

**The Economic and Community
Impact of Downsizing Postal
Sorting Operations in
Newburgh, New York**



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This report was prepared by the Fiscal Policy Institute at the request of the American Postal Workers Union. This analysis was prepared by Brent Kramer, PhD, senior economist, and James A. Parrott, PhD, deputy director and chief economist.

About the Fiscal Policy Institute

The Fiscal Policy Institute (FPI) is an independent, nonpartisan, nonprofit research and education organization committed to improving policies and practices that better the economic and social conditions of all New Yorkers. FPI has prepared numerous reports on leading sectors of the economy, and analyses of economic and labor market trends. FPI also regularly prepares briefings on the New York State and New York City budgets, and analyzes the economic contributions of immigrants. Founded in 1991, FPI maintains offices in New York City and Latham, New York.

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Executive Summary

As part of a drastic nationwide consolidation plan that will further increase mail delivery times, the United States Postal Service (USPS) is proposing to downsize sorting operations at the mail processing center in Newburgh, New York, and consolidate these operations into the Albany processing and distribution facility, 90 miles away. The move involves a substantial reduction in the number of middle-income paying postal jobs.

- The Postal Service estimates that the consolidation will involve first-year transition costs of \$1.4 million, after which there would be \$14.2 million in net annual savings. Almost all of the annual net savings would come from eliminating a net of 237 postal employee and managerial positions.

“Savings” for the Postal Service comes at a dear economic and individual cost for the Newburgh labor market where the current facility is located.

- The consolidation involves the loss of 351 good-paying jobs at the Newburgh mail processing center that have average pay of \$54,000 (non-managerial), one-and-one-half times the \$35,420 median annual earnings for Orange County residents.
- Including the multiplier impact of reduced business and consumer spending, a total of 536 jobs will be lost in the Newburgh region. The total labor incomes associated with these jobs amount to over \$33.5 million, more than twice the annual savings resulting from consolidation as advertised by the Postal Service.
- Displaced postal workers will face a daunting task in finding alternative employment in and around Newburgh at comparable pay and benefits. Postal consolidation further chips away at the critical base of solid middle-class jobs in the Newburgh region.
- Newburgh region businesses will lose customers and over \$4.5 million in business income as a result of eliminating the sorting operation at the Newburgh postal facility.

Despite the transfer of some postal positions from Newburgh to Albany, the net impact of the proposed consolidation will be a loss of 341 jobs and over \$16 million in labor income in New York. The USPS figures on “savings” do not account for adverse employment and economic impacts on New York or the lost tax revenues to the federal, state and local governments.

- The net loss in economic output in the state will exceed \$23 million and involve the loss of nearly \$2.3 million in business and proprietors’ income. The consolidation plan will reduce federal payroll and income taxes by \$3.7 million and will shrink state and local tax collections in New York by \$690,000.

At the end of the day, the proposed consolidation offers illusory savings. The adverse economic impact on the Newburgh area will be devastating, including the loss of 351 middle class jobs. The positive impact on the Albany area is not sufficient to prevent a substantial net negative employment, economic and fiscal loss in New York.

Introduction

As part of a far-reaching nationwide consolidation plan that will further increase mail delivery times, the United States Postal Service (USPS) is proposing to close the “Mid Hudson P&DC” mail processing center in Newburgh, New York, that currently collects and distributes mail throughout most of the Hudson Valley region between suburban New York City and metro Albany.¹

The Postal Service is proposing to consolidate those operations into the Albany, New York processing and distribution facility, 90 miles away. The Postal Service estimates that the consolidation will involve first-year transition costs of \$1.4 million, after which there would be \$14.2 million in net annual savings. Almost all (98 percent) of the annual net savings would come from eliminating a net of 237 postal employee and managerial positions.

The Fiscal Policy Institute (FPI) was asked to conduct an economic and fiscal impact analysis of the proposed consolidation. FPI used the IMPLAN regional economic input-output model (Version 3.0, with 2012 data) to conduct this analysis.² In conducting its analysis, FPI relied on the 2012 Area Mail Processing (AMP) studies prepared by the USPS. FPI also relied on other government data on local economic conditions.

