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Made by New Yorkers



A Plan for a Working New York

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Introduction:

The Independent Democratic Conference is committed to working with businesses to build strong and sustainable communities throughout the state by spurring business activity within New York. The Made by New Yorkers program is a group of policy proposals that will stimulate the New York economy. The program will accomplish this by incentivizing manufacturing businesses to stay where they are, channel public grant money into growing businesses, expand on an already successful apprenticeship program and encourage the continued growth in the institutional knowledge base for our New York State manufacturing businesses that the Made by New Yorkers program would create.

New York's need for serious investment into its communities remains pressing as ever, and the IDC is calling for the pickup of the entire Made by New Yorkers program in order to grow business in New York, develop the manufacturing industry, and highlight products made in New York.

The IDC's Made by New Yorkers program would:

- *Expand and improve the current manufacturer's property tax rebate to better suit the existing manufacturing businesses while also attracting new businesses from outside the state.*
- *Create a grant system specifically for small- to medium-sized businesses wanting to grow and expand.*
- *Work to create a new job growth atmosphere by expanding the current NYSMIAP program while also continuing and growing the state manufacturing knowledge base.*
- *Lay out a plan to encourage both business-to-business as well as business-to-consumer growth by branding New York made products as well as American made products.*
- *The IDC supports proposals to "Buy American" and any policies that gives the State or localities the ability to purchase American-made products.*

Why the Made by New Yorkers program is needed:

According to the Bureau of Labor Statistics, the seasonally adjusted unemployment rate in New York State was 5.2% as of November 2016; the latest available figure¹ without adjustment was 4.7% according to the New York State Department of Labor (NYSDOL).² While this rate is significantly down from the unemployment we saw during the recession, it is not uniform among different parts of the state or among different populations. For example, while the headline unemployment rate for the state now lies at 5.1%, there are several counties with much higher unemployment rates as of November 2016:

¹Data available from BLS at: <http://www.bls.gov/eag/eag.ny.htm>

² Data available at: <http://www.labor.ny.gov/stats/pressreleases/prtbur.pdf>

*Top Highest County Unemployment Rates:*³

Country	Unemployment Rate
Hamilton	8.4%
Bronx	7.1%
Jefferson	6.3%
Lewis	6.2%
Oswego	6.0%

As this chart shows, Hamilton County faces an 8.4% unemployment rate, while four other counties have rates between 7.1% and 6.0%, more than, or close to, two full percentage points above the statewide average. According to NYSDOL, improvement in private sector jobs has not been uniform statewide either:⁴

*Percentage Change in Private Sector Jobs, by Area, From November 2015 to November 2016
(not seasonally adjusted)*

Area	Change in Private Sector Jobs:	
	Net	%
United States	+2,046,000	+1.7%
New York State	+100,900	+1.3%
New York City	+61,700	+1.6%
Orange-Rockland-Westchester	+1,900	+0.3%
Nassau-Suffolk	+14,300	+1.3%
Utica-Rome	-900	-0.9%
Buffalo-Niagara Falls	+3,700	+0.8%
Syracuse	-500	-0.2%
Rochester	+2,900	+0.6%
Albany-Schenectady-Troy	+800	+0.2%
Glens Falls	+600	+1.4%
Kingston	+1,100	+2.3%
Elmira	+100	+0.3%
Watertown-Fort Drum	+100	+0.3%
Non-metro Counties	+2,700	+0.7%
Ithaca	+2,500	+4.0%
Binghamton	-1,100	-1.3%
Dutchess-Putnam	+1,500	+1.2%

³NYS Department of Labor, "Rate of Unemployment by County of Residence, New York State, November 2016. Available at: http://www.labor.ny.gov/stats/PressReleases/county_rates.pdf

