

REFLECTIONS ON THE CURRENT ECONOMIC ENVIRONMENT

School boards preparing to enter negotiations or currently in negotiations are operating in a very tough economic environment. The economic situation impacts the negotiations environment and, without question, it will impact your district's ability to pay for any settlement. Economic data can help educate unions about these harsh new economic realities, and can be very valuable at mediation and fact-finding.

The following statistics have recently been released. If you need assistance interpreting the data or preparing for negotiations, mediation or fact-finding contact the labor relations department at (609) 278-5219.

UNEMPLOYMENT

- **In February 2012, the unemployment rate was 8.3 percent nationally.** Although the rate has decreased since August, the unemployment rate is still much higher than it was at the start of the recession in December of 2007 (when it stood at 5.0%). The number of unemployed persons stands at 12.8 million. (Up from 7.5 million in December 2007.)
- **In February 2012, more than 5.45 million (42.6%)** of the unemployed are classified as long term unemployed as they have been unemployed for more than 27 weeks. The number of long term unemployed has nearly quadrupled since the start of the recession.
- **In February 2012, there were 2.6 million people who were marginally attached to the labor force**, meaning these individuals were not in the labor force, wanted and were available to work, and had looked for a job sometime in the prior 12 months. *(This is an increase of 100,000 people since December 2011).*

However, **these people are not counted as “unemployed”** because they had not searched for work in the four weeks preceding the survey. Of these 2.5 million people, **1 million are categorized as “discouraged workers”**, meaning they have quit looking for work because they do not believe jobs are available for them. *(This is an increase from 945,000 people in December 2011.)*

- In February 2012, there were **8.1 million people working part time who would prefer to be working full time.**

- According to a January 6, 2011 article from Reuters, “[e]mployment remains about 6.1 million below its pre-recession level and at December's pace of job growth, it would take about 2-1/2 years to win those jobs back. There are roughly 4.3 unemployed people for every job opening.”
<http://readability.iavian.net/?hop=http://www.reuters.com/article/2012/01/06/us-usa-economy-idUSTRE7BM0AB20120106>
- According to this same Reuters’ article, “23.7 million Americans are either out of work or underemployed.”

Specific unemployment numbers for **New Jersey** are as follows:

| | <u>January 2008</u> | <u>January 2012</u> |
|----------------------------|---------------------|----------------------|
| <i>State of New Jersey</i> | 4.6% | 9.0% |
| | <u>January 2008</u> | <u>December 2011</u> |
| <i>Atlantic County</i> | 7.1% | 12.7% |
| <i>Bergen County</i> | 4.2% | 7.0% |
| <i>Burlington County</i> | 4.6% | 8.4% |
| <i>Camden County</i> | 5.6% | 9.6% |
| <i>Cape May County</i> | 12.1% | 15.1% |
| <i>Cumberland County</i> | 8.2% | 12.8% |
| <i>Essex County</i> | 6.1% | 10.0% |
| <i>Gloucester County</i> | 5.2% | 8.9% |
| <i>Hudson County</i> | 5.7% | 9.6% |
| <i>Hunterdon County</i> | 3.5% | 6.2% |
| <i>Mercer County</i> | 4.6% | 7.3% |
| <i>Middlesex County</i> | 4.5% | 7.7% |
| <i>Monmouth County</i> | 4.6% | 8.4% |
| <i>Morris County</i> | 3.7% | 6.3% |
| <i>Ocean County</i> | 6.0% | 9.9% |
| <i>Passaic County</i> | 6.5% | 10.2% |
| <i>Salem County</i> | 6.0% | 10.7% |
| <i>Somerset County</i> | 3.8% | 6.5% |
| <i>Sussex County</i> | 5.1% | 8.3% |
| <i>Union County</i> | 5.4% | 8.8% |
| <i>Warren County</i> | 4.9% | 7.7% |

PUBLIC SECTOR EMPLOYMENT

- Local government employment has declined nationally by 498,000 since the year 2008.

