

Upstate New York Economic Review, 1991 – 2001

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THE PATHFINDERS



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TABLE OF CONTENTS

I.	Introduction	1
II.	New York State Overview	2
III.	Private Sector Job Creation	3
IV.	Local Job Creation Upstate.....	7
V.	Corporate Investment Upstate	14
VI.	Conclusions	16



Introduction

In more than 20 years of site selection practice, The Pathfinders has learned how demanding and wary companies will become as they make decisions about the expansion or contraction of an existing operation and the location of a branch plant or new facility. Often arduously slow to arrive at an expansion decision, companies then insist on getting to market without delay. Such circumstances put a premium on analysis time and discourage investigations to disprove perceptions at the outset of the location process. Accordingly, as site selection is really a process of elimination, growing companies eagerly bypass areas that appear “risky” and fail to satisfy threshold requirements.

Recently, events have linked to form the germ of negative perception about New York’s business climate and Upstate’s economic well being. Contentions such as those that suggest that New York State has lost 300,000 jobs in the near past fail to consider the credit side of the ledger. Further, accusations that Upstate New York has taken on “Appalachia-like” characteristics belie the region’s vitality. Such hyperbole often exerts adverse influence on business decision makers and blunts their interests in New York as an option for their operations.

Accordingly, the brief analysis that follows demonstrates the inaccuracy of these assertions. Further, it provides evidence from the U.S. Department of Labor’s Bureau of Labor Statistics, the New York Department of Labor, the Empire State Development Corporation, various regional New York sources, *Site Selection*, Conway Data Inc.’s *Site Location Database* and our own proprietary site-selection database to substantiate the upswing in private sector employment that accelerated in 1997 to cap off the period, 1991-2001. Additionally, the analysis shows that Upstate New York shared meaningfully in the State’s resurgence and ended 2001 with 155,000 more private sector jobs than it had at the end of 1991: an increase in private sector employment that evokes a robust economic development climate.



New York State Overview

Rocked by widespread layoffs and closings during the first half of the 1990's, New York's economy showed significant recovery from 1997 forward. Early in the period, the State lost nearly 300,000 private sector jobs. Despite increasingly positive results from 1994 on, the negative net effects of that loss continued until 1997 when the State showed its first positive net jobs numbers for the decade.

A significant recovery occurred from 1997 through 2000. Even after taking the recession and the events surrounding September 11, 2001 into consideration, New York closed out 2001 with a net gain of more than 620,000 private sector jobs in just 5 years. The table below contains private sector results for the periods.

New York State Private Sector Job Creation and Cumulative Change

Year	Total Jobs (000's)	Jobs Per Year (000's)	Net Jobs (000's)	1997-2001 (000's)
1991	6,441.6	-145.9	-145.9	
1992	6,302.3	-139.3	-285.2	
1993	6,326.6	24.3	-260.9	
1994	6,395.4	68.8	-192.1	
1995	6,475.7	80.3	-111.8	
1996	6,538.1	62.4	-49.4	
1997	6,660.2	122.1	72.2	122.1
1998	6,812.7	152.5	225.3	274.6
1999	7,010.6	197.9	423.1	472.5
2000	7,167.6	157.0	580.1	629.5
2001	7,160.1	-7.6	572.6	621.9

Bureau of Labor Statistics, Current Employment Statistics, Private Sector Employment



Salient points that flow from these data include:

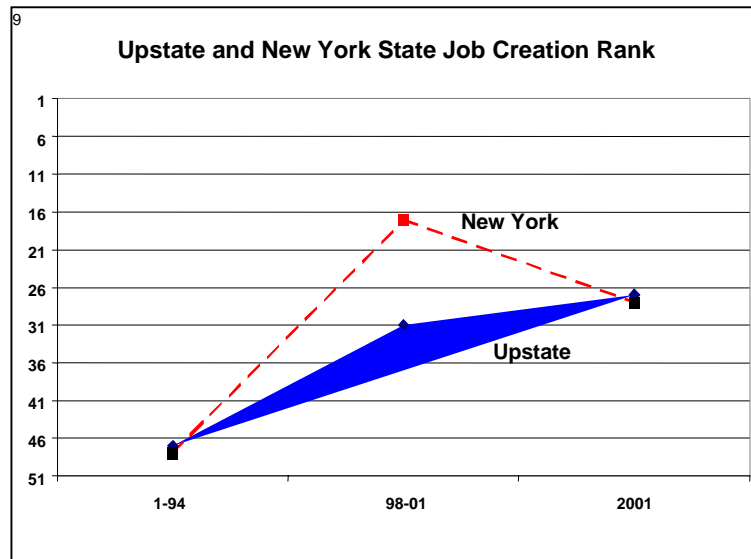
- New York experienced a net increase in private sector jobs over the period of more than 572,000.
- In percentage terms, New York performed very near the national average in private sector job growth during the 1998-2001 period.
- In percentage terms, New York outperformed its neighbors, Connecticut, Massachusetts, New Jersey, Ohio, Pennsylvania and Vermont between 1998 and 2001.
- In the number of private sector jobs added to its employment rolls, New York jumped from 50th in the nation for the 1991-1994 time frame to 4th in the country from 1998 to 2001.
- The bulk of these new jobs occurred in the State's 25 fastest growing industries. Wages in these industries generally exceeded New York average wages. According to the New York Department of Labor's ES-202 employer surveys, Downstate wages in the fastest growing industries were 14% above the average for all regional industries and Upstate they exceeded average industry wages by nearly 23%.

