



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

110 WILLIAM STREET, 14TH FLOOR
NEW YORK, NEW YORK 10038
(212) 442-0632 • FAX (212) 442-0350 • EMAIL: iboenews@ibo.nyc.ny.us
<http://www.ibo.nyc.ny.us>

Testimony of Sean Campion
Budget and Policy Analyst, New York City Independent Budget Office
To the New York City Council Committees on
Small Business and Economic Development
On a Resolution Calling Upon the Mayor to Restore the Mayor's Office of Industrial and
Manufacturing Business

June 19, 2014

Good afternoon Chairs Cornegy and Garodnick and members of the committees. My name is Sean Campion. I am a budget and policy analyst for economic development and small business services at the Independent Budget Office. Thank you for inviting us to testify on the resolution calling on the Mayor to restore the Mayor's Office of Industrial and Manufacturing Business.

This morning, IBO released a pair of chartbooks on the industrial sector completed at the request of Council Member Brad Lander. The [first chartbook](#) focuses on public support for the sector over the past 11 years. It looks at capital spending on real estate and infrastructure, changing priorities in the expense budget, the cost of incentives and tax breaks, and the use of city-owned land. The [second](#) profiles the city's industrial workforce. In it, we break down the broad industrial economy into its primary subsectors and look at the demographic characteristics of the city's industrial workforce. I encourage you to visit our website to review the work in greater detail.

Today, I would like to focus on two topics raised by the resolution: how the city has supported the Mayor's Office of Industrial and Manufacturing Business (MOIMB) and similar organizations in the past, and how our research on the industrial workforce might help shape the city's economic and workforce development policies in the future.

Beginning in 2003, the Bloomberg Administration funded a variety of industrial initiatives, though many of them were either short-lived or subject to the same annual budget pressures that have affected the contracts with Industrial Business Zone service providers in more recent years.

In the city's 2005 report on industrial policy, *Protecting and Growing New York City's Industrial Job Base*, the Bloomberg Administration announced the creation of the Mayor's industrial business office in order to coordinate implementation of the report's policy recommendations. Prior to 2009, funding for most of the office's core operations were not itemized in the city budget, which makes it difficult for us to identify how it was staffed and funded. But beginning in 2009, the Bloomberg Administration broke out the funding for the industrial business office when it created a new budget code for the office in the Department of Small Business Services' expense budget. Funding for the office within the business services budget totaled slightly more than \$1 million over the next three years, about one-third of which was funded by the City Council. The remainder was funded by a combination of city and federal funds.

Aside from the MOIMB, the Department of Small Business Services also funds a variety of contracts and smaller projects targeting the industrial sector, including funds for the relocation of businesses displaced by the rezoning of Greenpoint and Williamsburg, sectoral initiatives at the Workforce 1 Career Centers, and contracts with the Industrial Business Service Providers.

Discrete city funding for the MOIMB ended in 2011. In the years since then, many of the office's functions were transferred to the Economic Development Corporation's Center for Economic Transformation. Our report highlights a number of industrial initiatives that EDC has led in recent years. Since EDC is a nonprofit organization that operates under a contract with the city rather than as a city agency, it is not part of the city's expense budget. However, it is clear

that over the last few years, most of the city's programmatic support for the industrial sector has moved off-budget to EDC, which reduced transparency regarding city initiatives and spending on the industrial sector.

EDC also manages a significant portion of the city's capital program, including most of the projects that benefit the industrial sector. Over the past decade, the city has committed more than \$800 million (in 2013 dollars) for projects ranging from the modernization of the Brooklyn Army Terminal to the relocation of the Fulton Fish Market from lower Manhattan to Hunts Point. The current capital plan also includes more than \$500 million for future work on industrial projects. With the exception of projects in the Brooklyn Navy Yard, where capital work is managed by the Brooklyn Navy Yard Development Corporation, EDC has overseen nearly all of this capital work.

The resolution you are considering calls for new programs to support industrial businesses and singles them out as a source of middle-class jobs for New Yorkers. I would like to briefly summarize our research on New York City's industrial workforce and discuss how it could help to inform the city's industrial policy.

The Census Bureau's American Community Survey provides us with data on individuals who work in New York City, including their industry, educational attainment, and hours and weeks worked. While this is survey data, and care must be taken to avoid parsing it into so many groups that the results lose reliability, it is one of the main sources of data on education and employment of city workers. We used it to compare educational attainment and wages of workers in the industrial subsectors with workers in the nonindustrial subsectors.

Our research finds that industrial businesses, on the whole, are an important source of jobs for workers without a college degree and as a whole, offer a higher average wage than nonindustrial jobs. However, the sectors that the city currently defines as industrial—construction, manufacturing, transportation, and wholesale trade—include a diverse range of jobs. When aggregate wage data is presented to compare the industrial sector to other sectors like retail or food service, most of the industrial sector's wage premium is driven by construction, which offers a large number of high-paying jobs to workers without a college degree. The average wages for workers without a college degree in the other industrial subsectors—such as food manufacturing, apparel manufacturing, wholesale trade and trucking—are comparable to the average wages for workers in nonindustrial sectors.

The city also frequently encourages nonindustrial sectors like biotech and broadcasting to locate in city-owned industrial areas. These sectors offer good-paying jobs, but they also employ a much smaller share of workers without a college degree relative to traditional industrial firms. This suggests that advanced training is necessary to unlock job opportunities in many of these fields.

Combining American Community Survey data with other datasets on occupational wages, employment, and educational attainment, we also created workforce profiles of the city's largest industrial subsectors. These profiles include information on the share of jobs held by city residents, the educational and ethnic breakdown of workers, wages by educational attainment, and average wages and training levels of the most common occupations in each subsector.

The data yield a number of insights. We found, for example, that food manufacturing employs Hispanics at nearly twice the rate of the private sector as a whole, and that it is among the industrial subsectors most likely to employ New York City residents. We hope that these profiles will be useful to the Council and others when evaluating business development and workforce training programs.

Thank you for the opportunity to testify today, and I look forward to answering any questions you may have.