that the largest gross income losses were from New York County at almost $11 billion. Again, the data is confirming the flight of the wealthiest from the New York City area. Almost all counties in the state saw a net decline in income from migration to other states.

Figure 50 - Net Change in AGI of Different State Migrants by NY County, 2021



Source: EL calculations based on IRS (2023)

If the average income from outgoing taxpayers is compared to the incoming average taxpayer income, most New York counties saw a relative decline from the income of newcomers. The largest difference between incoming and outgoing incomes was in New York County where the average incoming taxpayer earned $74,000 less than the average county taxpayer who left the state. Some rural counties did see the average income of migrants increase compared to those leaving, indicating they were able to attract wealthier residents.

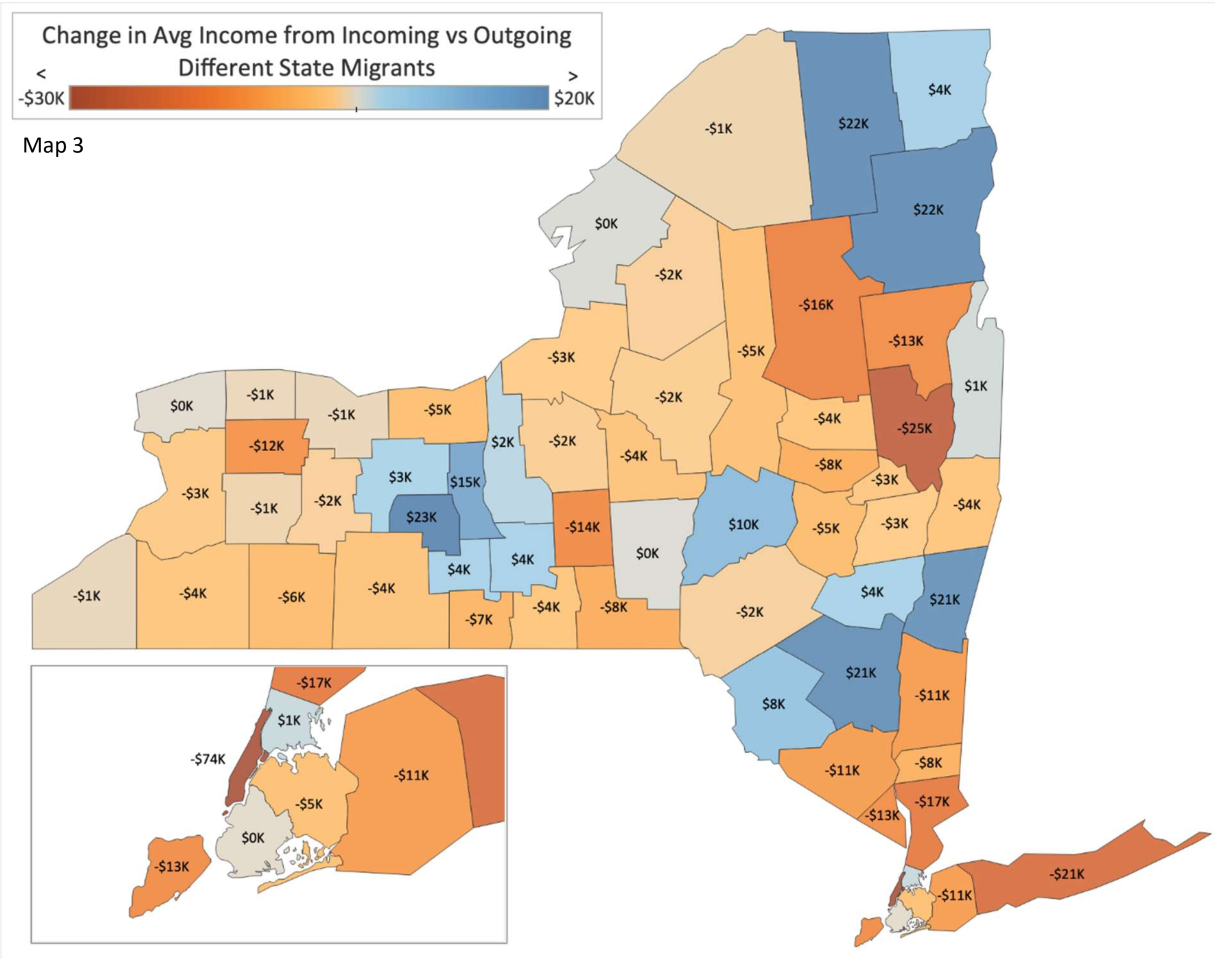


Table 6 - New York County Taxpayer Outflow by County, 2021

County	Taxpayers	Adjusted Gross Income (million$)	County	Taxpayers	Adjusted Gross Income (million$)
Kings, NY	-19,039	-$1,987	Suffolk, NY	-5,741	-$2,733
Bronx, NY	-10,515	-$267	Fairfield, CT	-5,537	-$1,445
Queens, NY	-8,775	-$561	Nassau, NY	-4,210	-$879
Westchester, NY	-7,447	-$1,283	Bergen, NJ	-3,925	-$581
Hudson, NJ	-5,863	-$692	Los Angeles, CA	-3,683	-$516

Source: EL calculations based on IRS (2023)

Given that New York County accounted for the majority of the net migration and income losses, the out-migration patterns of this county were further evaluated. These results show that the biggest out-migration in terms of taxpayers in 2021 was to the neighboring counties (Table 6). When the outflow of income from the county is measured to counties in other states (Table 7), Miami-Dade County in Florida is the largest leakage out of the city. The average annual income of those leaving New York County and relocating to Miami-Dade is about $825,570. The total outflow was over $3 billion in income. Compared to the inflow from Miami-Dade to New York, only about $92 million, the net loss was about $2.9 billion. Palm Beach County in Florida was also a top outflow location in terms of income. Other top outflow in income went to nearby counties in New Jersey and Connecticut.

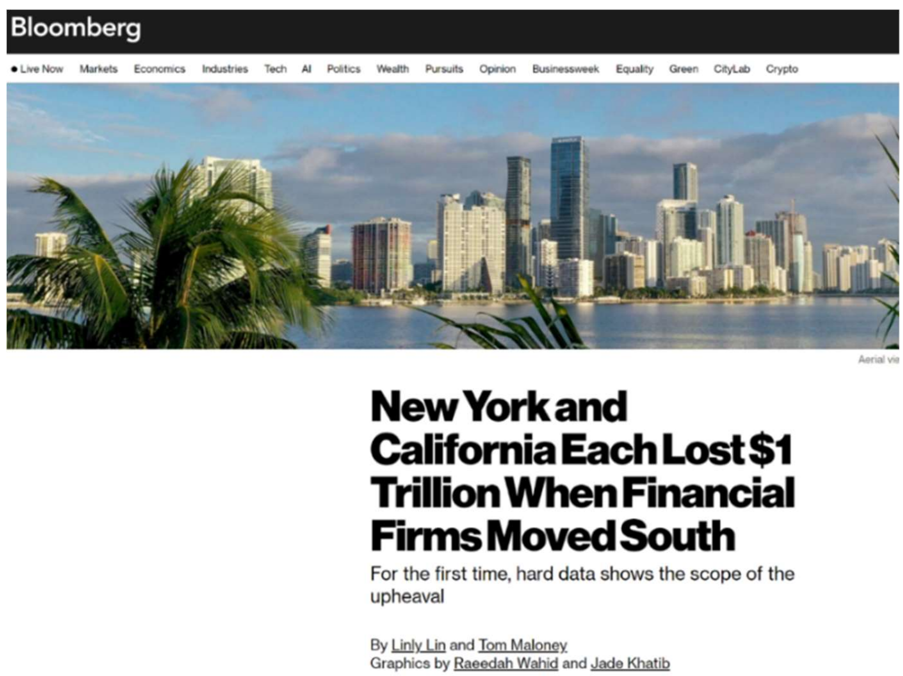
Table 7 - New York County Taxpayer Outflow Out of State by County, 2021

County	Taxpayers	Adjusted Gross Income (million$)	County	Taxpayers	Adjusted Gross Income (million$)
Miami-Dade, FL	-3,652	-$3,015	Los Angeles, CA	-3,683	-$516
Fairfield, CT	-5,537	-$1,445	Litchfield, CT	-668	-$366
Palm Beach, FL	-2,014	-$1,110	Essex, NJ	-2,250	-$879
Hudson, NJ	-5,863	-$692	Travis, TX	-1,000	-$313
Bergen, NJ	-3,925	-$581	Monmouth, NJ	-1,376	-$272

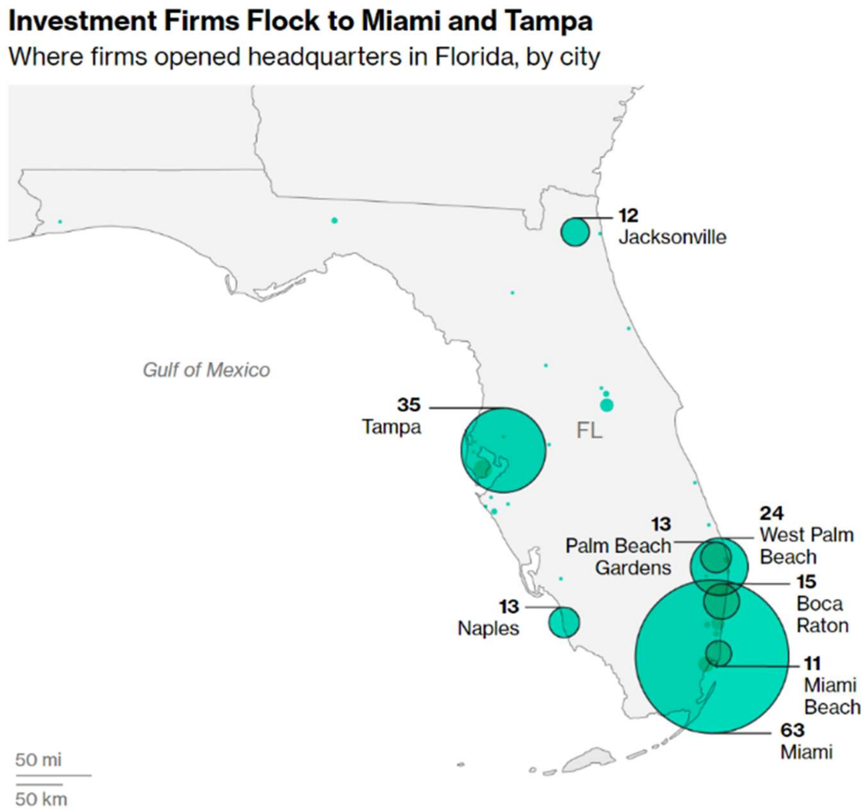
Source: EL calculations based on IRS (2023)

