

**The Economic and Community
Impact of Downsizing Postal
Sorting Operations in New
Orleans**



A Fiscal Policy Institute Report
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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 from the mail processing center in New Orleans, and consolidate these operations in Baton Rouge, 75 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 \$1.16 million, after which there would be \$16.6 million in net annual savings. Most (83 percent) of the savings would come from eliminating a net of 258 postal employee and managerial positions.

“Savings” for the Postal Service comes at a dear economic and individual cost for the metropolitan New Orleans region where the current facility is located.

- The consolidation involves the loss of 569 good-paying jobs at the New Orleans mail processing and distribution center that have average pay of \$54,000 (non-managerial), twice the \$26,650 median annual earnings for Orleans Parish residents.
- Including the multiplier impact of reduced business and consumer spending, a total of 1,079 jobs will be lost in metro New Orleans. The total labor incomes associated with these jobs amount to over \$60 million, more than three times the annual savings advertised by the Postal Service as a result of the proposed consolidation.
- Displaced postal workers will face a daunting task in finding alternative employment in and around New Orleans at comparable pay and benefits. Postal consolidation further chips away at the critical base of solid middle-class jobs in the New Orleans region.
- Metro New Orleans businesses will lose customers and \$8.2 million dollars in business income as a result of eliminating the New Orleans sorting operation.

Despite the transfer of some postal positions from New Orleans to Baton Rouge, the net impact of the proposed consolidation will result in a loss of 415 jobs and \$17.8 million in labor income in Louisiana overall. The USPS figures on “savings” do not account for adverse employment and economic impacts or the lost tax revenues to the federal, state and local governments.

- The net loss in economic output in the state will exceed \$28 million and involve the loss of \$4.6 million in business and proprietors’ income.
- The New Orleans-Baton Rouge consolidation plan will reduce federal payroll and income taxes by \$4 million and cost Louisiana over \$560,000 in state and local taxes.

At the end of the day, the proposed consolidation offers illusory savings. The adverse economic impact on the New Orleans area will be devastating, including the loss of over 560 middle class postal jobs. The positive impact on the Baton Rouge area is not sufficient to prevent a substantial net negative employment, economic and fiscal loss in Louisiana.

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 “New Orleans LA P&DC” mail processing center in New Orleans that currently collects and distributes mail throughout the whole Lake Pontchartrain region.¹

The Postal Service is proposing to consolidate those operations into the Baton Rouge processing and distribution facility, 75 miles away. The Postal Service estimates that the consolidation will involve first-year transition costs of \$1.16 million, after which there would be \$16.6 million in net annual savings. Eighty-three percent of the annual net savings would come from eliminating a net of 258 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 both the 2012 Area Mail Processing (AMP) studies prepared by the USPS. FPI also relied on other government data on local economic conditions.

Examining the adverse economic impact on the New Orleans region

“Savings” for the Postal Service comes at a dear economic and individual cost for the metropolitan New Orleans community where the current facility is located.³

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.

³ Metropolitan New Orleans includes Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, & St. John the Baptist Parishes.

In proposing to consolidate postal operations in Baton Rouge, the Postal Service is planning to eliminate 569 postal jobs in New Orleans. See Table 1. The non-managerial postal jobs average \$54,000 a year in salary, over twice the \$26,400 median annual earnings for all those employed in Orleans Parish.⁴ When health insurance and other fringe benefits are added in, labor compensation averages \$73,000 per worker for the jobs the Postal Service wants to eliminate in New Orleans. See Chart 1.

Table 1
Postal jobs lost in New Orleans

Postal clerks & mail handlers	-398
Postal maintenance & other jobs	-131
<u>Supervisors & managerial employees</u>	<u>-40</u>
Total direct USPS employees	-569
<u>Contract mail truckers</u>	<u>-99</u>
TOTAL direct employees	-668

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.