Private Sector Job Creation

New York experienced a corporate investment turnaround beginning in 1996-1997 that spurred the State from its position as 48th fastest growing state in private sector job creation between 1991 and 1994 to 17th fastest between 1998 and 2001. The September 11th attacks dropped New York back to 28th fastest growing in 2001.



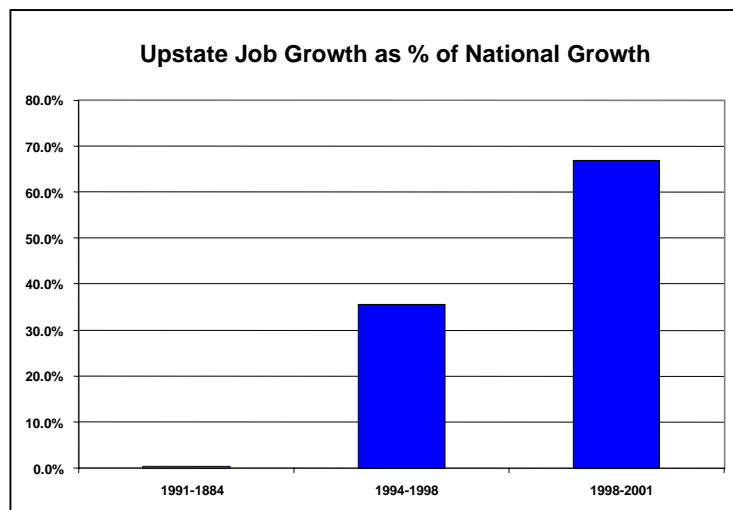
Upstate showed slightly better. If the Upstate region were an independent state, it would have ranked 47th during the 1991-1994 period. By the 1998-2001 era, Upstate had improved to 31st and now would rank 27th fastest growing in the nation.



Bureau of Labor Statistics, Current Employment Statistics

Nonetheless, Upstate New York remains dependent on traditional industrial employment in pursuits such as manufacturing. As with the nation, Upstate manufacturing employment was weak throughout the 1990's.

If we compare job creation in Upstate New York with that in the nation as a whole during three periods – 1991 to 1994, 1994 to 1998 and 1998 to 2001 – it becomes clear that Upstate has fared better in the more recent periods. Between 1991 and 1994, Upstate created new jobs at roughly 1% of the national rate. By the 1994 to 1998 timeframe, Upstate had improved to 35%



Bureau of Labor Statistics, Current Employment Series



of the nation's rate and from 1998 to 2001 Upstate created new jobs at 67% of the national private sector job creation rate.

While still lagging the national norms, Upstate has shown substantial improvement in job creation performance in recent years. In fact, Upstate created a net increase of 29,000 private sector jobs between 1991 and 1996. That number grew to 149,700 between 1996 and 2001.

Despite the foregoing, critics may argue that Upstate's job creation performance falls in the middle of the pack and has been, therefore, less than inspiring. Such criticism fails to account for Upstate's mature economic base that, by definition, grows at a pace slower than that of burgeoning sub-economies in more newly-industrialized states and regions (e.g. Las Vegas, Phoenix). Further, it fails to ask a fundamental question whose answer may reveal how Upstate is really doing: how does Upstate New York compare in job creation with other similar industrialized states in its region?

Compared to five large industrial states with similar manufacturing bases in the Mid-Atlantic, Midwest and Great Lakes regions (Illinois, Indiana, Michigan, Ohio and Pennsylvania), Upstate is performing increasingly well. In fact, only Pennsylvania has maintained its position relative to Upstate New York the periods under review.