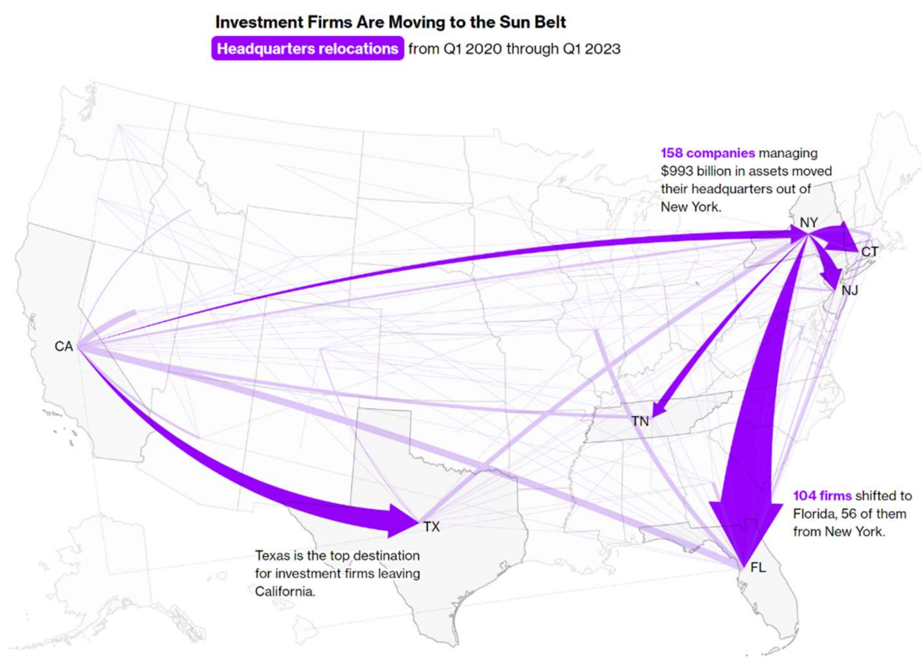
Asset Outflow

Just this this August, Bloomberg reported "New York and California Each Lost $1 Trillion When Financial Firms Moved South." This research, conducted by Bloomberg staff, tracked headquarter relocations and assets under management. In the piece, Bloomberg notes that over the last three years, companies managing $993 billion in assets moved their headquarters out of New York to other states. Out of 104 firms relocating headquarters to Florida, 56 of those were from New York.



"The moves, often born out of a desire for lower taxes, warmer weather and cheaper mansions, have pushed the industry's footprint into parts of the US that previously didn't have much of a finance presence beyond regional banks. It's upending the economies of the hot new destinations, spurring plenty of angst in the places left behind, and creating new opportunities for investment professionals outside historic financial centers."

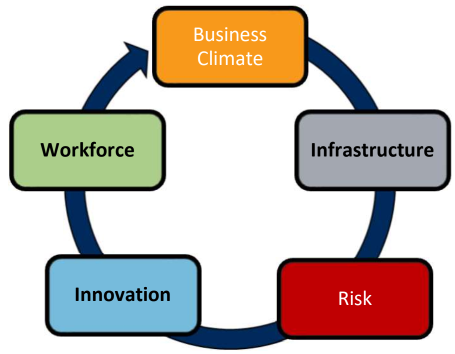




Source: [Bloomberg]()

Section 5: Measuring The Overall Business Climate in New York Illustrates Additional Reasons for Outflow to Other States

Given the data indicating shifting migration patterns that could threaten New York's future economic competitiveness, in this section New York's competitive factors are compared with the states that have recruited wealthy individuals and financial services jobs in recent years. Corporate decision makers and wealthy individuals consider a variety of factors when they decide where they want to invest and base their operations.



For the business community, the location decision process is evaluated annually. Each year, company executives and professionals that conduct corporate location analyses are surveyed to determine the most important factors for decision making. This can provide insight into which factors have the greatest impact on business location decisions. Over the past decades the top determining factors have changed some, but specific components of business climate, workforce, infrastructure, innovation capacity, and risk have remained priorities.

Business climate typically includes taxes, regulatory and legal climate, and increasingly overall affordability. Workforce measures center on enough available workers with the right skills, but also include inward migration patterns, training capacity, and education quality. Infrastructure has typically included roads, bridges, water and sewer capacity, ports, and air service. In recent years broadband, housing, electric power reliability, and childcare are also often considered. Innovation capacity can include university and corporate research and development, the dynamism of the local entrepreneurial ecosystem, and the speed of business automation. Risk, which seems to be a more important focus in the past few years, includes weather impacts, crime, the health of the workforce and public fiscal stability.

The most recent survey of site selection professionals ranked 1) the availability and cost of skilled labor, 2) energy availability and cost, 3) proximity to major markets and suppliers, and 4) state and local incentives as top factors. The survey of corporate executives also included the corporate tax rate, ease of environmental regulations, construction costs and overall quality of life as priorities.

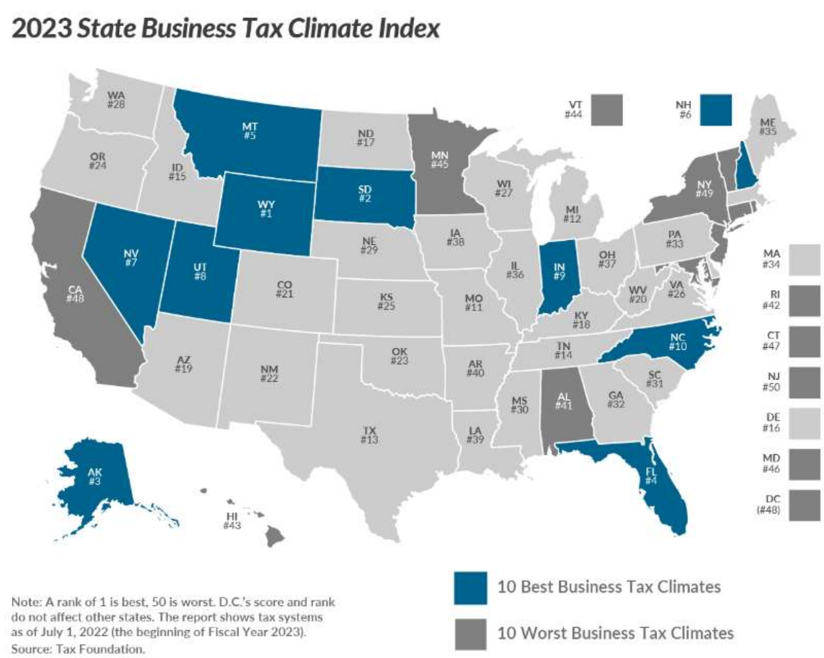
No two corporate decision processes are the same, and the determining factors for discrete industries can differ significantly, but almost all use significant amounts of data to support their effort. In the past decade the explosion of easily available data has enabled many organizations to publish state and metro competitiveness data, often using multifactor analysis. Many of the "best and worst" lists that are pervasive in popular media use multiple data points that are aggregated into a bespoke single measure. As data has become more transparent and available, being a trusted source has become increasingly important.

> "The past decade's data explosion created a virtuous circle of data analysis and action, leading to new insights, data creation, and data analysis. We've seen companies collect more data than ever before as they've raced to transform their businesses and make data-driven decisions."
>
> *Debanjan Saba, Article in Forbes Online 2020*