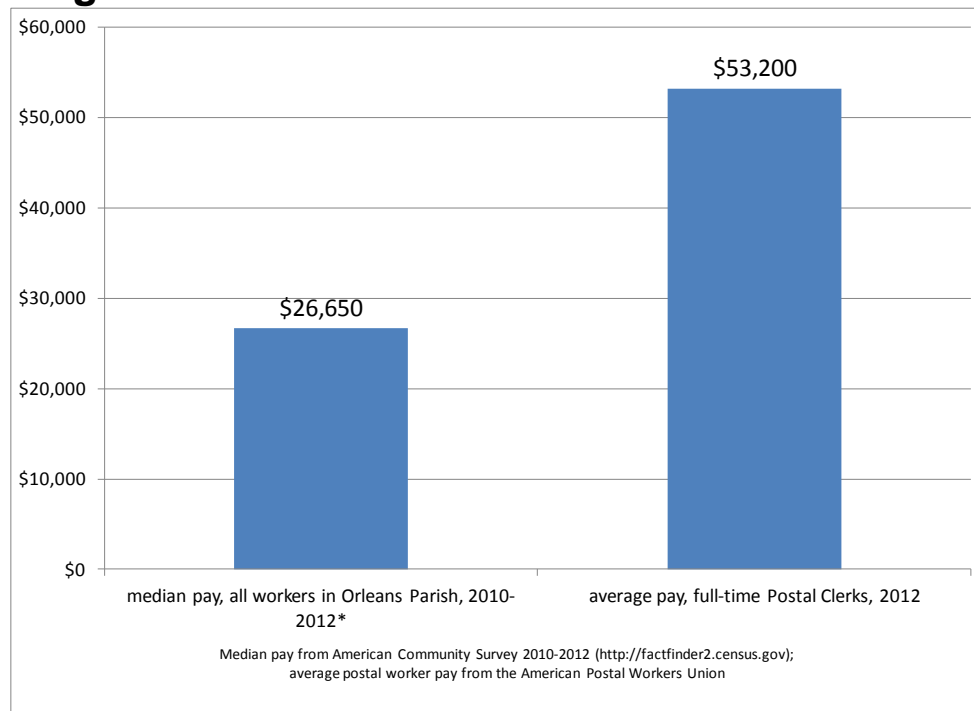
In addition to the loss of 569 good-paying Postal Service jobs, the consolidation will cause the New Orleans area to lose an estimated 510 other jobs in trucking and other industries that support postal operations, and in jobs that provide consumer goods and services (such as groceries, car repair services, 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.

⁴ According to the American Community Survey for years 2010-2012, median annual earnings for all those employed in Orleans Parish were \$26,650 (in 2012 constant dollars). The median earnings for male full-time employees were \$42,910, and the median for full-time women workers was \$35,111.

Thus, metro New Orleans will lose an estimated total of 1,079 jobs with over \$60 million in labor income. This amount alone is more than three times the annual savings advertised by the Postal Service as a result of the proposed consolidation. See Table 2 for these impacts.

Chart 1

Postal wages twice the median for all Orleans Parish workers



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 \$105 million in sales, and \$8.1 million in business income, plus over \$4.6 million in proprietors' earnings. Over one-quarter (\$3.8 million) of this lost income would be felt in the real estate industry, and another quarter (\$3.4 million) in trucking, with substantial impacts also occurring in banking, utilities, health care, wholesale businesses, legal services, and restaurants. See the Appendix for detailed business impacts in the New Orleans metro area.

Local governments will also experience a loss of over \$1.2 million in property and sales taxes associated with the closure of the New Orleans facility.

Table 2

Impact of proposed consolidation on metro New Orleans

Direct jobs lost	-668
Total jobs lost	-1,079
Direct labor income lost	-\$47,538,078
Total labor income lost	-\$60,139,709
Total business income lost	-\$8,159,750
Local economic loss	-\$104,964,439
Local taxes lost	-\$1,202,560

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.

