

**The Economic and Community
Impact of Downsizing Postal
Sorting Operations in
Youngstown, Ohio**



A Fiscal Policy Institute Report
www.fiscalpolicy.org

November 10, 2014

The Economic and Community Impact of Downsizing Postal Sorting Operations in Youngstown, Ohio

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. The authors would like to thank Kathryn Kobe of Economic Consulting Services, LLC, for her expert assistance in analyzing the Youngstown-Cleveland consolidation. The authors assume sole responsibility for the analysis employed in assessing the impact of the proposed consolidation.

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.

www.fiscalpolicy.org

One Lear Jet Lane, Latham, NY 12110 518-786-3156
11 Park Place, Suite 701, New York, NY 10007 212-721-5624

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 Youngstown, OH and consolidate these operations into the Cleveland processing and distribution facility, 74 miles away.

- In its 2012 study of the proposed consolidation, the Postal Service estimates that the consolidation will provide an estimated \$7.0 million in net annual savings (after first-year transition costs of \$40,000). Essentially all of the annual net savings would result from the elimination of a net of 92 postal employee and managerial positions.

However, “savings” for the Postal Service comes at a dear economic and individual cost for the metropolitan Youngstown region where the current facility is located.

- The consolidation involves the loss of 159 good-paying jobs at the Youngstown mail processing and distribution center that have average pay of \$54,000, twice the \$25,035 median annual earnings for Mahoning County residents.
- A total of over 261 jobs will be lost in the Youngstown area as a result. The total labor incomes associated with these jobs are \$15.9 million, twice the annual savings projected as a result of the proposed consolidation.
- Displaced postal workers will face a daunting task in finding alternative employment in and around Youngstown at comparable pay and benefits. Postal consolidation further chips away at the critical base of solid middle-class jobs in the Youngstown region.
- Metro Youngstown businesses will lose customers and \$1.8 million dollars in business income as a result of eliminating the sorting operation at the Youngstown postal facility.

Despite the transfer of some postal positions from Youngstown to Cleveland, the net impact of the proposed consolidation will result in a loss of 145 jobs and nearly \$8.7 million in labor income in Ohio overall. The USPS figures on “savings” do not account for adverse employment and economic impacts on Ohio or the lost federal, state and local tax revenues.

- The net loss in economic output in the state will exceed \$13.2 million and involve the loss of nearly \$1.2 million in business and proprietors’ income.
- The Youngstown-Cleveland consolidation plan will reduce federal payroll and income taxes by \$2 million and cost Ohio over \$238,000 in state and local taxes.

At the end of the day, the proposed consolidation offers illusory savings. The adverse economic impact on the Youngstown area will be devastating, including the loss of 159 middle class jobs, and the positive impact on the Cleveland area is not sufficient to prevent a substantial net negative economic and fiscal loss in Ohio.

Fiscal Policy Institute—Impact of Moving Mail Sorting Operations from Youngstown to Cleveland

Introduction

As part of a far-reaching nationwide consolidation plan that will seriously increase mail delivery times, the United States Postal Service (USPS) is proposing to move sorting and distributing operations from the “Youngstown OH P&DC” mail processing center in Youngstown, Ohio, that currently collects and distributes mail in part of eastern Ohio.¹

The Postal Service is proposing to consolidate those operations into the Cleveland, Ohio processing and distribution facility, 74 miles away. In its 2012 study of the proposed consolidation, the Postal Service estimates that the consolidation will involve first-year transition costs of \$40,000, after which there would be an estimated \$7.0 million in net annual savings.² Essentially all of the annual net savings would come from the elimination of 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.³ In conducting its analysis, FPI relied on

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 Since several of the figures shown in the AMP report for the Youngstown-Cleveland consolidation were implausible (e.g., average labor cost for employees after the change two to three times what they should be), FPI made these adjustments: the number of non-mail processing craft employees remaining in Youngstown estimated at 34 instead of 21; one supervisor was estimated to remain in Youngstown as opposed to zero; the additional mail processing work-hour costs for Cleveland were reduced by \$3.83 million; the number of non-mail processing craft workers in Cleveland was increased by 23 instead of reduced by 3; the number of supervisors in Cleveland following consolidation was increased by 24 instead of 5, and this change resulted in increasing work-hour costs to \$2.4 million. These changes resulted in revising the estimated savings from \$5.5 million reported in the AMP study to \$7.0 million.

³ 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.

the 2012 Area Mail Processing (AMP) study prepared by the USPS, with modifications as discussed in footnote 2.