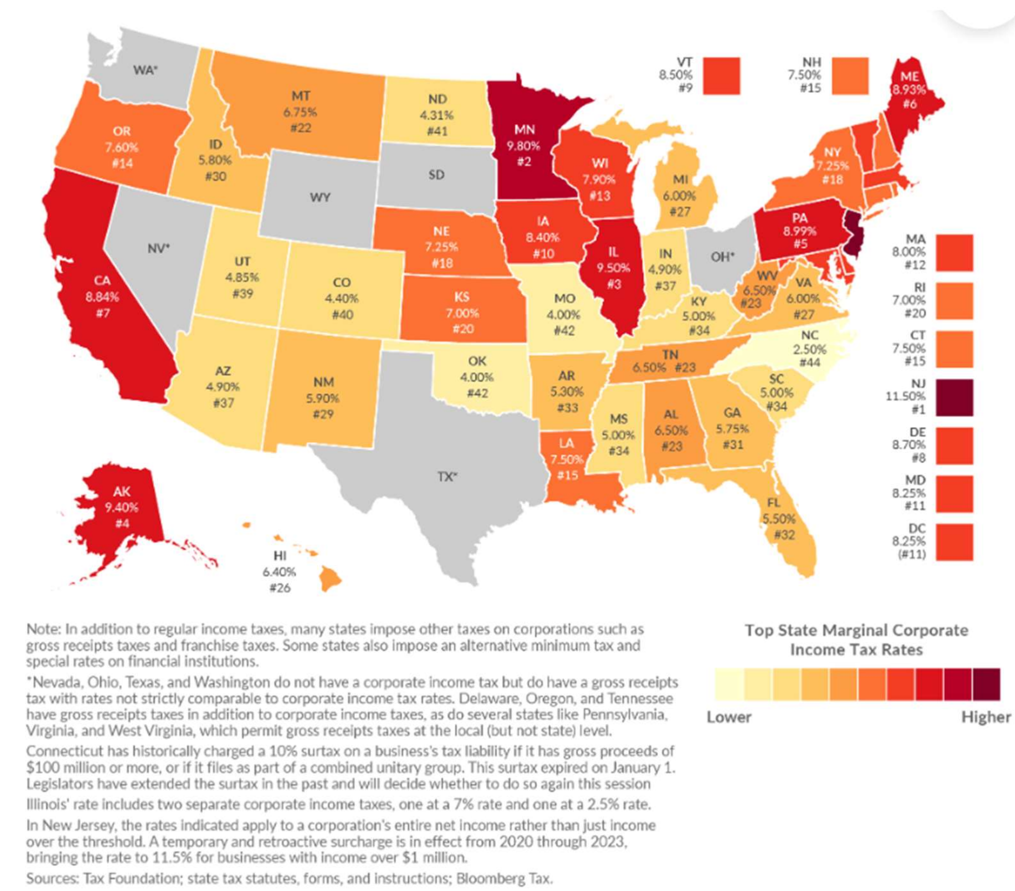
A casual reader typically looks at the rank of a state or community on these lists and, if they trust the source, judges that location by the rank. Some sources bring their bias into the factors that are considered, or the way individual factors are weighted. A business engaged in a selection process will typically develop their own filtering system and consider some rankings, but also individual factors critical to their success. Some of the needs for financial services firms include a good business climate, affordability, access to a skilled workforce, and reliable electricity and broadband.

Which is the best state for business? Almost every source uses a different set of data and assigns a different position for each state. New York was ranked the 20th Top State for Business overall in 2023 by CNBC, 20th Best State by U.S. News, 49th State for Business by CEO Magazine, 50th in Forbes' Best State to Start a Business.

Business climate rankings typically prioritize business taxes and the overall costs of doing business. The Tax Foundation 2023 Business Tax Climate Index ranks New York 49th, just ahead of New Jersey. Two competitor states with rapid growth in financial services – North Carolina, and Florida – were ranked 10th and 4th. The top marginal corporate tax rate in New York is 7.25 percent; in North Carolina the rate is 2.5 percent and in Florida 5.5 percent.



Top Marginal Corporate Income Tax Rates as of January 1, 2023



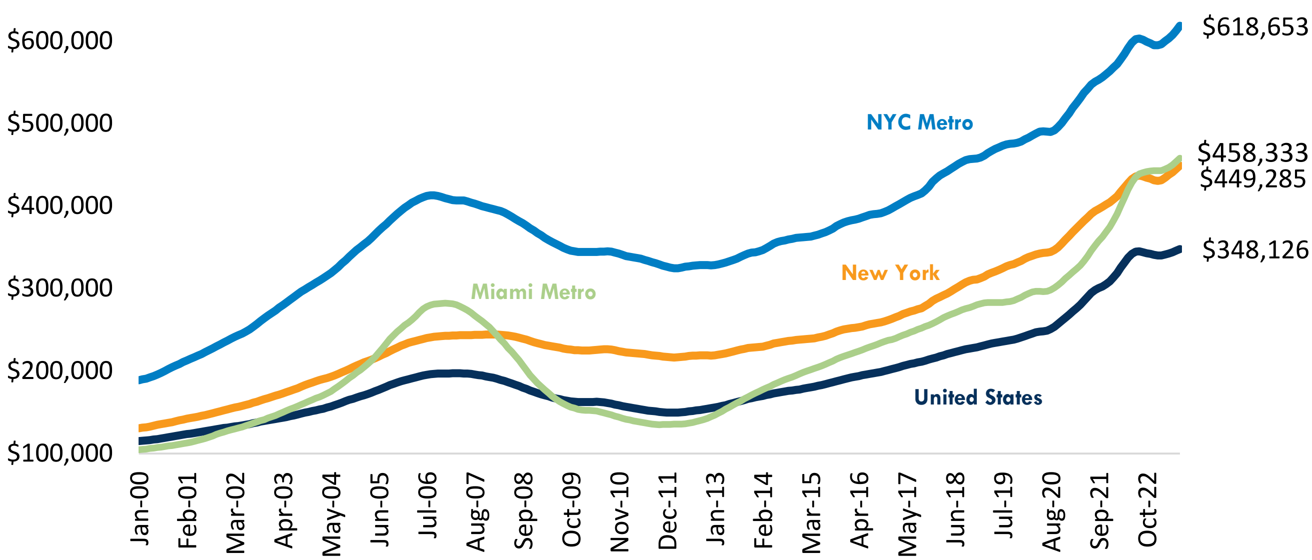
The latest legal climate rankings from the U.S. Chamber of Commerce Institute for Legal Reform ranked New York 36th, trailing North Carolina's 16th ranking but ahead of Florida's 46th ranking. Florida has placed among the ten worst states for legal climate in each of the previous three reports. The Florida legislature acted recently to improve the state's legal climate to be more business friendly. New York's ranking has declined from 21st in 2015. CNBC's 2023 rankings for business friendliness ranks New York 46th, North Carolina 10th and Florida 26th.

Affordability is a factor that appears to be a greater priority for companies in recent years as it affects their ability to recruit talent. In the past few years New York City, and other major metros with a very high cost of living, have experienced an outmigration of jobs and population. New York State's overall cost of living is among the five highest states (Hawaii, California, New York, New Jersy and Washington). Rankings for operating a business also demonstrate high costs in New York.

New York has traditionally enjoyed a workforce advantage with a large labor force, significant global in-migration, and high educational attainment (over 40 percent of adults with a bachelor's degree or higher). While the overall labor pool remains very large, population losses have been experienced recently. Placer Labs studied domestic migration in a 2023 report and concluded that "the rising cost of living may be leading some individuals and families to relocate to more budget friendly states and cities." Florida was the fastest-growing state in 2022. The "talent wars" for a national labor pool that is growing slowly are intense. New York-based DCI published its *Talent Wars 2023: What People Look for in Jobs and Locations* report earlier this summer.

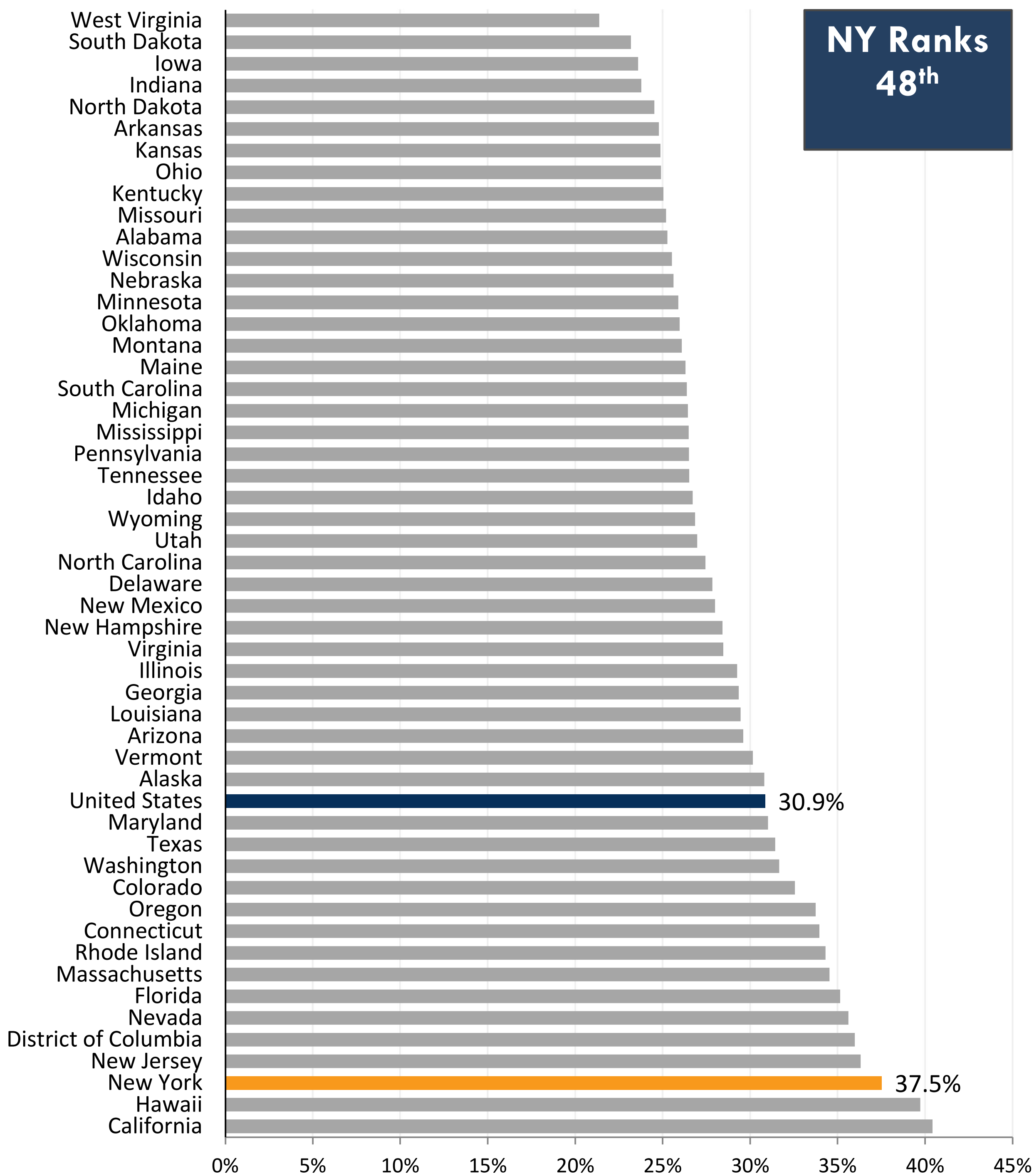
DCI researchers asked how important varied factors were in the decision to relocate. The top factor was cost of living, followed by housing availability and costs, crime rates, and the ability to live/work/play without a long commute. Among the lowest rated factors were arts and culture, public transportation, and a "cool" factor. Although the actual number of Americans moving from one state to another has declined in the last decade, companies that are dependent on attracting the workers they need will likely prioritize places where new workers are willing to relocate.