- State government employment has declined nationally by 149,000 since the year 2008.
- Government employment fell nationally by 280,000 during 2011.
- The New York-Northern New Jersey-Long Island Metropolitan Statistical Area saw a decrease of government employment by 25,500 (2.0%), which was higher than the 1.2% national decline. According to the Bureau of Labor Statistics “New Jersey portions of the area experienced the brunt of the loss.”

SLOW RATE OF GROWTH IN WAGES AND BENEFITS (EMPLOYMENT COST INDEX)

According to the Bureau of Labor Statistics, employers’ compensation costs for civilian workers increased by only 2.0 percent for the 12-month period ending December 2011. Wage and salary costs (about 70% of compensation) increased 1.6 percent for the same 12-month period. The cost of employee benefits rose by 3.2 percent.

State and local government workers costs increased by only 1.3% for the 12-months ending December 2011. Wage and salary costs for these workers increased by 1.0% during the same 12-month period.

COST OF LIVING

Nationwide, the *Consumer Price Index for All Urban Consumers* (CPI-U) increased 2.9 percent for the 12-month period ending February 2012.

For the New York-Northern New Jersey area, the *Consumer Price index for All Urban Consumers* (CPI-U) increased just 2.6 percent from February 2011 to February 2012.

For the Philadelphia-Wilmington-Atlantic City area, the *Consumer Price Index for All Urban Consumers* (CPI-U) increased 2.2% from February 2011 to February 2012.

SOCIAL SECURITY

For 2012, the Social Security Administration has announced that recipients will receive a 3.6% increase in their monthly payments. The automatic cost of living adjustment is, by law, tied to the *Consumer Price Index*. This is the first increase since 2009.

POPULATION LOSS

According to an Article in the September 17, 2010 edition of the Star Ledger, for the period from 2000-2008, “the Garden State had a net loss of nearly 304,000 residents over the eight-year-period, who took combined annual incomes of \$12.3 billion with them to other states, according to figures accessed through a database launched today by the Tax Foundation, a policy research group in Washington, D.C. that advocates for lower taxes. (N.J. ranks 5th in nation for most out-of-state migration, data shows, by Leslie Kwoh,)

http://www.nj.com/news/index.ssf/2010/09/nj_ranks_5th_in_nation_for_mos.html

FORECLOSURES

According to Jim Puzzanghera of the Los Angeles Times (*December 22, 2011 RealtyTrac blog*): “**Foreclosures by major banks jumped 21.1 percent in the third quarter** as voluntary holds for paperwork problems were lifted, according to federal regulators. But the number of homes en route to being seized fell by 15.1 in October, according to the Office of the Comptroller of the Currency.” (*emphasis added*)

<http://www.foreclosurepulse.com/blogs/mainblog/archive/2011/12/22/foreclosures-by-major-banks-increase-21-1-in-third-quarter.aspx>

Ben Bernanke, the Chairman of the Federal Reserve, issued a 26-page paper on January 4, 2012, wherein the Federal Reserve Chairman warned Congress that the tight mortgage-lending standards threatened to hold back the economy. In so issuing this paper, Chairman Bernanke expressed alarm over the “battered home market and called for more aggressive action from Congress and other policy makers, [despite the fact that] housing policy is outside the traditional purview of the central bank.”

<http://www.foreclosurepulse.com/blogs/mainblog/archive/2012/01/05/fed-urges-action-on-housing.aspx>

On October 13, 2011 RealtyTrac issued its U.S. Foreclosure Market report for the third Quarter of 2011, indicating that foreclosure filings (default notices, scheduled auctions and bank repossessions) were reported on 610,337 properties in the 3rd quarter. This was an increase of 1% from the previous quarter (but a decrease of 34% from the third quarter of 2010). In September 2011 alone, there were 214,855 properties which received a foreclosure filing. <http://www.realtytrac.com/content/press-releases/third-quarter-and-september-2011-us-foreclosure-market-report-6880>