⁴ Data available at: <http://www.labor.ny.gov/stats/pressreleases/pruistat.pdf>

As this chart illustrates, private sector job gains have been centered around New York City and the suburban counties close to it, while several areas upstate have seen continuous declines in the number of private sector jobs. This shows us that low unemployment rates often hide the fact that in some places, a decline in jobs is hidden in the unemployment rate by an even steeper decline in the number of people looking for jobs in the same area. After all, at the time that Binghamton and Putnam were losing nearly 1,000 private sector jobs, the local unemployment rate dropped from 5.3% in November 2015 to 5.0% in November 2016.⁵

Unemployment numbers among young adults also remain perniciously high, a situation that is only exacerbated among minority populations. Analyzing data from the Bureau of Labor Statistics, unemployment rates among young people ages 18-19 are more than two times higher than the national average, while for 20-24 year olds the unemployment rate is more than three percentage points higher than that of the general population.⁶ Because of this trend, college-educated young adults are forced to take positions that do not utilize or require their skill sets and education. This tendency to accept underemployment among the higher-educated portions of the population then forces those with lower levels of education out of the workforce.

A study by Demos, a New York-based public policy think tank, found that “unemployment and underemployment at the start of a working life provoke consequences that last a lifetime: lower wage growth, the inability to invest in future security and diminished earnings that persist for decades. We can already observe the changes in rates of marriage, home ownership and parenthood.”⁷ The greatest burdens of this unemployment fall disproportionately on minorities. Unemployment among young African-Americans aged 16-19 is 24.8%, for Hispanics of that age group it is 17.3%, whereas 12.9% of white youths are unemployed.⁸

New York’s young people face a higher unemployment rate than most based on the latest available data by state from the Bureau of Labor Statistics⁹; New York has the dubious distinction of having a higher unemployment rate for its young people than all of its neighboring states. Our unemployment rate for young people is also higher than Florida’s, which is the state closest to ours in population.

State	Unemployment Rate, Ages 16-19	Unemployment Rate, Ages 20-24
New York	21.5	11.9
New Jersey	18	9.8
Pennsylvania	10.4	10
Massachusetts	18.5	7.3
Vermont	12.2	7.8
Connecticut	18.6	7
West Virginia (Nat'l high)	26	15.3

⁵ Data available at: <http://www.labor.ny.gov/stats/pressreleases/prtbur.pdf>

⁶ Data available at: <http://www.bls.gov/web/empsit/cpseea10.htm>

⁷ Reutschlin, Catherine, and Tamara Draut, *Stuck: Young America’s Persistent Job Crisis*, Demos, April 2013.

⁸ Data available at: http://www.bls.gov/web/empsit/cpsee_e16.htm

⁹ Data available at: <http://www.bls.gov/lau/ptable14full2015.pdf>

North Dakota (Nat'l low)	6.8	3.6
Florida (Comparable population to NY)	15.2	9.6

These numbers do not include individuals who have given up on the job market and either resigned themselves to remaining unemployed or went back to school. The national employment-to-population ratio takes that into account:

Age	November 2016
25-54	78.2% ¹⁰
20-24	64.8% ¹¹
16-19	29.9% ¹²

The long-term unemployed also face obstacles. Federally, the long-term unemployed (those jobless for 27 weeks or more) made up nearly 1.8 million people, or 24.8% of the unemployed population as of November 2016.¹³ The longer an individual is unemployed, the longer it takes them to find new work. In 2014, 35% of those individuals unemployed under five weeks had found work the following month, but only 11% of those unemployed for a year or more were able to find work the following month.¹⁴

On leading industries suffering with the unemployment rates are manufacturing industries. The continued job loss from this sector has become a major reoccurring issue. Very few, if any, regions in New York have seen job growth in this sector.