Figure 53 - Typical Home Value by Geographic Area



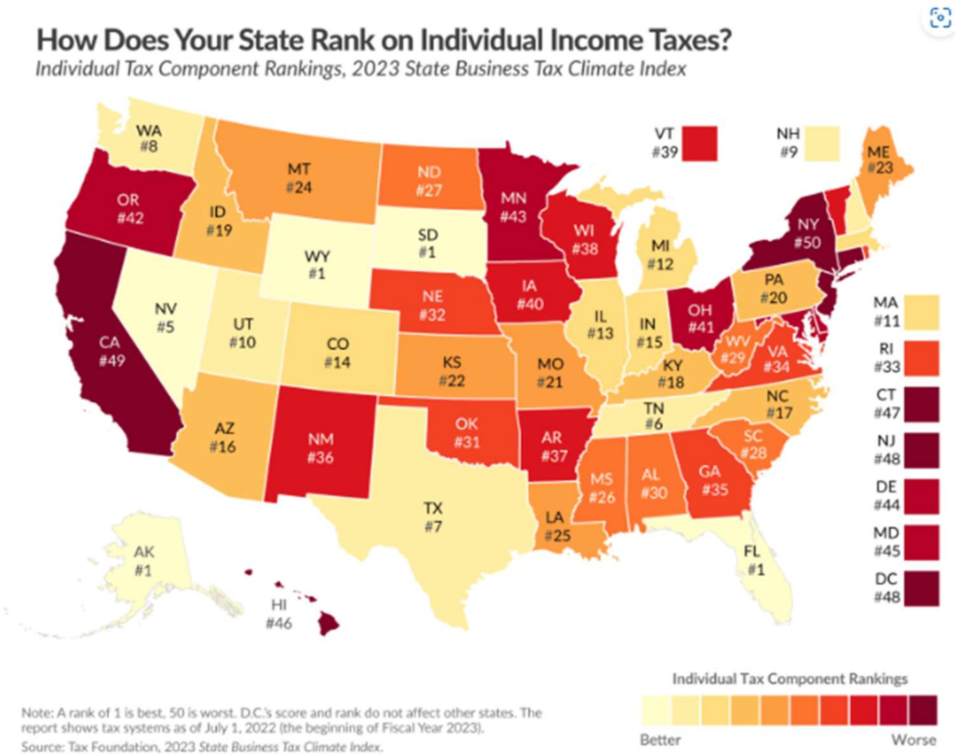
Source: Zillow (2023)

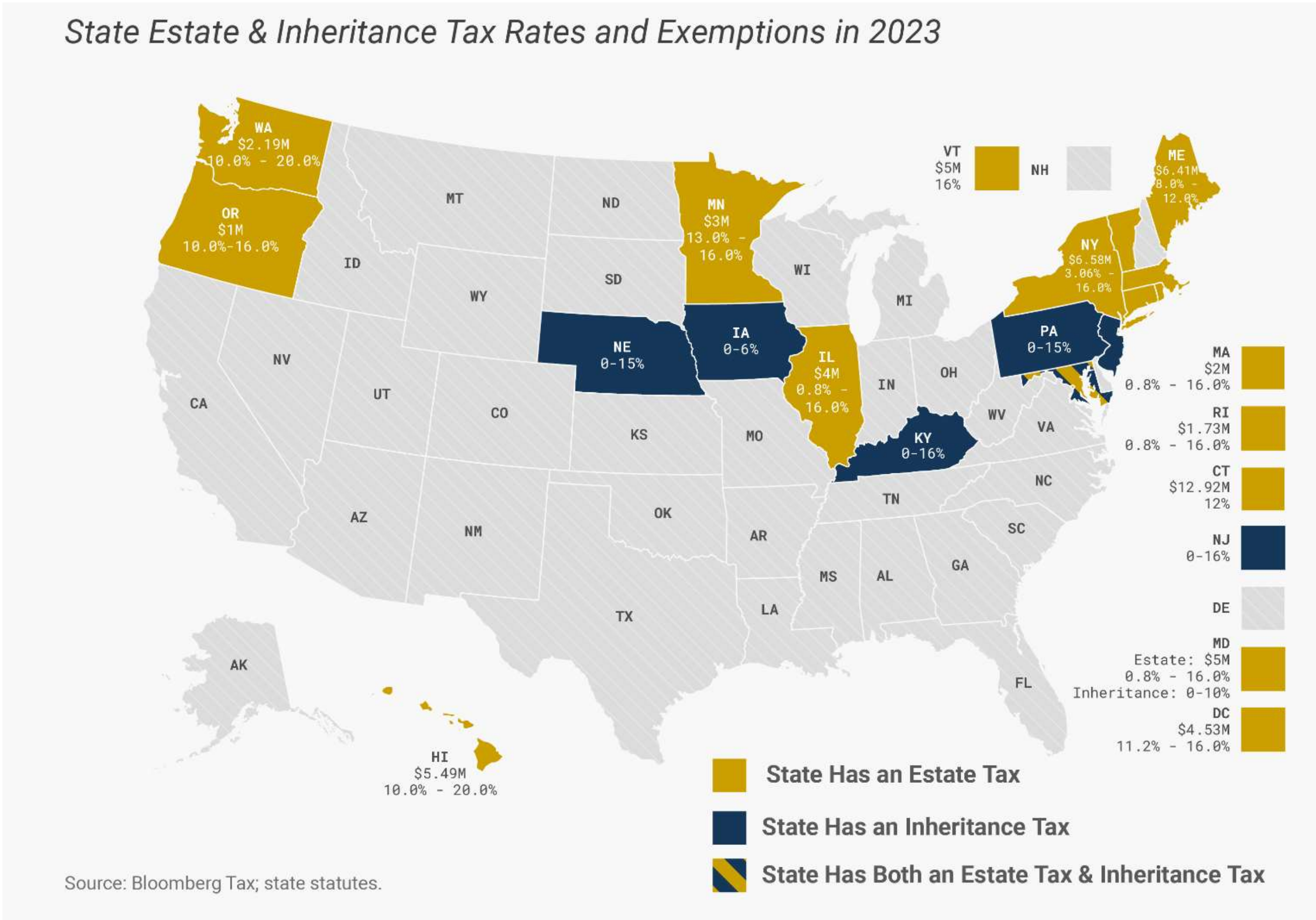
Figure 54 - Households that are Cost-Burdened by Rent or Mortgage, 2021



Source: EL calculations based on US Census Bureau (2022)

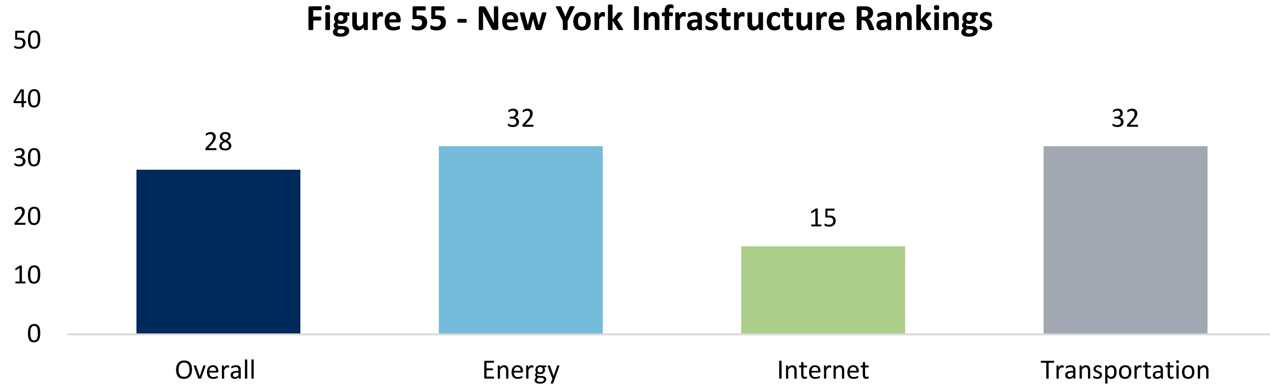
New York is at a competitive disadvantage for overalls cost for individuals, but individual income tax burdens are especially notable. New York is currently ranked 50th by the Tax Foundation as the state with the highest taxes on individuals. Florida is ranked number one, the best. A different source, WalletHub, measures state and local tax rates for the median household. Only Connecticut and Illinois are ranked lower than New York. This single competitive factor is likely playing an influential role in the migration of high-net-worth individuals as they have the most to gain by leaving a high-income tax state for a low, or zero, income tax state. New York is also one of a small collection of states that levies a state tax on estates. High-wealth individuals are likely factoring this tax into their location decisions.