James Saccacio, the chief executive officer of RealtyTrac indicates that “[w]hile foreclosure activity in September and the third quarter continued to register well below levels from a year ago, there is evidence that this temporary downward trend is about to change direction, with foreclosure activity slowly beginning to ramp back up. Third quarter foreclosure activity increased marginally from the previous quarter... This marginally increase in overall foreclosure activity was fueled by 14 percent jump in new

default notices, indicating that lenders are cautiously throwing more wood into the foreclosure fireplace after spending months trying to clear the chimney of sloppily filed foreclosures. <http://www.realtytrac.com/content/press-releases/third-quarter-and-september-2011-us-foreclosure-market-report-6880>

“The average number of scheduled foreclosures with evictions to follow is around 89,000 on one month, according to RealtyTrac.”
<http://www.gobankingrates.com/mortgage-rates/fannie-mae-freddie-mac-chase-halt-foreclosures-holidays/>

According to a December 21, 2011 posting on the GoBankingRates.com website, “a large number of houses on the market are **short sales**, which are homes that sell for less than their worth because the homeowners carry underwater mortgages. Other homes on the market lenders have been forced to sell are REOs, also known as foreclosed properties that have been repossessed by lenders.

“[T]he combination of short sales and REOs made up 46 percent of the market. The short sale price in the month was \$209,000—this is about \$50,000 less than the sale of a home on the market that is not considered distressed.” As a result, home values are not expected to bounce back in 2012 or 2013.

<http://www.gobankingrates.com/mortgage-rates/foreclosures-short-sale-homes-hit-46-percent-november-sales/>

Also noted in this GoBankingRates.com post is that “[a]ccording to LPS Applied Analytics, the market is filled with distressed properties. Currently, more than 6 million borrowers are delinquent 30 or more days—and two million are already in the foreclosure process.” <http://www.gobankingrates.com/mortgage-rates/foreclosures-short-sale-homes-hit-46-percent-november-sales/>

National Foreclosures (per www.realtytrac.com/trendcenter/nj)

- As of the March 16, 2012 figures, there were 1,342,386 Foreclosure Homes for sale in the United States

New Jersey Foreclosures (per www.realtytrac.com/trendcenter/nj)

- As of March 16, 2012 figures, there were 32,402 Foreclosure Homes for sale in New Jersey

County Foreclosures (per www.realtytrac.com/trendcenter/nj), as of the March 16, 2012 figures:

- **Atlantic County** = There were 1,562 Foreclosure Homes for sale
- **Bergen County** = There were 2,264 Foreclosure Homes for sale

- **Burlington County** = There were 1,764 Foreclosure Homes for sale
- **Camden County** = There were 2,245 Foreclosure Homes for sale
- **Cape May County** = There were 637 Foreclosure Homes for sale
- **Cumberland County** = There were ____ Foreclosure Homes for sale
- **Essex County** = There were 3,808 Foreclosure Homes for sale
- **Gloucester County** = There were 1,111 Foreclosure Homes for sale
- **Hudson County** = There were 1,731 Foreclosure Homes for sale
- **Hunterdon County** = There were 305 Foreclosure Homes for sale
- **Mercer County** = There were 1,345 Foreclosure Homes for sale
- **Middlesex County** = There were 2,207 Foreclosure Homes for sale
- **Monmouth County** = There were 2,136 Foreclosure Homes for sale
- **Morris County** = There were 1,075 Foreclosure Homes for sale
- **Ocean County** = There were 2,726 Foreclosure Homes for sale
- **Passaic County** = There were 2,190 Foreclosure Homes for sale
- **Salem County** = There were 299 Foreclosure Homes for sale
- **Somerset County** = There were 766 Foreclosure Homes for sale
- **Sussex County** = There were 869 Foreclosure Homes for sale
- **Union County** = There were 2,278 Foreclosure Homes for sale
- **Warren County** = There were 487 Foreclosure Homes for sale

LATEST DATA

The U.S. Department of Labor's Bureau of Labor Statistics (BLS) is a federal agency that produces impartial, timely, and accurate data relevant to the collective bargaining process. Most of the above was gathered from the Bureau of Labor Statistic's Database, which is updated continuously and can be found at <http://www.bls.gov/data/>. New Jersey specific information can also be found at the State Department of Labor and Workforce Development's Website at <http://lwd.state.nj.us/labor/>.