UPSTATE REGIONAL STATISTICS NOVEMBER 2015-NOVEMBER 2016

- Capital Region: -400 manufacturing jobs
- Central New York: -400 manufacturing jobs
- Finger Lakes: -1,100 manufacturing jobs
- Hudson Valley: -1,100 manufacturing jobs
- North Country: -400 manufacturing jobs
- Southern Tier: -900 manufacturing jobs
- Western New York: -1,000 manufacturing jobs

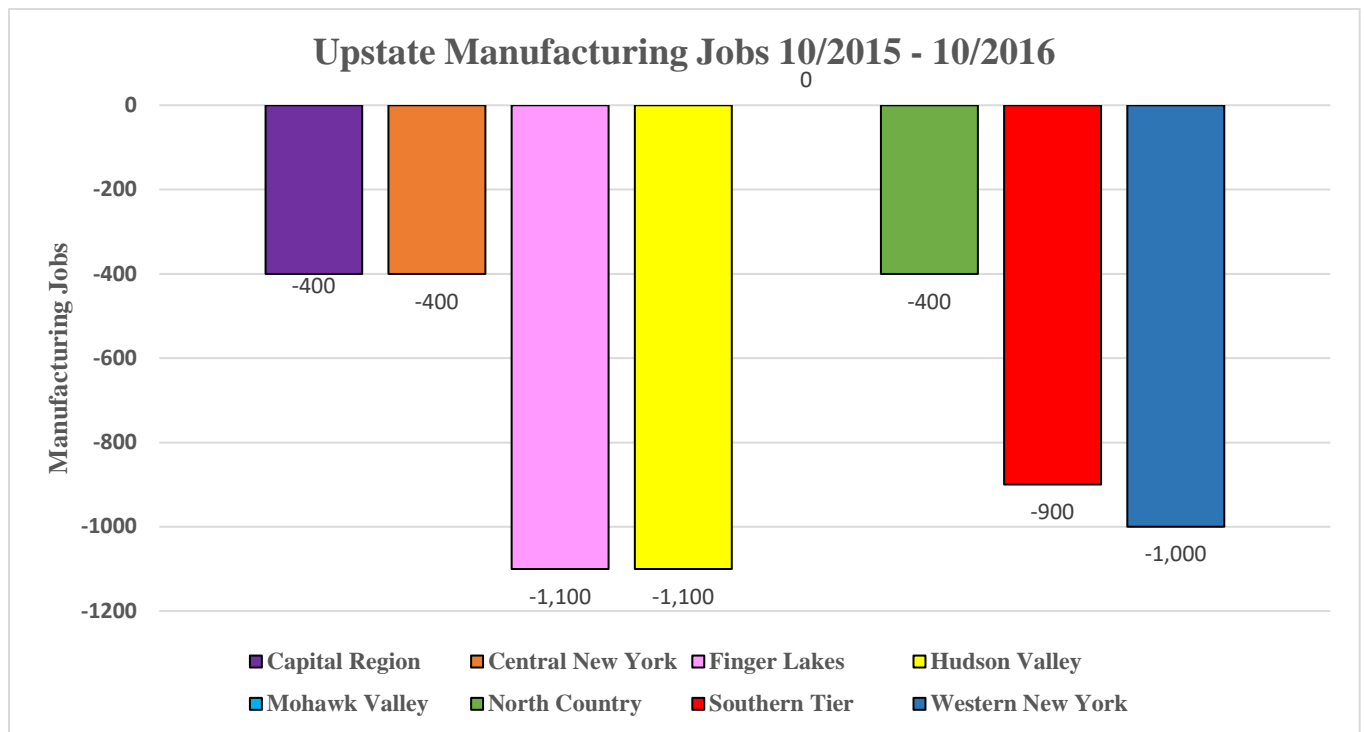
¹⁰ Data available at: <https://data.bls.gov/timeseries/LNS12300060>

¹¹ Data available at: <https://data.bls.gov/timeseries/LNS12300036>

¹² Data available at: <https://fred.stlouisfed.org/series/LNS12300012>

¹³ Data available at: <http://www.bls.gov/news.release/empsit.t12.htm>

¹⁴ Data available at: <http://www.bls.gov/spotlight/2015/long-term-unemployment/>



All these figures highlight the fact that while the economic conditions of today are not as bad as they were during the heights of the recession seven to eight years ago, the recovery has been inconsistent, and certain populations here in New York still face significant issues when it comes to being able to find full time employment.