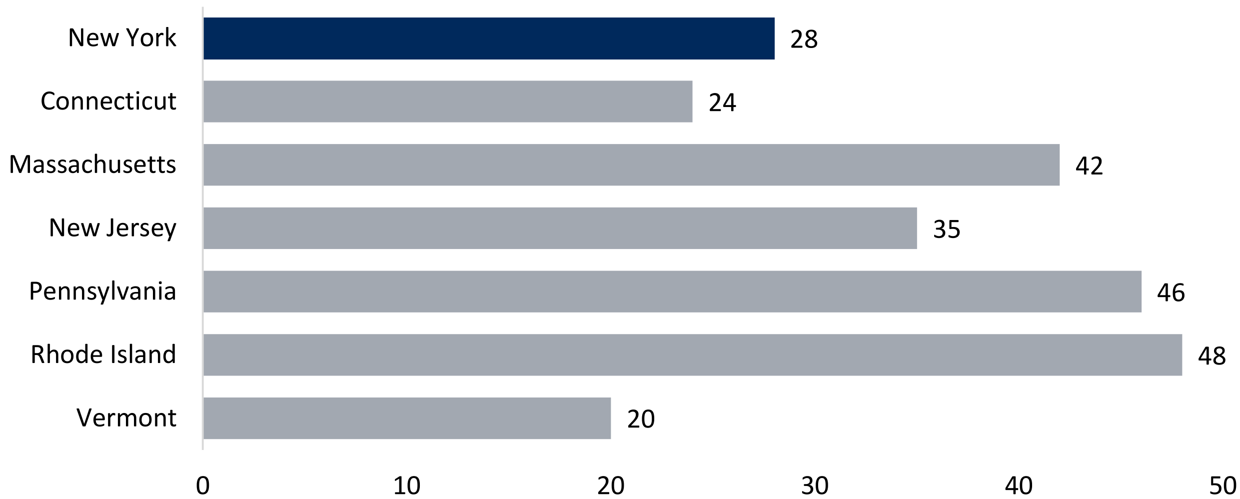
Aside from the business climate, New York has some competitive advantages. For infrastructure, U.S. News publishes an annual multifactor analysis ranking the states. New York ranks in the middle, with a competitive advantage in internet infrastructure. New York also has an infrastructure advantage over many neighboring states in the most recent rankings.

Figure 55 - New York Infrastructure Rankings



Source: US News (2022)

Figure 56 - New York & Neighbors Infrastructure Rankings

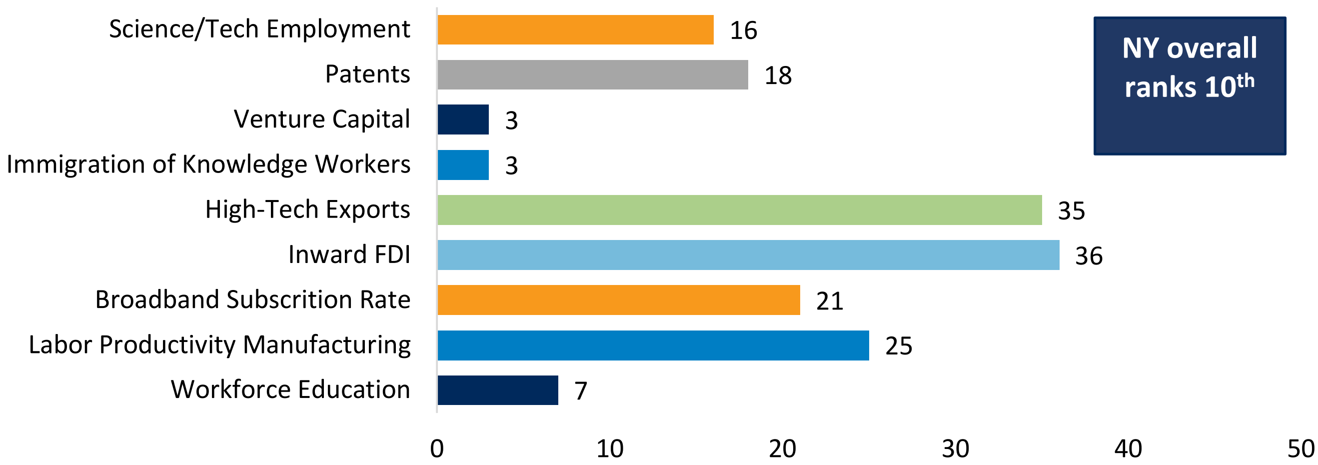


Source: US News (2022)

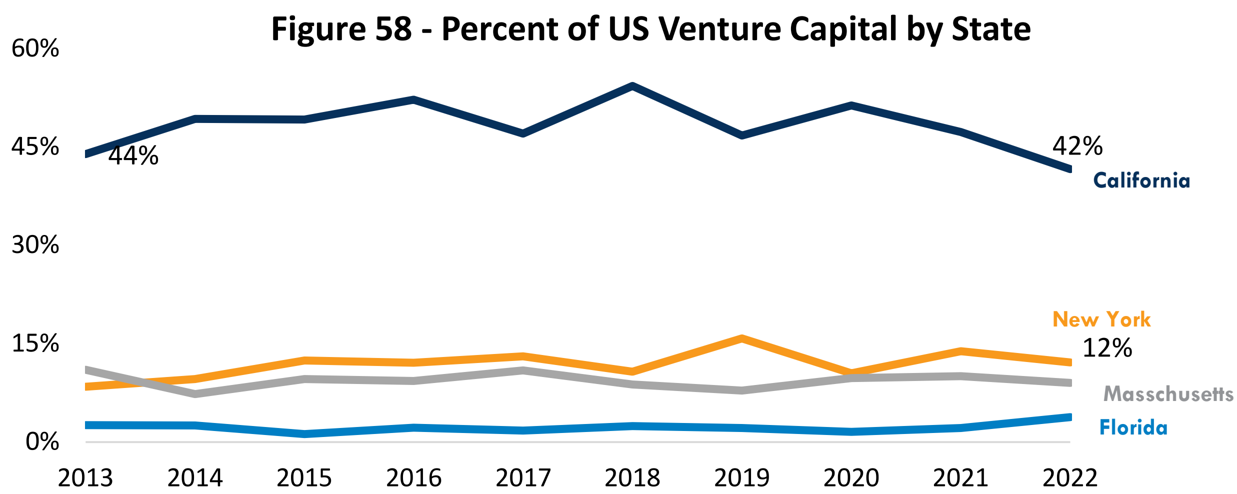
Infrastructure is a complex competitive factor and some components do not favor New York. The state has the longest average daily commute for workers and New York City has the longest average commute of any city, at 34.7 minutes.

Innovation is a strong competitive advantage for New York with an overall ranking of 10th, and with among the best rankings for immigration of knowledge workers and the presence of venture capital. While California has started to loosen its dominance in venture capital funding, and Florida has seen growth, New York's percentage of total US venture capital has remained stable.

Figure 57 - New York Innovation Score Rankings



Source: Information Technology & Innovation Foundation (2022)



Source: NVCA (2023)

Conclusion

In New York, the data shows existing and continuing trends of population decline, out-migration, and stagnation in the financial services sector. These trends were exacerbated by the pandemic and are now on an accelerated path. Real estate markets and businesses that depend on commuters to the city are still hurting. New York, despite these challenges, remains a top state in terms of population, GDP, jobs, finance, and more.

The data in this report details trends that are alarming if they continue along the current path. The state is at risk of continuing to lose more of its high-net-worth individuals and weakening one of its strongest sectors, finance and insurance.

To reverse the trends shown in this report, forceful action is necessary. The state will need to address the tax burden, business climate, and cost of living issues that hurt the state's competitiveness. If the state does not address these issues, it risks losing its dominance in the finance and insurance industry, and ultimately, jeopardizes the health and prosperity of New York's economy.

The financial industry is an indispensable pillar of the New York state economy. From being the leading creator of GDP in the state to being a job creation engine, the industry is intertwined with the health and growth of activities in real estate, business services, hospitality, retail, philanthropy and more. The detailed examination of the data related to the business climate of the state, as done in this report, further demonstrates the decline in appeal of the location as a place to live and do business. Taxation and additional regulations are continuing to chip away at the concentration of population, jobs, headquarters and assets under management - proving to be a timely opportunity for states with more favorable business climates and costs of living.

This report was written by Ted Abernathy, Kat Saunders, and Skylar Casey of Economic Leadership LLC.

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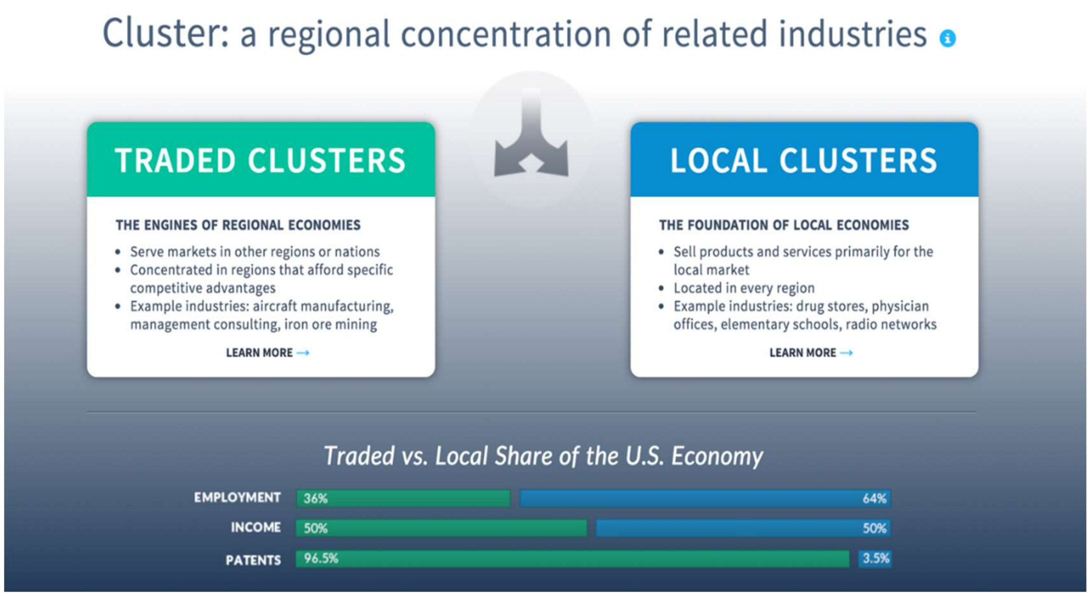
Appendix: Cluster Analysis

Traded clusters are groupings of industries that serve markets outside of a specific geography, in this case the State of New York. Traded clusters typically generate the funds that ultimately support local clusters such as entertainment, retail, and personal services. Traded clusters usually contain a supply chain that supports the specific industry such as suppliers, infrastructure, specialized training, and machinery. Studies have shown that assets that support clusters are more efficient and cost effective than marketing or providing subsidies and solutions to individual companies. The Business Council was interested in the state's cluster performance to see where growth opportunities exist for the state.