¹ A recent Government Accountability office (GAO) report noted the connection between the USPS lengthening delivery time standards for some First-Class Mail and Periodicals from 1-day to 2-days and an earlier round of facility consolidations. The report noted that USPS plans for more processing consolidations to take effect in 2015 could further increase delivery times. Government Accountability Office, *Information on Recent Changes to Delivery Standards, Operations, and Performance*, GAO-14-828R, Sept. 25, 2014. Publicly released Oct. 27, 2014.

² The IMPLAN regional input-output model is one of the most widely used in the United States, and is structured to measure economic impacts on a state or county level. Originally developed for the federal government, the IMPLAN model is based on inter-industry linkages and reveals the industries supplying intermediate goods and services and the value of the intermediate or indirect demand needed in the production of the final demand for the industry studied. The input-output model also estimates the induced demand generated by the earnings of those engaged in direct or indirect production. Induced demand is based on generalized patterns of consumer expenditures. Total economic impacts include direct, indirect, and induced effects.

Examining the adverse economic impact on the Newburgh region

“Savings” for the Postal Service comes at a dear economic and individual cost for the Newburgh, New York region where the current facility is located.³

In proposing to consolidate postal operations in Albany, the Postal Service is planning to eliminate 351 postal jobs in Newburgh. See Table 1. These postal jobs average \$54,000 a year in salary (non-managerial), one-and-one-half times the \$35,420 median annual earnings for all those employed in Orange County.⁴ When health insurance and other fringe benefits are added in, labor compensation averages \$76,000 per worker for the jobs the Postal Service wants to eliminate in Newburgh. See Chart 1.

Table 1

Postal jobs lost in Newburgh

| | |
|---|------|
| Postal clerks & mail handlers | -266 |
| Postal maintenance & other jobs | -65 |
| <u>Supervisors & managerial employees</u> | -20 |
| Total direct USPS employees | -351 |
| | |
| <u>Contract mail truckers</u> | -9 |
| | |
| TOTAL direct employees | -360 |

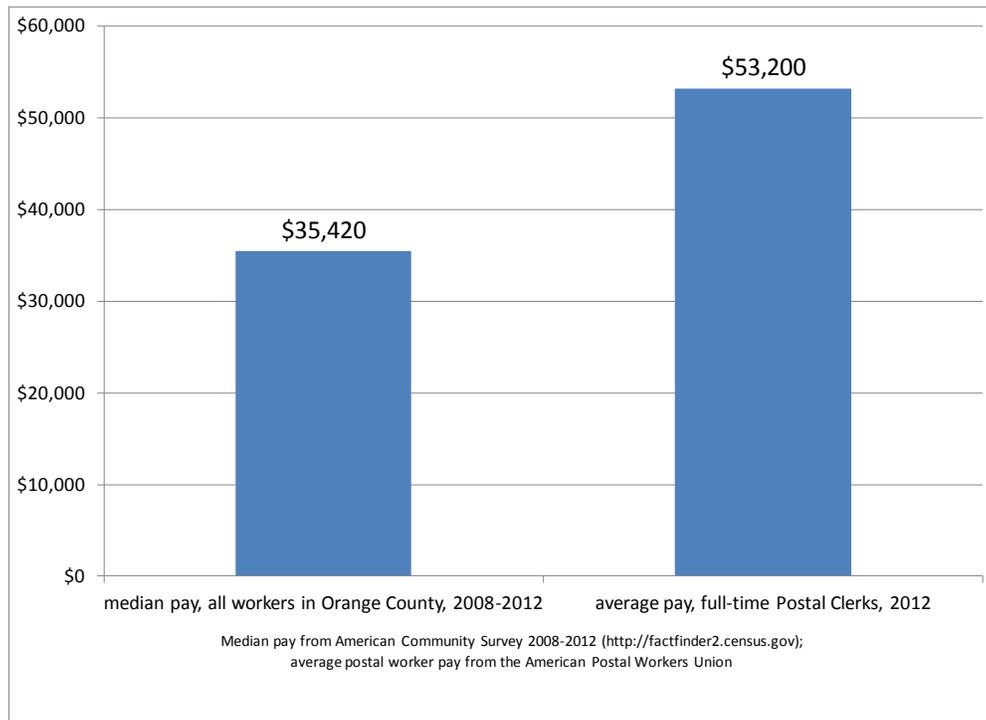
Source: Fiscal Policy Institute analysis based on USPS AMP report (projected changes in employment and mail service), February 2012. The USPS proposals specify only total gains and losses for contract trucking. We used the IMPLAN input-output models to estimate the effects of these changes in trucking volume on employment.