National Ranking – Proportional Private Sector Job Growth

STATE	1991-1994	1994-1998	2001
Upstate New York	47	31	27
New York	48	47	28
Illinois	39	45	34
Indiana	17	50	50
Michigan	25	20	48
Ohio	46	48	37
Pennsylvania	45	29	26

Empire State Development Corporation; Bureau of Labor Statistics, Current Employment Series, Archived Data



Interestingly, if Upstate New York were a state it would have ranked 17th nationally in the number of private sector jobs produced between 1998 and 2001. In this measure, Upstate trailed New York State's 4th place ranking and Pennsylvania's 7th position, but outpaced the bulk of the country in private sector job creation.

At the same time, Upstate has outperformed several Mid-South states that we have traditionally viewed as economic development leaders. The following table compares Upstate New York's performance with relative private sector job growth in Alabama, North Carolina, South Carolina and Tennessee.

Comparative Ranking – Private Sector Job Growth

STATE	1991-1994	1994-1998	2001
Upstate New York	47	31	27
Alabama	24	33	50
North Carolina	16	35	45
South Carolina	32	37	49
Tennessee	11	40	43

Empire State Development Corporation; Bureau of Labor Statistics, Current Employment Series, Archived Data

Opening the decade with a loss of nearly 50,000 jobs, Upstate then followed the statewide pattern and ended the period with a net gain of nearly 150,000 private sector jobs between 1997 and 2001 – arguably the stripe of a vital economy.



Upstate Private Sector Job Creation and Cumulative Change

Year	Total Jobs (000's)	Jobs Per Year (000's)	Net Jobs (000's)	1997-2001 (000's)
1991	2,344.4	-23.7	-23.7	
1992	2,320.2	-24.2	-47.9	
1993	2,332.4	12.2	-35.7	
1994	2,344.9	12.5	-23.2	
1995	2,368.5	23.6	0.4	
1996	2,373.0	4.5	4.9	
1997	2,399.6	26.6	31.5	26.6
1998	2,441.1	41.5	73.0	68.1
1999	2,499.4	58.3	131.3	126.4
2000	2,524.5	25.1	156.4	151.5
2001	2,522.7	-1.8	154.6	149.7

Bureau of Labor Statistics, Current Employment Statistics, Private Sector Employment

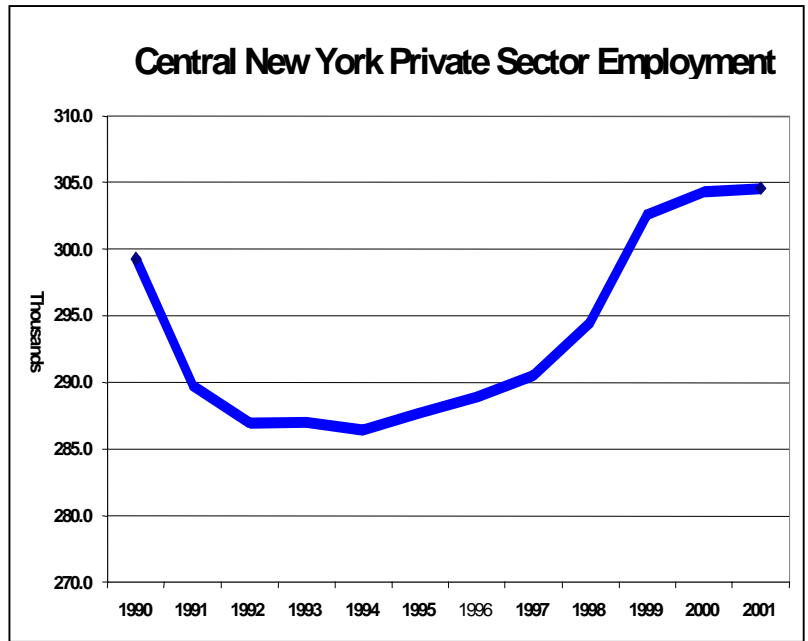
Local Job Creation Upstate

In the same vein, large and small Upstate industrial and commercial centers added to their private sector employment rolls over the period. Fighting off the diminishing effects of the early 1990's, MSA's throughout Upstate rebounded to post respectable private sector job gains. By 2001, the Syracuse MSA produced a net gain of 18,000 new private sector jobs; Albany-Schenectady-Troy, 41,000; Buffalo, 17,000; and, Rochester, 30,000. Smaller areas also shared in the rebound with Elmira adding 3,000 new private sector jobs; Glens Falls, 3,100; Jamestown, 2,000; Utica-Rome, 13,000; and, the rural North Country, nearly 8,000. All in all, these results suggest an active, productive economic development environment in Upstate New York.