As the chart to the right, from US Cluster Mapping shows, traded clusters often account for less than 40 percent of a state's employment, however, they are usually responsible for 50 percent or more of a state's income and innovation.



To determine the current state of traded clusters in New York we collected employment and wage data for over 680 6-digit NAICS code industries within the state. These industries were then grouped into 53 traded clusters. The cluster groupings are very closely related to those provided by US Cluster Mapping, a project produced by the Harvard Business School. Those cluster groupings have not been updated to reflect the most recent iteration of NAICS codes. Therefore, data from Lightcast and their conversion of the Harvard clusters using 2019 NAICS codes was used to create cluster groupings. A few technology related sectors were moved from the business services cluster to the technology cluster. An appendix at the end of this report shows the cluster groupings in detail. These clusters were then evaluated on recent growth, location quotients, wages, and total employment.

> "What makes clusters unique is not just that companies with similar or complementary interests, competencies, and needs congregate around each other. It's that an entire value chain exists within a cluster: suppliers, manufacturers, distributors, academic institutions, researchers, and workforce training, as well as those who provide relevant support services."
>
> -Bloomberg

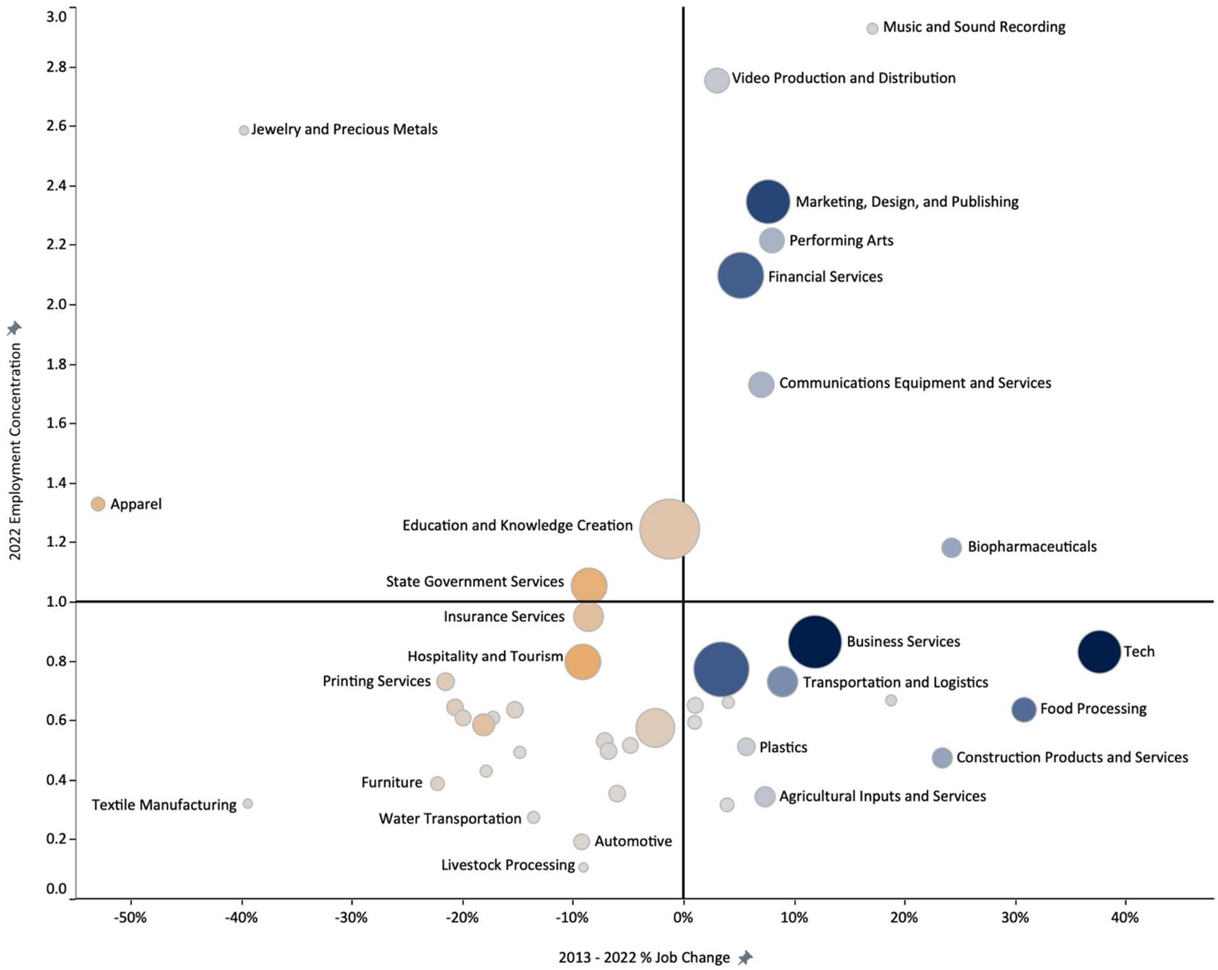
Employment concentration ratios help demonstrate the clusters that have high concentrations in a state. They measure the concentration of a cluster's employment in the state compared to national employment levels. A ratio of 1.00 or greater demonstrates a higher concentration than what would be expected based on national levels. This can reveal what clusters are unique to New York and which industries attract significant money from outside the state by exporting goods and services.

When mapped alongside employment growth, concentration ratios can show which clusters are thriving or declining. The chart below demonstrates where a cluster may fall on the map and how it corresponds to its strength and growth. Positioning on the map provides one piece of intelligence to support the choices that state organizations make to determine how to use marketing and personnel resources.

Example Chart for Cluster Mapping

New York State has seven clusters that measure as assets, meaning they experienced strong employment growth in the last ten years and are heavily concentrated in the state. A few of the top concentrated clusters in the state are in the entertainment field including music and sound recording, video production and distribution, and the performing arts. The communications equipment and services cluster can also be included in this entertainment group as the top industries in New York are the media streaming and TV broadcasting. The other asset clusters tend to be high-wage and knowledge-based clusters like biopharmaceuticals, marketing, and finance. Only four clusters registered as legacy clusters and two of those are small employment clusters. Another eleven clusters in the state registered as emerging. These included a variety of cluster types from agriculture, plastics, construction, food processing, and tech.