Unburden New York

In the manufacturing industry and in business in general, many expenses need to be covered to keep the doors open and people employed. One of the largest expenses, one that a business owner has no real control over, is their property taxes. Currently in New York State, a manufacturing business has a 20% manufacturer's property tax rebate. This a great tool for encouraging existing New York manufacturing business to stay here as well as add an incentive for businesses outside the state to move here, but it still does not go far enough. We propose that the current rate of 20%, that the Division of Budget estimates costs the state about \$36 million annually, be raised to a 100% rebate. This change is estimated to cost the state at least \$200 million annually.

While this is a large initial cut in revenue for the state, in the long run increasing the rebate will provide a greater incentive for manufacturing firms to stay in the state as well as be a continuous invitation for current manufacturing business outside of the state to move here. In turn, these new business will be creating new jobs, added wages for New York residents, added revenue back in

¹⁵ New York State Department of Labor. "Labor Statistics." NYS Department of Labor, 2016.
<https://www.labor.ny.gov/stats/regmap.shtm>.

to the state economy, and an overall increase in quality of life for the communities where manufacturing businesses may choose to relocate in or choose to stay and grow in.

Growing New Ideas in New York

Bringing a new product to market is a difficult and expensive process. When a business comes up with the idea of a new product or service there are many challenges they will face in the journey between coming up with the idea, proving that the idea is a good one and then actually finding a way to turn their idea into a reality. The “Made by New Yorkers” grant program would address this issue by acting as support to businesses that are in the “in-between stages” of development who are having difficulty in taking the next steps in bringing their new idea to market.

The Made by New Yorkers grant program is meant to support the growth of new and existing small- to medium-sized businesses in New York who wish to expand and grow their ideas. This grant program would specifically focus on the growth of a business by assisting them in the difficult process of introducing a new or existing product to a wider market. Preferably, the business looking to apply for the grants would fall between the proof of concept stage and the stage in which a business begins to seek funding from venture capitalist to start-up their new product or service.

This phase is specifically difficult because once a business looks to receive funding from venture capitalist they have to be at the point where can exchange equity for funding. This can be a very burdensome stage for small- to medium-sized businesses because either they do not have enough of a business or product to begin selling ownership rights in exchange for funds or they are forced to trade a huge portion of the business in order to receive the adequate funds needed for development and expansion. At this point, small to medium sized businesses have to choose between selling what little rights they have to retain funds needed to grow or they decide not to take a risk and halt their expansion efforts. This grant program would help fill that challenging in-between stage by helping businesses here in New York grow and expand on their own before seeking outside investments that have strings attached.

When applying for the grant, there will be some criteria that will be looked at, such as the applying businesses’ industry, stage of development, size, location, as well as whether they have had success in finding funding for their expansion projects previously through other public or private grants. Preference would also be given to businesses that would use New York based goods or services in their expansion efforts. The grant size would be between \$50,000 and \$150,000 per business, dependent on their needs. The grant would also be available for funding capital expenses, operational expenses, or both. The goal of the grant program would be to distribute grants equally between upstate and downstate based businesses.

New York is a state known for emerging businesses, which is why the state needs to support the growth of ideas that come from either new or existing New York businesses since in the end it only helps bolster the brand that is “Made by New Yorkers.”

Experience of New York

The basis of the third main section of this program is providing new, and continuing past, educational and knowledge sharing opportunities. To encompass both the old and the new, the introduction of the new Knowledge Exchange Program must happen.

The creation of the New York State Knowledge Exchange Program would be used to continue to provide New York businesses with relevant information by providing access to experts in their relevant fields. The IDC believes the creation of a New York state Knowledge Exchange Program under the purview of the Empire State Development Corporation would help provide New York State businesses with connections to experts in various fields to assist such businesses in their growth and success, will provide for job retention and expansion within the state. The program would be set up to allow businesses to connect with experts in areas such as, but not limited to, business support, technical assistance, business planning and management, legal and financial advising. Contact would be made available for interested businesses through a hotline and online application process via the Empire State Development's website.