Having lost 8,000 jobs during the contraction of 1989-1994, Central New York then added 18,000 between 1994 and 2001.

Further, the region's turnaround led to a new private sector employment record of 304,600 jobs in 2001 while unemployment dipped to lows unseen since the late 1980's.

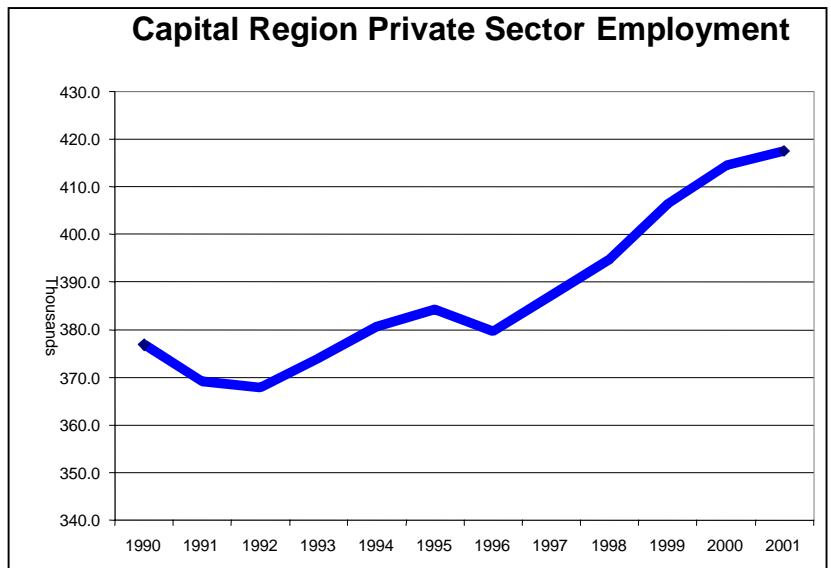


Empire State Development Corporation; Bureau of Labor Statistics Current Employment Statistics

The Capital Region bottomed out in 1992 and then began a slow, steady upswing thereafter.

Despite the 1991-1992 downturn, the region restored the losses from 1990 and added a modest number of new jobs.

In 1997, the region's private operations steepened the upward slope and added new jobs to set a private sector employment record of 417,700 jobs in 2001.



Empire State Development Corporation; Bureau of Labor Statistics Current Employment Statistics

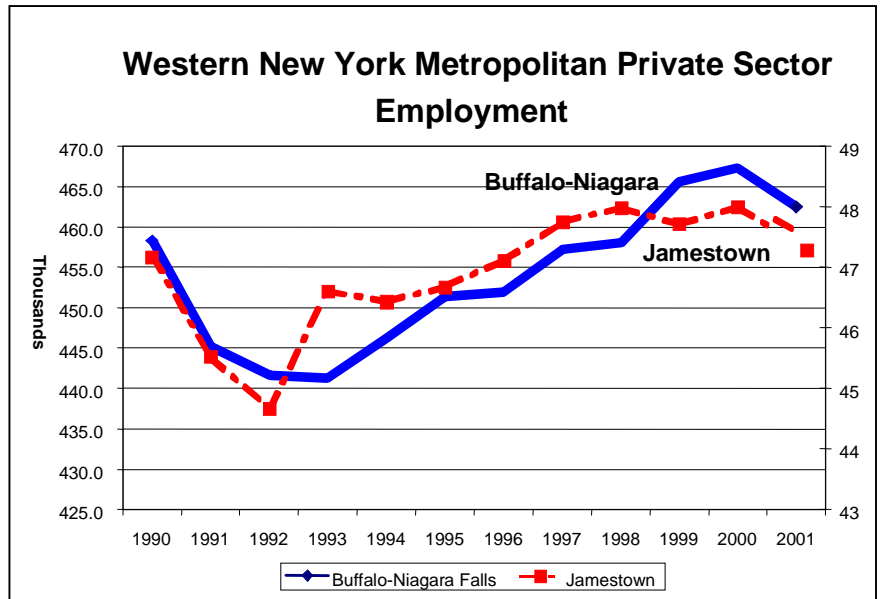


Despite little more than a year of national recession, Buffalo and Jamestown suffered 3 successive years of job losses in the early 1990's.