Examining the positive economic impact on the Baton Rouge metropolitan area

To accommodate the additional mail processing that will be transferred from New Orleans, there will be 295 new clerks, mail handlers, and maintenance staff at Baton Rouge, plus 16 management positions. Contracts for mail trucking to and from the facility will be expanded by \$13.7 million per year, which suggests an increase of 93 jobs in that industry, and an increase of \$5.5 million in trucking employee earnings. Including the additional postal jobs and trucking jobs, there would be a \$33.6 million increase in direct labor income in the Baton Rouge metropolitan area.⁵ The 404 direct jobs in postal and trucking would lead to an estimated total of 663 additional jobs in the Baton Rouge region, with a total labor income gain of \$42.4 million. The local economy would gain an estimated \$76.8 million a year in sales, and Baton Rouge region would gain an estimated \$895,000 a year in local sales and property taxes.

⁵ Metro Baton Rouge is Ascension, E. Baton Rouge, Iberville, Livingston, and W. Baton Rouge Parishes

The net economic and fiscal impacts of the consolidation

Table 3 provides the net impact of the New Orleans reductions and the consolidation proposed for the Baton Rouge facility. Despite the transfer of some postal positions from New Orleans to Baton Rouge, the net impact of the proposed consolidation will result in a loss of 415 jobs and \$17.8 million in labor income in Louisiana overall. Altogether, the net total loss of output to the Louisiana economy would be over \$28 million. This would be associated with a net decline in state and local taxes of \$563,000 and the loss of over \$4 million in federal individual income and payroll taxes.

Table 3

Net economic and fiscal impact of the proposed Louisiana consolidation

	New Orleans losing sorting	Consolidation in Baton Rouge	Net economic and fiscal impacts
Direct jobs	-668	404	-264
Total jobs	-1,079	663	-415
Direct labor income	-\$47,538,078	\$33,621,723	-\$13,916,355
Total labor income	-\$60,139,709	\$42,378,946	-\$17,760,763
Total business income	-\$8,159,750	\$6,059,704	-\$2,100,046
Local economic output	-\$104,964,439	\$76,768,784	-\$28,195,655
Local taxes	-\$1,202,560	\$895,255	-\$307,305
State taxes			-\$255,987
Federal payroll and income taxes			-\$4,049,454

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.

Conclusion

The USPS figures on “savings” do not account for the adverse employment and economic impacts on Louisiana or the lost tax revenues to the federal, or state and local governments. Looking from the point of view of the Louisiana economy, the Postal Service’s projected \$16.6 million a year in cost “savings” comes at the expense of an estimated \$28 million a year in lost economic activity in the “toe” of Louisiana’s “boot.” Louisiana would lose a net of 258 good-paying postal jobs and a total of 415 jobs overall. The proposed consolidation involves a net of \$17.8 million in lost labor income and \$2.1 million in lost business income. In addition, there would also be a net loss in local and state taxes of over \$563,000, and \$4 million in lost federal income and payroll taxes.

More important, however, than the net impact overall is the fact that metropolitan New Orleans would lose over 500 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 Baton Rouge 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 258 postal jobs and a total loss of 415 jobs statewide. However, metro New Orleans alone will lose 1,079 jobs, \$60 million in total labor income, nearly \$8.2 million in business income, and nearly \$105 million in total economic activity. The New Orleans area will also suffer the loss of over \$1.2 million in local sales and property taxes.

Appendix Table
The top industries in metro New Orleans losing total business income*

Real Estate	-\$3,779,002
Truck transport	-\$3,445,894
Banking	-\$770,186
Utilities	-\$617,062
Health care	-\$397,530
Wholesale trade	-\$371,461
Legal services	-\$265,760
Restaurants	-\$258,596
Losses in these eight industries	-\$9,905,492
All other industries	-\$2,936,946
Total business income lost	-\$12,842,438

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

Source: Fiscal Policy Institute analysis using IMPLAN.