New York State Cluster Map

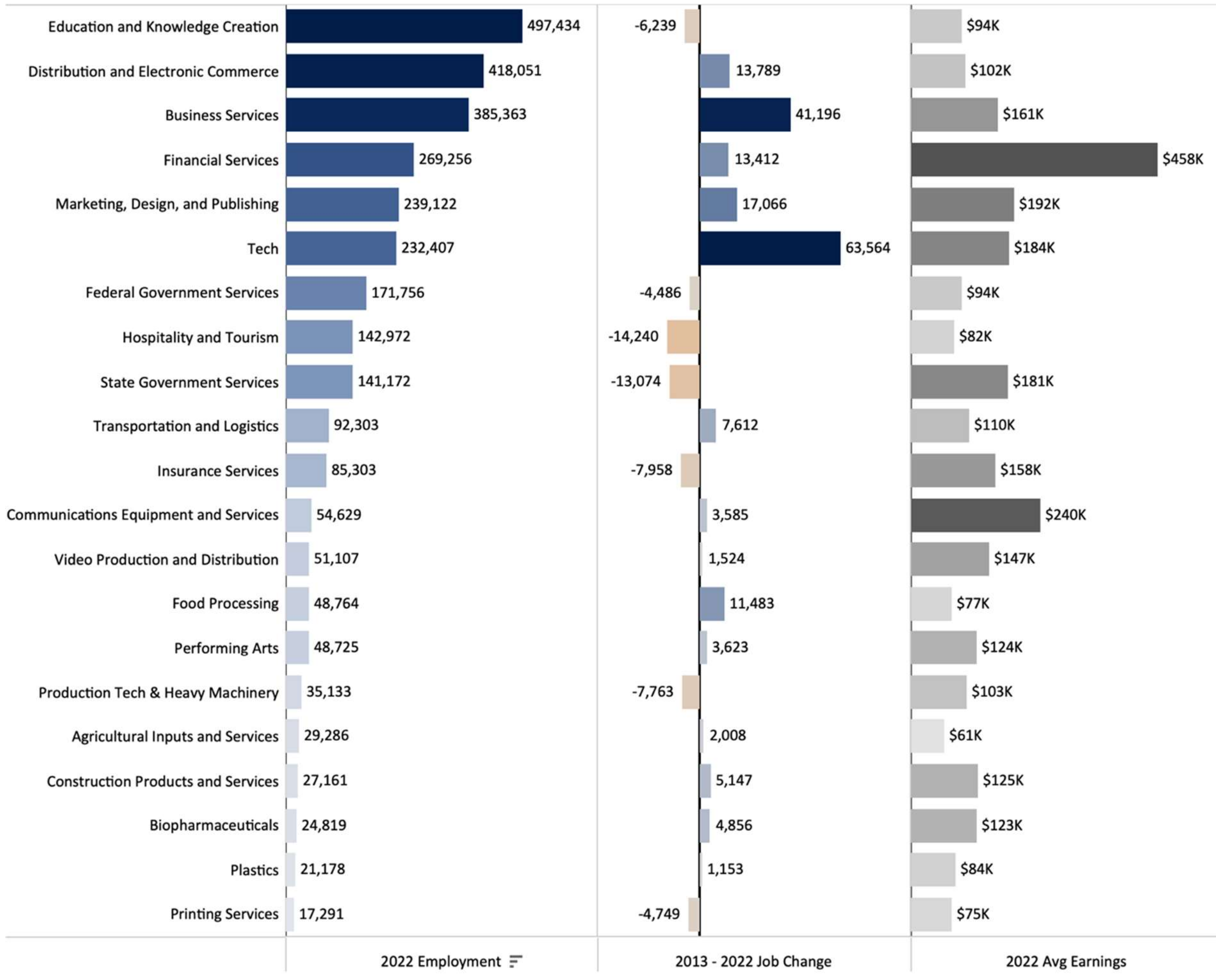


Source: Lightcast 2023.3

Note: The size of each cluster bubble is determined by the size of 2022 employment levels. The color of each cluster is determined by the number of net jobs change from 2013 to 2022. Clusters with fewer than 3,500 employees were left off the chart.

The largest cluster in terms of employment is the education and knowledge creation cluster. This employment is largely driven by the state's universities but also includes work in research & development. Overall jobs have experienced a net decline in the last decade, but the R&D portion has added a net of over 7,100 jobs. Seven out of the top ten employing clusters experience job gains from 2013 to 2022. The New York economy tends to be more dominant in knowledge-based clusters than manufacturing or extraction-based sectors. The benefit of these knowledge-based clusters is that they offer workers elevated levels of earnings. The top manufacturing-based clusters in the state are food processing, biopharmaceuticals, machinery production, and plastics.

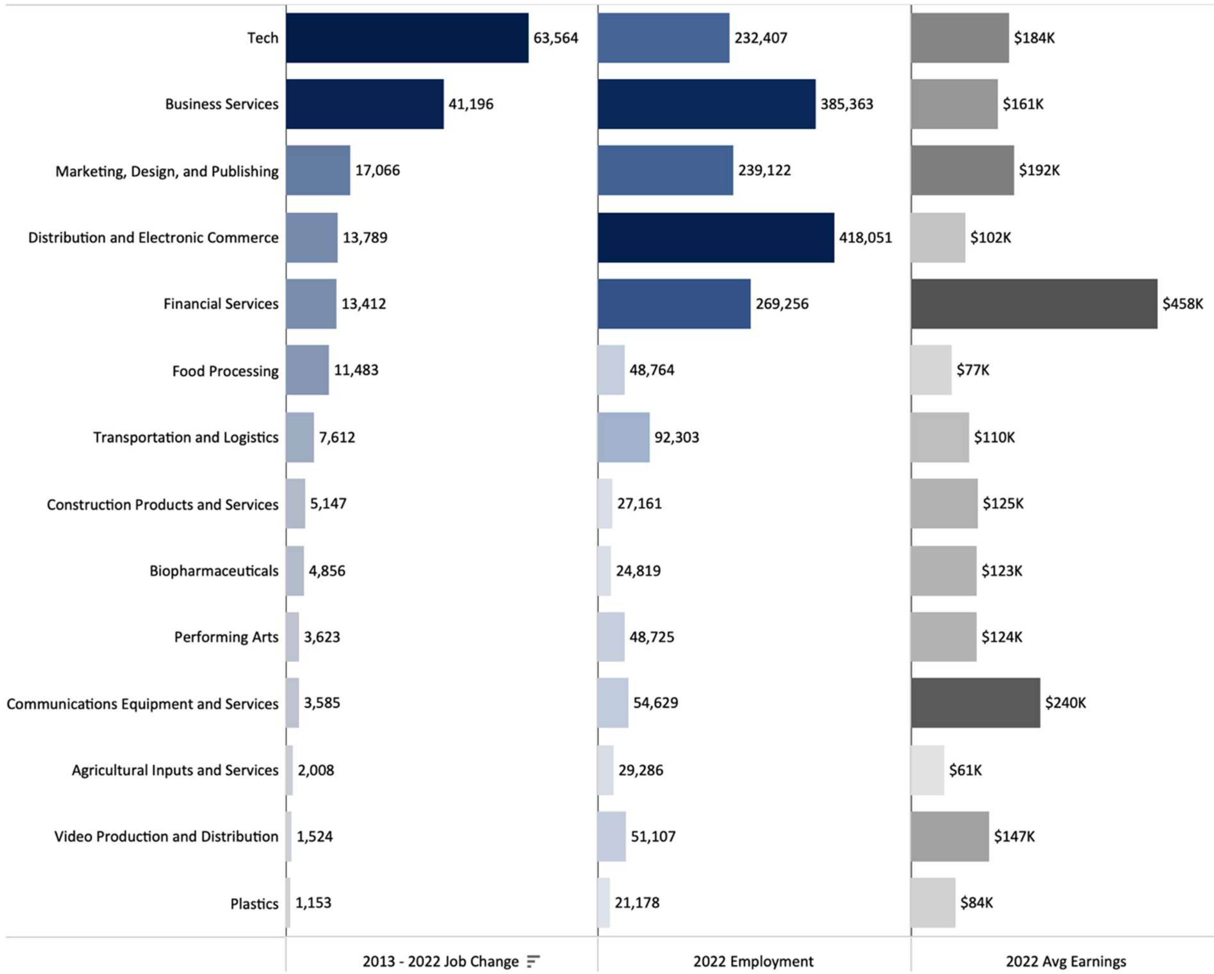
Top Traded Clusters by Employment in New York State



Source: Lightcast 2023.3

The fastest growing clusters in the state have been tech and business services in the last decade. Within tech, software publishers have been the largest growing segment. From 2013 to 2022, this industry added over 32,000 jobs to the cluster. Jobs have also grown in some of the manufacturing portions of this cluster including semiconductors and circuit assembly. The biggest contributor to the strong job growth in business services has been management consulting services. Overall, thirteen clusters each added more than 1,000 jobs in the last decade.

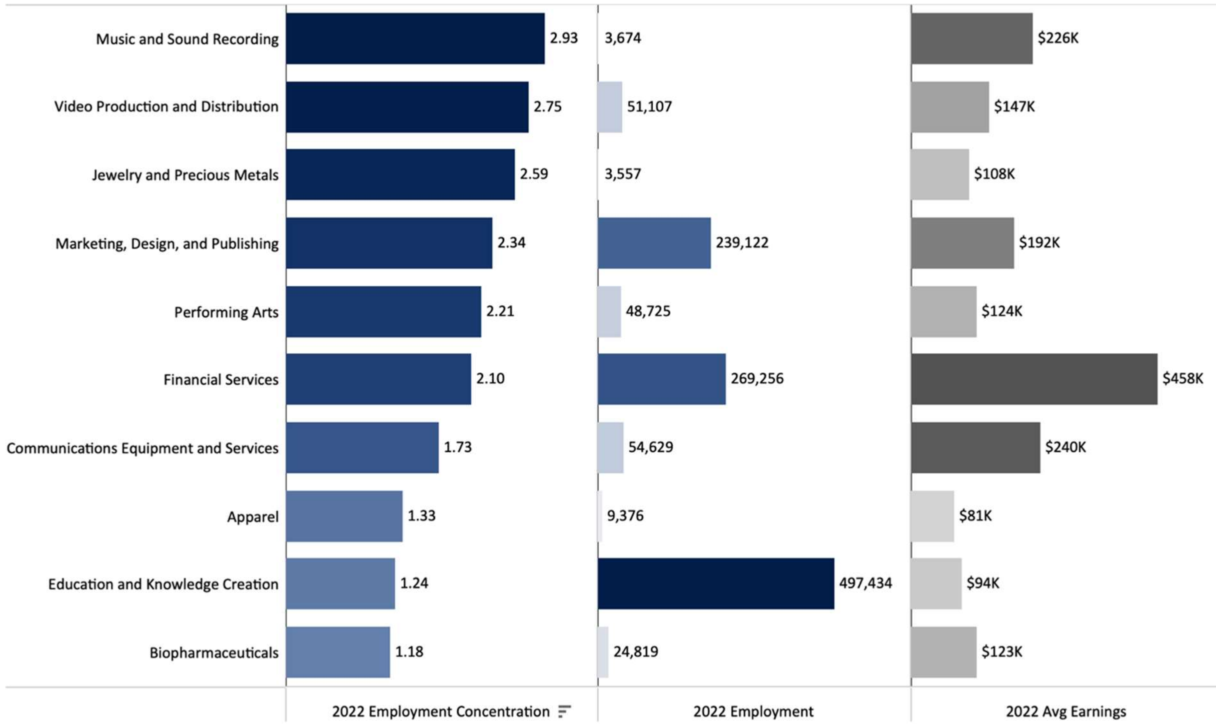
Fastest Growing Clusters in New York State



Source: Lightcast 2023.3

Employment concentration ratios help reveal clusters that are more unique to New York. The state has ten clusters with concentrations higher than the national average. Entertainment related clusters top this list as New York City is a cultural capital for the globe. The state has also historically been known for its advertising agencies. This cluster continues to be highly concentrated in the state, adding jobs, and offering high wages to workers. Eight of the ten top concentrated clusters offer average earnings per worker of over $100,000 annually.