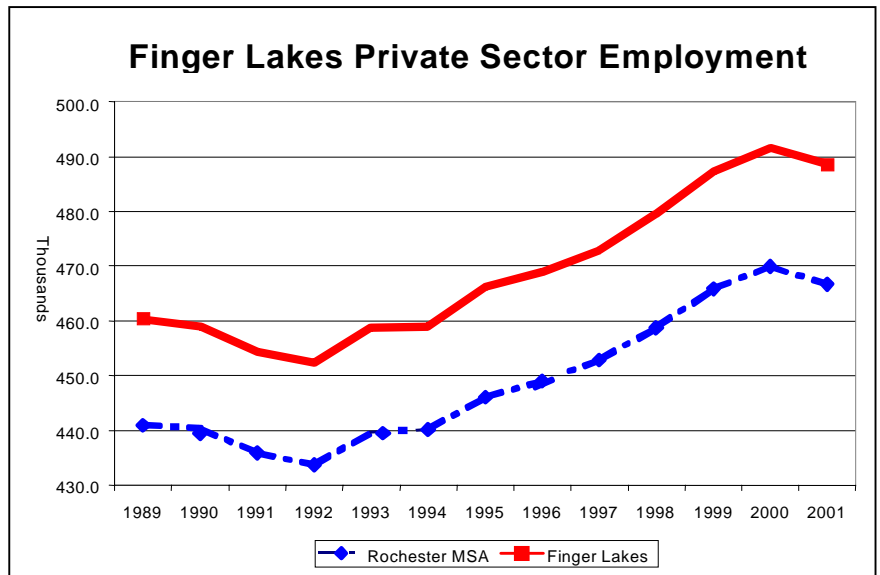
Beginning in 1996, however, the region displayed consistent job growth with 56 consecutive monthly increases in private sector employment. By 2001, the region had surpassed 1990 job levels and added some 20,000 private sector jobs.

Like Western New York, the Finger Lakes Region lost jobs to the point that it still had fewer jobs in 1994 than it had in 1989.

In 1995, the region exceeded 1989 levels and went on to add 30,000 jobs by 2001. In 2000, the region achieved a new high with 491,500 private sector jobs. 2001 was the second highest ever.



Empire State Development Corporation; Bureau of Labor Statistics Current Employment Statistics

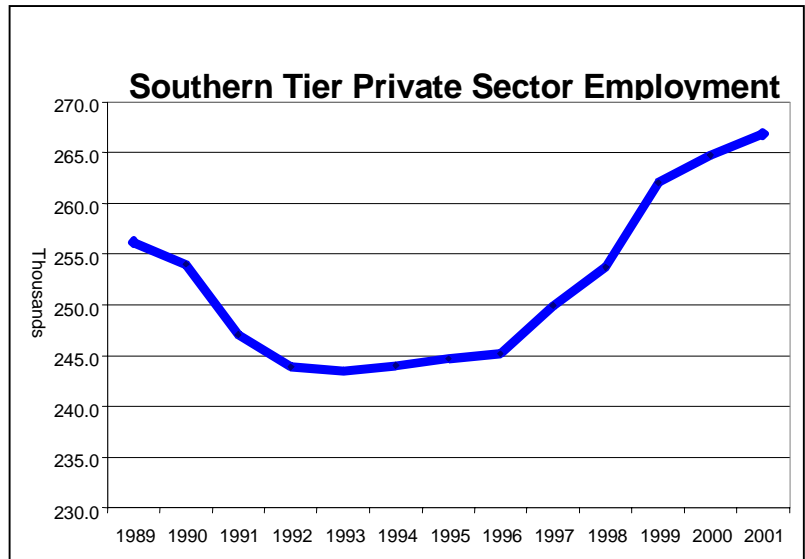


Empire State Development Corporation; Bureau of Labor Statistics Current Employment Statistics



The Southern Tier suffered job declines through 1992 and virtually flat employment well into 1996. From that point forward, however, the region added more than 20,000 new private sector jobs.