Empire State Development, in conjunction with the commissioner of economic development, will identify a list of potential partners in New York State that have appropriate resources to facilitate such a program and are willing to participate on a volunteer basis. Lastly, to ensure maximum awareness of the exchange program, Empire State Development would establish and implement a plan to disseminate information and materials to businesses. In addition, such plan shall promote businesses located in New York State and encourage businesses to remain in state.

“Made by New Yorkers” label program

The creation of the “Made by New Yorkers” label program will be created to combat the loss to the manufacturing industry. The creation of the “Made by New Yorkers” label program would share some similarities with the “Taste of New York” program but it would be applied to a much wider set of products, including cultural products such as film and TV productions. The aim of this program is to create a single comprehensive branding strategy for all things made in New York.

The “Made by New Yorkers” program would be a public and private collaboration within the Empire State Development Corporation. The purposes of the program would be to continue to encourage consumer product awareness and to foster purchase of high-quality products made in this state. To be considered “Made by New Yorkers,” at least 51% of a final product's wholesale value would need to be produced by an individual or a corporation whose majority of corporate operations and staff are located in the state and the finished product must also comply with the Federal Trade Commission's “Made in USA” standard.

The Empire State Development Corporation would be authorized to issue and make effective a marketing agreement that would include the issuance of a “Made by New Yorkers” label. Businesses would participate in this program on a volunteer process only; however, if they chose to participate in the program they would be required to register with the office for use of the actual “Made by New Yorkers” label.

The initial funding of the program would require an initial investment of \$550,000 to cover the initial set up of the marketing, basic programming and other expenses such as staffing. In addition to the overall design of the program, there would be an actual certification process. This would be done in house by the state in order to regulate the authenticity of the program and the effectiveness towards reaching the overall goal of the program. An annual fee paid by the businesses to participate in this program would cover the majority of the cost of the program.

Establish the Made in America Ratings System (MARS)

To truly show the importance of supporting our manufacturing businesses here in New York, as well as here in the United States, an additional branding mechanism would be created. The Made in America Rating System (MARS) will help keep manufacturing businesses, jobs, and knowledge here in New York. Combined, the MARS programs and the “Made by NY” labeling program would continue to push the importance of supporting our local New York State businesses.

Across the state, the loss of manufacturing jobs in New York has continued to be a problem. To help combat this, the MARS program would be created by Senator Savino’s bill, S.3332. Through the MARS program, the state can continue to focus on New York products and jobs while also combating foreign competition. This program would specifically be for iron, steel and manufactured products used in state contracts. Upon establishment of this rating system, the company whose product achieves the highest rating on the MARS scale would be awarded the contract, provided the product does not increase the cost of the project by more than 20% and so long as the product meets the required safety and manufacturing standards set by the state.

New York State saw a 5% reduction of manufacturing jobs from 2009 to 2014, compared to the 3% growth seen in the rest of the United States during the same time period.¹⁶ Even with that reduction, New York on average still spends about \$25 million per year on steel and iron parts,¹⁷ of which only \$14.3 million comes from a company located within the state. The MARS program would give preference to the companies losing these manufacturing jobs by giving preference in the award of governmental contracts to companies that use manufactured goods containing materials from New York State and assembled by workers in New York.

It is important to bring the MARS program to New York for two specific reasons. First, it will stimulate the manufacturing industry in New York, thus creating more well-paying jobs in New York. Manufacturing jobs provide a better living wage than other job industries that do not require higher education. For instance, the average wage for a manufacturing worker in New York in 2014 was \$53,000. This is significantly higher than the average wage of a retail worker (\$36,000) or food service worker (\$24,500).

The second reason this program is important is it will help bring manufacturing jobs back to the United States. Our nation’s steel and iron industry has been on a decline as “an unprecedented

¹⁶ DiNapoli, Thomas P. *New York State Employment Trends*. New York State Comptroller, August 2015.
https://www.osc.state.ny.us/reports/economic/employment_trends_nys_2015.pdf.