³ The Newburgh, NY, labor market includes Orange County and Dutchess County.

⁴ According to the American Community Survey for years 2008-2012, median annual earnings for all those employed in Orange County were \$35,420 (in 2012 constant dollars).

Chart 1

Postal wages one and one-half times the median for all Orange County workers



In addition to the loss of 351 good-paying Postal Service jobs, the consolidation will cause the Newburgh area to lose an estimated 185 other jobs in trucking and other industries that support postal operations, and in jobs that provide consumer goods and services (such as groceries, car repair services, or retail goods) to the workers employed by the Post Office or in supplier industries. The middle class earnings of a postal worker often make possible homeownership, and support for one's family.

Thus, metro Newburgh will lose an estimated total of 536 jobs with over \$33.5 million in labor income. This amount alone is more than twice the annual savings advertised by the Postal Service as a result of the proposed consolidation. See Table 2 for these impacts.

Table 2**Impact of proposed consolidation on Newburgh region,* New York**

| | |
|----------------------------|---------------|
| Direct jobs lost | -360 |
| Total jobs lost | -536 |
| Direct labor income lost | -\$27,480,285 |
| Total labor income lost | -\$33,551,222 |
| Total business income lost | -\$4,540,978 |
| Local economic loss | -\$50,499,158 |
| Local taxes lost | -\$755,724 |

*The Newburgh labor market area is Orange and Dutchess Counties

Source: Fiscal Policy Institute analysis based on USPS AMP report (projected changes in employment and mail service), February 2012. In this table, business income includes corporate profits, rents, and dividends. Proprietors' income is included with labor income. The USPS proposals specify only total gains and losses for contract trucking. We used the IMPLAN input-output models to estimate the effects of these changes in trucking volume on employment, labor income, etc.

Eliminating this much in annual labor income also will have a profoundly negative effect on regional businesses. They will lose customers and some will be forced to reduce their own employment as a result. Local businesses will lose an estimated \$50.5 million in sales, and \$4.5 million in business income, plus over \$880,000 in proprietors' earnings. Over two-fifths (\$2.3 million) of this lost income would be felt in the real estate industry, with substantial impacts also occurring in the banking, utilities, legal services, trucking, health care, wholesale businesses, restaurants, and finance. See the Appendix for detailed business impacts in the Newburgh region.

Local governments will also experience a loss of an estimated \$756,000 in property and sales taxes associated with the downsizing of postal sorting operations in Newburgh.

Examining the positive economic impact on the Albany metro area

To accommodate the additional mail processing that will be transferred from Newburgh, there will be 103 new clerks, mail handlers, and maintenance staff at Albany, plus 11 management positions. Contracts for mail trucking to and from the facility will be expanded by \$2 million per year, which suggests an increase of 14 jobs in that industry and an increase of \$800,000 in trucking employee earnings. Including the additional postal jobs and trucking jobs, there would be a \$13.8 million increase in direct labor income in the Albany metro area.⁵ The 128 direct jobs in postal operations and trucking would lead to an estimated total of 195 new jobs in the Albany region, with a total labor income gain of over \$17 million. The local economy would gain an estimated \$27.5 million a year in sales, and local governments in the Albany region would gain an estimated \$411,000 a year in local sales and property taxes.