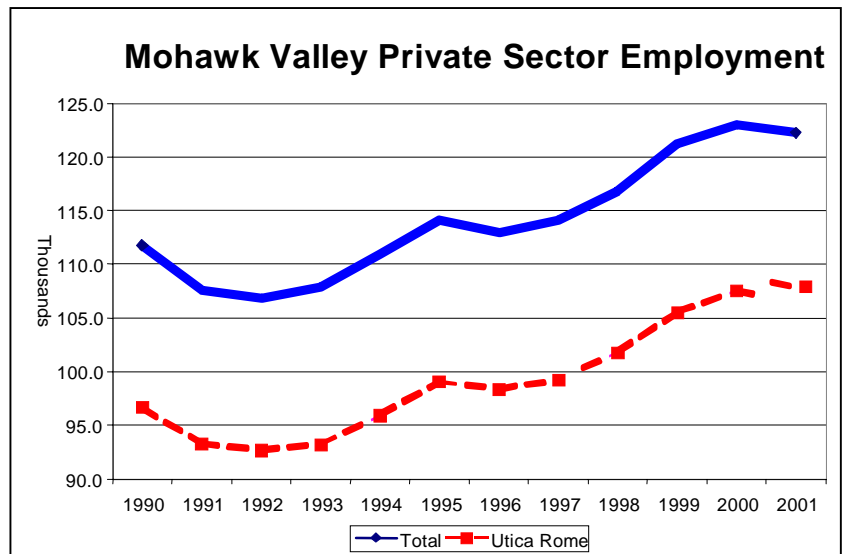
The Southern Tier's 266,800 private sector jobs in 2001 established a new high for the region as it captured new employment in growing national sectors.



Empire State Development Corporation; Bureau of Labor Statistics Current Employment Statistics

After 3 years of job losses, the Mohawk Valley began to emerge from recession in 1993 and posted modest job gains. Although job levels remained below those of 1989-1990, they show an upward trend that accelerated from 1996 on.

By 2001, the region had added more than 11,000 new private sector jobs after setting a new high of 123,100 private sector jobs in 2000.

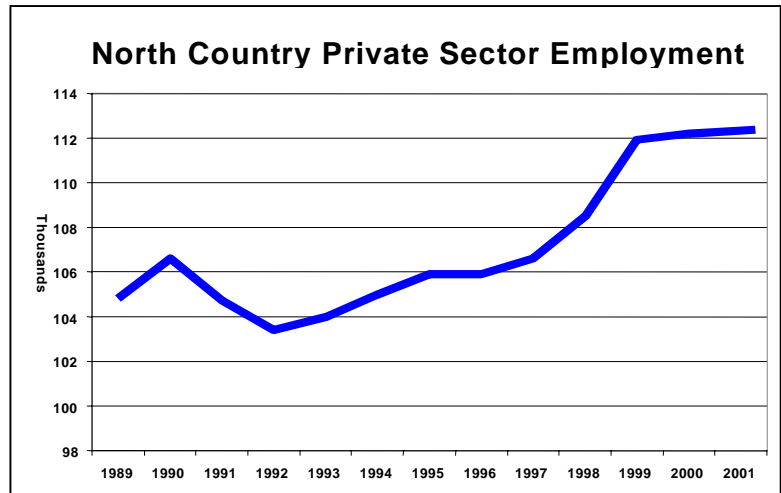


Empire State Development Corporation; Bureau of Labor Statistics Current Employment Statistics



The North Country has shown that Upstate's urban and rural areas both shared in the 1989-1992 downturn, during which they lost some 1,600 jobs, and in the post-1996 ramp up.

By decade's end, the region's private employers had added 8,000 jobs over 1991 levels and had achieved a new high in total private sector employment of 112,300 in 2001.



Empire State Development Corporation; Bureau of
Labor Statistics Current Employment Statistics

Quality of Upstate Private Sector Jobs Created

Between 1995 and 2001, New York experienced a general recovery from the layoffs, business closings and job losses charted in the early 1990's. During the first two years of the decade, New York lost almost 300,000 private sector jobs as it was hit hard by the effects of the recession. In the second half of the decade, however, a recovery took root that would add more than 750,000 new private sector jobs in the State by 2001. In fact, the strength of the recovery, despite the significant losses prior to 1995, produced a net gain of nearly 575,000 private sector jobs for the period 1991-2001.

Upstate experienced similar results. 1991-2001 showed a net private sector job increase of some 155,000 while the period from 1995-2001 added almost 180,000 jobs.



As with any job creation data, the question of job compensation quality arises as criticisms suggest that lost, well-paying manufacturing jobs were replaced by low paying service or hospitality employment. To be sure, some of that has occurred but a review of New York Department of Labor employer surveys indicates such a shift is not the norm in Upstate.