¹⁷ http://osc.state.ny.us/contracts/reports/2015/psa_1.pdf#search=%20state%20contracts

surge in unfairly traded imports, with record amounts of foreign-produced steel” has been flooding the United States.¹⁸ Aside from using cheaper international parts, many foreign companies do not adhere to the same or any of the environmental standards required of American and New York manufacturers, and this alone puts domestic businesses and workers at an extreme disadvantage.¹⁹ For example, the “addiction to cheap foreign labor” has become so extreme that the MTA planned to use Chinese steel in a massive project to replace the deck on the Verrazano-Narrows Bridge, even though China is known to produce inferior and often dangerous products.²⁰ According to the 2014 U.S. Census, the U.S. has seen a 28,838,898 metric ton deficit in steel trade balance.²¹ Subsequently, in 2015 almost one in three tons of steel sold in the U.S. was produced outside the country.²² As previously mentioned, a major cause of this phenomenon has been a global steel industry overcapacity, especially in China. The Organization for Economic Cooperation and Development (OECD) estimates that there is almost 700 million metric tons of excess steel capacity globally today, with almost half of that coming from China.²³

If New York would have already put this program in place, it could have potentially saved the 10% of manufacturing jobs that were lost between the Southern Tier, Finger Lakes, and Western New York regions since 2014. This loss represents up to a possible \$18.5 million in lost wages to New York State workers.

Expand the New York State Manufacturers Intermediary Apprenticeship Program (NYSMIAP)

The New York State Manufacturers Intermediary Apprenticeship Program (NYSMIAP) would be a public-private partnership between employers and New York State that would give small and medium manufacturing firms in the state an opportunity to create registered apprenticeship programs without having to deal with many of the administrative burdens that make this an often expensive and difficult task. According to the Manufacturers Association, in 2013 approximately 115,000 people were employed in advanced manufacturing industries, which accounted for an average of one in four manufacturing jobs in the state. Three manufacturing industries - electronic instruments, semiconductor and electronic components, and pharmaceuticals and medicines - accounted for 50% of total employment in these industries, based on data from the Quarterly Census of Employment and Wages.²⁴ The average age of a high-skilled worker in manufacturing is 56, and replacing them before they retire is critical to retaining the needed skills sets in the workforce.

¹⁸ <http://www.cnn.com/2016/03/23/opinions/american-steel-industry-gibson-schmitt/>

¹⁹ <http://nysaflcio.org/support-infrastructure-spending-needs-to-create-jobs-include-buy-american-in-the-budget/>

²⁰ <https://tmcap.wordpress.com/make-it-iin-the-usa/>

²¹ https://www.steel.org/~media/Files/AISI/Public%20Policy/Testimony/AISI%20Pre-Hearing%20Statement%20on%20Economic%20Impact%20of%20Trade%20Agreements%20110415%20_%20Final.pdf

²² <http://www.cnn.com/2016/03/23/opinions/american-steel-industry-gibson-schmitt/>

²³ <http://www.steel.org/~media/Files/AISI/Reports/2016-AISI-Profile.pdf>

²⁴ Database can be accessed here: <http://www.bls.gov/cew/data.htm>

The majority of New York's manufacturing workforce is employed by small- and medium-sized businesses. These manufacturers often do not have the personnel or the resources to adequately train new workers. This proposal would target primarily entry-level incumbent workers to advance them into more skilled positions within the company. The program also simplifies the processes a business must go through to initiate such training.

Currently, any business wanting to set up a registered apprenticeship program here in New York has to apply directly with the New York State Department of Labor (NYSDOL) as the program sponsor. These apprenticeship programs also have a number of requirements that must be met.