The net economic and fiscal impacts of the consolidation

Table 3 provides the net impact of the Newburgh downsizing and the consolidation proposed for the Albany facility. Despite the transfer of some postal positions from Newburgh to Albany, the net impact of the proposed consolidation will result in a loss of 341 jobs and \$16.3 million in labor income in New York overall. Altogether, the net total loss of output to the state economy would be over \$23 million. This would be associated with a net decline in state and local taxes of \$690,000 and the loss of \$3.7 million in federal individual income and payroll taxes.

Conclusion

The USPS figures on “savings” do not account for adverse employment and economic impacts on New York or the lost tax revenues to the federal, or state and local governments. Looking from the point of view of the New York economy, the Postal Service’s projected \$14.2 million a

⁵ The Albany metropolitan area is Albany, Rensselaer, Saratoga, Schenectady, and Schoharie Counties.

Table 3
Net economic and fiscal impact of the proposed New York consolidation

| | Newburgh losing sorting | Consolidation in Albany | Net economic and fiscal impacts |
|----------------------------------|----------------------------|----------------------------|------------------------------------|
| Direct jobs | -360 | 128 | -232 |
| Total jobs | -536 | 195 | -341 |
| Direct labor income | -\$27,480,285 | \$13,808,335 | -\$13,671,950 |
| Total labor income | -\$33,551,222 | \$17,256,881 | -\$16,294,341 |
| Total business income | -\$4,540,978 | \$2,465,671 | -\$2,075,307 |
| Local economic output | -\$50,499,158 | \$27,476,334 | -\$23,022,825 |
| Local taxes | -\$755,724 | \$410,955 | -\$344,768 |
| State taxes | | | -\$345,196 |
| Federal payroll and income taxes | | | -\$3,715,110 |

Source: Fiscal Policy Institute analysis based on USPS AMP report (projected changes in employment and mail service), February 2012. Business income includes rents, dividends, and corporate profits. Proprietors' income is included with labor income. The USPS proposals specify only total gains and losses for contract trucking. We used the IMPLAN input-output models to estimate the effects of these changes in trucking volume on employment, labor income, etc.

year in cost savings comes at the expense of an estimated \$23 million a year in lost economic activity. The state would lose a net of 237 good-paying postal jobs and a total of 341 jobs overall. The proposed consolidation involves a net loss of \$16.3 million in labor income and \$2 million in business income. In addition, there would also be a net loss in local and state taxes of \$690,000, and \$3.7 million in lost federal income and payroll taxes.

More important, however, than the net impact overall is the fact that the Newburgh region would lose 351 solid middle-class jobs providing decent health, retirement and other fringe benefits. In today's tough economic environment, such jobs are virtually impossible to replace. While the Albany region will gain some offsetting jobs, and some of the displaced postal workers will be reassigned locally, there will still be a net decline of 341 jobs statewide. However, the Newburgh region alone will lose an estimated total of 536 jobs, \$33.6 million in total labor income, \$4.5 million in business income, and over \$50 million in total economic activity, along with \$755,000 in lost local sales and property taxes.

Appendix Table

The top industries in the Newburgh region losing total business income*

| | |
|--|---------------------|
| Real estate | -\$2,362,341 |
| Banking | -\$847,176 |
| Utilities | -\$368,433 |
| Legal services | -\$150,291 |
| Transport by truck | -\$173,844 |
| Health care | -\$210,830 |
| Wholesale trade businesses | -\$128,166 |
| Restaurants | -\$122,732 |
| Finance | -\$110,398 |
| Losses in these nine industries | -\$4,474,212 |
| All other industries | -\$949,364 |
| Total business losses | -\$5,423,576 |

*In this table, “business income” includes proprietors’ income, as well as corporate profits, rents, and dividends.

Source: Fiscal Policy Institute analysis using IMPLAN.