The analysis presented in the graph that follows reviews data from the New York Department of Labor ES-202 employer surveys to identify those industries that saw the greatest job growth during the 1995-2001 period. Further, it presents their average salary levels in comparison with salaries paid by all Upstate industries. Such comparison will enable a better understanding of the mix of occupations that benefited from the State's economic recovery and their relative compensation levels as a measure of job quality.

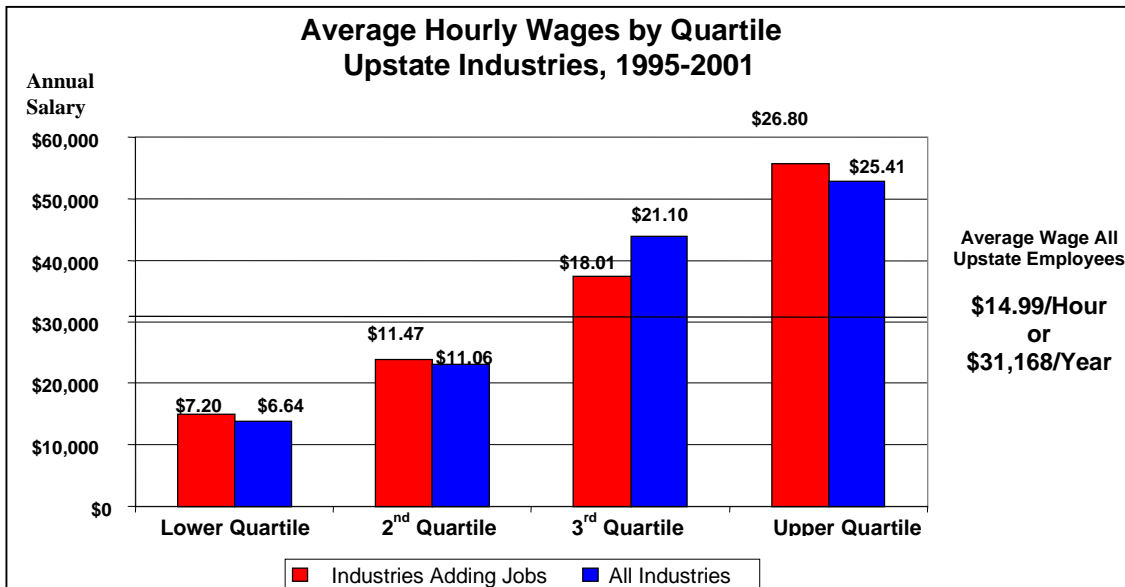
The mix of occupations exhibits a diversity of pursuits. The 25 fastest-growing Upstate industries feature jobs in medical and elder care, manufacturing, computer and data processing services, telecommunications, research and testing, pharmaceuticals, education, hospitality services, business services, personal and family services, film making, building materials and HVAC maintenance, repair and services.

These 25 fastest-growing industries provided nearly 161,000 new jobs Upstate during the period. These jobs paid median wages higher than the average wage of all industries Upstate - \$38,385 vs. \$31,231. Additionally, they contributed more than \$6 billion in total Upstate payroll per year in 2000 and 2001.

The following graph presents average hourly wages for those Upstate industries that added jobs during the period, 1995 to 2001, and for the group including all Upstate industries. Each set of bars represents 25%, or a "quartile", of Upstate workers' wages arranged from the lowest wage jobs to the highest. Each quartile is broken



into two sets of results: 1) wages in Upstate industries that added new jobs during our timeframe; and, 2) wages in all Upstate industries for the period. The graph also provides Upstate’s average hourly wage (\$14.99) and annual salary (\$31,168) for comparison. The amounts listed at the left margin of the graph are annual salary equivalents for the hourly wages noted in the quartile results.



Empire State Development Corporation; New York State Department of Labor

As the foregoing data depict, industries offering new jobs in Upstate New York between 1995 and 2001 provided employment at all wage levels while they generated significant numbers of new positions. Nearly 180,000 jobs stemmed from private sector business growth Upstate during the period.

Salaries offered by Upstate industries generating new jobs compare favorably with salaries at all Upstate industries. As the graph above demonstrates, new jobs tended to appear in industries with somewhat higher average pay in three of four wage quartiles. Wages paid by industries with jobs in the third quartile alone were lower than those wages paid in all Upstate industries. Those same new jobs, however, paid wages that exceeded the average of all Upstate industry wages by 20% and rivaled the average of wages paid by the fastest growing Upstate private concerns.