To construct an apprenticeship, a series of competencies, or tasks to perform, must be decided upon. First, the employer must design on-the-job training (OJT), which consists of a “master,” or “journey-level,” craft person capable and willing to share their experience with a “novice,” or “apprentice,” in a hands-on manner. The second step is designing related instruction (RI), which consists of learning more theoretical or knowledge-based aspects of a craft. Usually this is done in a classroom or another setting removed from the actual workplace. An

employer must therefore not only design the OJT portion but also design a classroom program and negotiate with training providers. In addition to those steps, the position must also have a job description and a schedule of wage progressions. All of this administrative work costs a business time and resources, and the costs can greatly weigh on small and medium firms.

The core of the NYSMIAP proposal is to allow a single entity, in this case the Manufacturers Association, to act as a single program sponsor for a registered apprenticeship program that many small and medium firms could then participate in. The administrative work needed to design the OJT and RI components of an apprenticeship, along with establishing the requisite job descriptions and wage progressions, would be done by the sole program sponsor. The Manufacturers Association estimates that the direct costs to each business that would utilize one of these registered programs would be cut in half. In addition, NYSDOL would also realize savings as they would no longer be dealing with a number of different businesses, each with different levels of experience in this process, but instead would deal with a single sponsor with better knowledge of the process and what tasks need to be completed.²⁵

An Employer Educator Council, made up of industry experts, would be tasked with designing the particular competencies to be performed, based on an assessment of the particular skills that are most needed by manufacturers. In creating these apprenticeships, industries will be able to leverage the work that has already been done thanks to the Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant Program. This program, created in 2010 by the federal government, provided community colleges and other eligible institutions of higher education with funds to expand and improve their ability to deliver education and career training programs that prepare program participants for employment in high-wage, high-skill

²⁵ Picture credit: Alfred Sosa, *Christian Science Monitor*, Getty Images.

occupations. SUNY used TAACCCT funding to establish several certificate programs at its community colleges in a number of high tech fields such as advanced manufacturing, plastics, computer numerical control/precision machining, optics fabrication, semiconductor technology, welding, photovoltaics and mechatronics. With the establishment of these new apprenticeship programs under NYSMIAP, the Manufacturers Association would be able to utilize these existing curricula to fulfill the RI requirements for registered apprenticeships.

These apprenticeship programs would last between three and five years. The Employer Educator Council would work to ensure that the program would align its effort with the state's existing workforce efforts. The program would also work with Empire State Development, the Regional Economic Development Councils, the State Workforce Investment Board and local Workforce Investment Boards, the New York Association of Training & Employment Professionals (NYATEP), the Workforce Development Institute (WDI), the Business Council of New York State and other groups to further expand registered apprentice programs in New York State.

NYSMIAP would empower the Manufacturers Association to become the single sponsor of registered apprenticeship programs and handle the administrative requirements that exist in order to register apprenticeships with the Department of Labor.

The IDC secured \$500,000 for the establishment of a pilot program in the Central New York Region and is now advocating the continuation and expansion of this program. We ask for \$1.25 million in the coming budget year to keep the Central New York program operational and to create new programs in the Hudson Valley, Finger Lakes, and Capital Regions.

Summary:

New York needs to invest in enhancing both its human and business infrastructure. The IDC believes the best way to do this is by giving New York the Made by New Yorkers program. By focusing on job creation through investment in our human capital and business infrastructure, we can maximize the long-term benefits to the people of New York. While the unemployment situation today is nowhere near as dire as during the worst periods of the recent recession, the pain and damage wrought by unemployment is just as real right now. As the figures provided show, while the headline unemployment rate is low, some populations, particularly youths, face disastrous unemployment rates. Many workers can face months of unemployment, and each month that they fail to find a new job makes the chances that they will find one the following months even lower. These pernicious conditions do great damage, and the state should focus its attention in ending these conditions.

We have shown that public investments in our statewide and local infrastructure can create thousands of jobs. The IDC wants to do this in a manner that gives New Yorkers long term assets they can use throughout the state and in their own communities and that by working together, the public and private sector can create innovative partnerships that will help train and grow our future workforce.