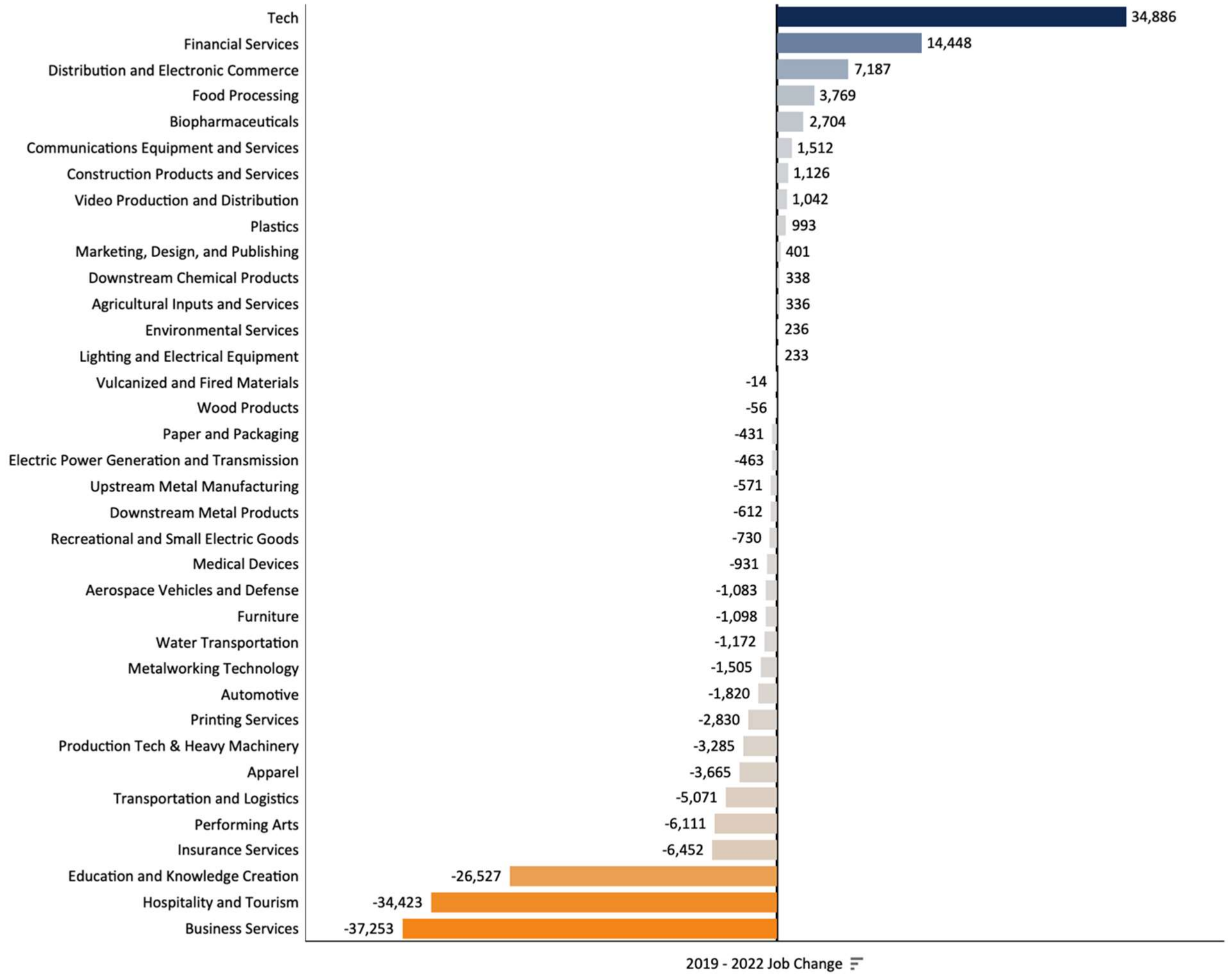
Clusters with the Highest Concentration in New York State



Source: Lightcast 2023.3

Given the unique disruption of COVID-19 on the economy, it was important to determine if some of the job changes were related to the pandemic. When comparing the past three years, 2019 to 2022 job levels, some of the clusters that saw job declines are also likely to be pandemic related. Hospitality and tourism suffered from the lockdown phase and have not returned to previous employment levels. New York, like most areas of the country, saw increases during COVID to distribution and e-commerce cluster. Business services saw large declines in the professional employer organizations and corporate offices industries. The education and knowledge creation cluster, the largest employing cluster in the state, saw large losses particularly when students were sent home from campuses. As of 2022, these jobs had not been regained by the cluster.

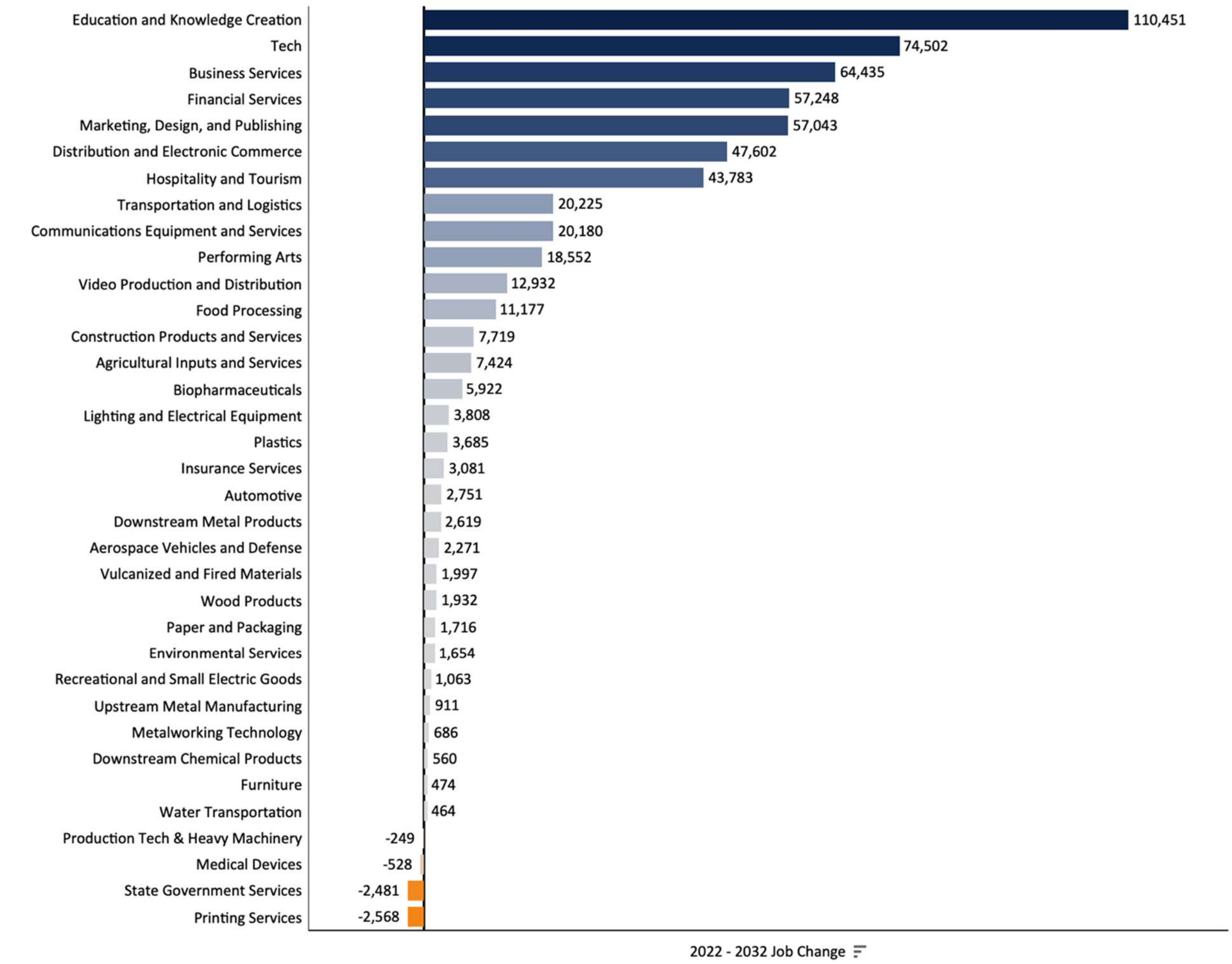
Pandemic Employment Impacts in New York State



Source: Lightcast 2023.3

Predictive models generated by Lightcast review the 5-, 10-, and 15-year historical job trends to make estimations on future growth. Based on these models, the next ten years will not be so harsh for some of the state's legacy clusters. Education is expected to regain jobs from the pandemic and more. The impressive performance by knowledge-based clusters like tech, financial services, marketing, and business services is predicted to continue into the next decade. The most promising manufacturing-based clusters for the future are predicted to be food processing, lighting and electrical equipment, plastics, biopharmaceuticals, and aerospace. The highest number of food manufacturing jobs are predicted in alcoholic beverages and dairy products. Only four clusters are expected to experience net job decline in the next decade.

Predicted Employment Change in New York State



Source: Lightcast 2023.3

For traded clusters some of the economic development opportunities are grounded in industries with long histories in the state. With continued support these clusters will continue to generate jobs and contribute significantly to the state's economy.

- Financial Services
- Marketing, Design, and Publishing
- Communications Equipment and Services
- Music and Sound Recording
- Video Production and Distribution
- Performing Arts
- Biopharmaceuticals

Emerging industries include:

- Tech
- Food Processing
- Business Services
- Construction Products and Services
- Transportation and Logistics
- Plastics