Corporate Investment Upstate

Predictably, an upswing in corporate investment accompanied the job gains. This renewal in business investment throughout the State lent particular impetus to Upstate job creation improvements in the past several years while recent interviews with economic development professionals and chamber executives across Upstate New York reveal near record numbers of prospects and business expansions.

In the four years 1991-1994 combined, *Site Selection*, a widely-acknowledged leader in business development strategy and facility location reporting, noted that a total of 316 companies invested in new and expanded facilities in New York State. Ranking New York 20th in the nation in 1994 in new and expanded facilities, *Site Selection* later referred to the State as "...an established bastion some location consultants consigned to oblivion". We were among them as none of our clients included New York locations in their searches during that period.

In contrast, New York moved into the Top 10 and firmly grasped 5th position in 1996 with 511 new and expanded facilities. *Site Selection* referred to New York as "resurgent" and then ranked the State 6th in 1997 with 809 new and expanded facilities and 5th again in 1998 and 1999 with 1025 and 934 new and expanded facilities.

The New York resurgence continued in 2000. *Site Selection* again ranked New York State highly by awarding it 4th position in its "Governor's Cup Competition of the States". This time New York attracted 1,121 new and expanded facilities and missed third place by a thin margin as Ohio recorded 1,128 facilities.

In 2001, New York moved into 3rd position with 988 new and expanded facilities according to *Site Selection*. Additionally, the magazine reported that New York had experienced 3,022 new corporate facilities and expansions during the period 1999-2001 as recorded by Conway Data Inc.'s *New Plant Database*. This achievement



ranks New York 4th for the period, well ahead of its regional competitors, and behind only Michigan (5,939), California (4,458) and Ohio (3,072).

Put another way, New York's performance in virtually every year from 1997 forward was three or more times greater than that for the years 1991 through 1994 combined. Our experience as site selectors mirrors this fundamental change as our clients have rediscovered New York State for projects that range from high-technology manufacturing to distribution and corporate services.

As a further measure of activity, Upstate private business investment has improved markedly. During 2000 and 2001, *Site Selection* reported that verified capital investments for 1,149 projects exceeded \$12.7 billion. These projects alone will produce nearly 100,000 new jobs for Upstate New York.



Conclusions

Stumbling early, New York fought through recession and reached an economic stride that carried it to substantial job gains by the end of the 1991 to 2001 period. Upstate New York paced the State as a whole and ended the era with both quantitative and qualitative advances.

Statewide, there was a net gain of 572,000 more private sector jobs in 2001 than 1991. Similarly, Upstate achieved a net increase of nearly 155,000 jobs at the same time. In both instances, the average wages of these new jobs exceeded the relative averages of all industries statewide and Upstate. These jobs were not concentrated in low-paying sectors. Both the State and its Upstate region showed signs of paralleling national growth sectors and rates.

Across Upstate New York, large commercial centers and small towns alike posted record private employment levels. In almost every corner, Upstate's localities set new highs in private sector employment in 2000 or 2001. Comparatively low unemployment accompanied these records.

Such accomplishments are consistent with our experience in New York State. Our clients frequently include New York in their search areas now. Local and state tax improvements, regulatory and process adjustments, growing secondary-market appeal, Empire Zones, Centers of Excellence and a renewed positive business attitude have combined with substantially more effective State and local economic development programs and professionals to put New York and Upstate back on our radar screens.

In addition to the obvious benefits that private sector job growth conveys, Upstate economic development professionals at all levels can combat misinformation about the region's economic conditions. Upstate's active growth posture should help to overcome concerns about declining areas, shrinking economies and scarce workers.



All of this leads to some rather straightforward and seemingly inescapable conclusions:

- New York appears to be more attractive to expanding and new job-creating private businesses today than it was 10 years ago.
- New York and Upstate's economies performed better in terms of private business investment and private sector job creation toward the end of the 1991-2001 period than it did toward the beginning.
- Upstate's economic resurgence produced a net gain of nearly 155,000 new private sector jobs, the bulk of which paid wages above the averages for all industries in the region.
- Record local employment levels that produced growth in high-quality jobs indicate that Upstate has established a positive business climate and has staked out a comparatively advantageous position in the economic development marketplace.
- Upstate New York, and the entire State for that matter, is positively positioned to emerge from the current economic malaise with substantial forward momentum.

Upstate today is more fire than smoke. Improvement upon recent economic development efforts will require continued marketing of the Upstate New York business climate; attentiveness to the needs of business decision makers; and emphasis on building up from the successes achieved during the region's resurgence since 1997.