Examining the adverse economic impact on the Youngstown community

“Savings” for the Postal Service comes at a dear economic and individual cost for the metropolitan Youngstown, Ohio community where the current facility is located.⁴

In proposing to consolidate postal operations in Cleveland, the Postal Service is planning to eliminate 159 postal jobs in Youngstown. See Table 1. These postal jobs average \$54,000 a year in salary, over twice the \$25,035 median annual earnings for all those employed in Mahoning County.⁵ When health insurance and other fringe benefits are added in, labor compensation averages \$79,000 per worker for the jobs the Postal Service wants to eliminate in Youngstown. See Chart 1.

Table 1

Postal jobs lost in Youngstown

Postal clerks & mail handlers	-110
Postal maintenance & other jobs	-35
<u>Supervisors & managerial employees</u>	<u>-14</u>
Total direct USPS employees	-159
<u>Contract mail truckers</u>	<u>-2</u>
TOTAL direct employees	-161

Source: Fiscal Policy Institute analysis based on USPS AMP report (projected changes in employment and mail service), February 2012, as adjusted (see footnote 2). 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.

⁴ The Youngstown metropolitan area includes Mahoning and Trumbull Counties.

⁵ According to the American Community Survey for 2012, median annual earnings for all those employed in Mahoning County were \$25,035. The median earnings for male full-time employees were \$42,637, and the median for full-time women workers was \$31,932.

In addition to the loss of 159 good-paying Postal Service jobs, the consolidation will cause the Youngstown area to lose an estimated 102 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 Youngstown will lose an estimated total of 261 jobs with nearly \$16 million in labor income. This amount alone is more than twice the annual savings projected as a result of the proposed consolidation. See Table 2 for these impacts.

Chart 1

Postal wages twice the median for all Mahoning County workers

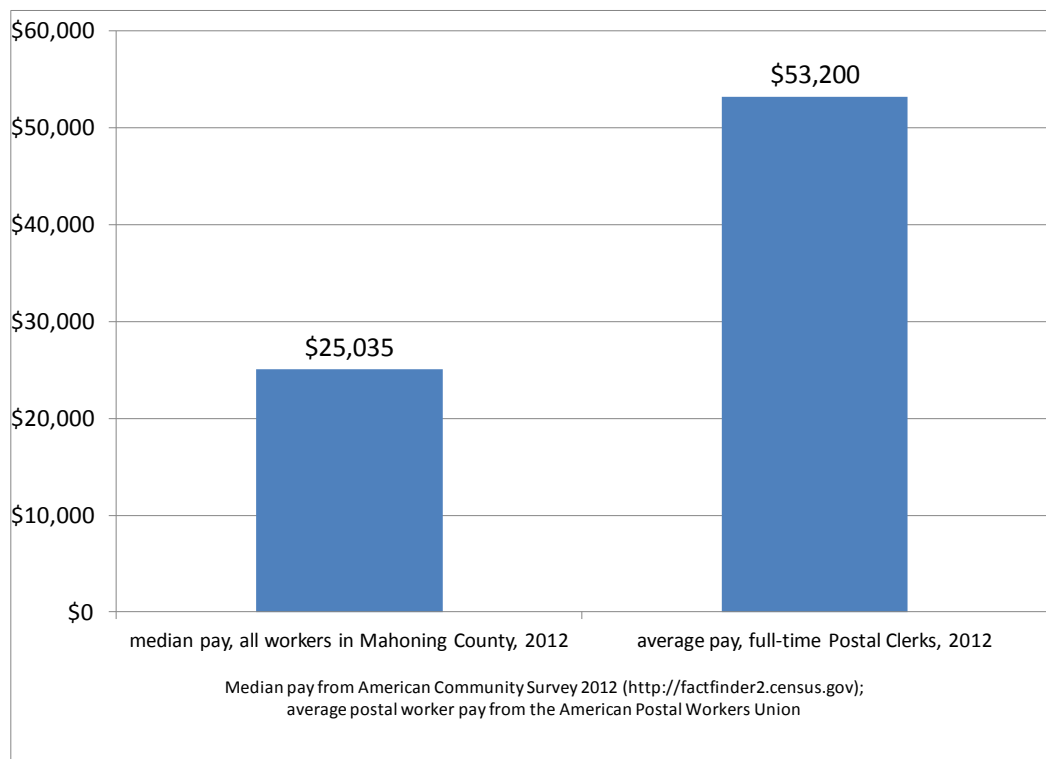


Table 2
Impact of proposed consolidation on metro
Youngstown, Ohio

Direct jobs lost	-161
Total jobs lost	-261
Direct labor income lost	-\$12,788,786
Total labor income lost	-\$15,884,788
Total business income lost	-\$1,839,107
Local economic loss	-\$24,175,243
Local taxes lost	-\$289,742

Source: Fiscal Policy Institute analysis based on USPS AMP report (projected changes in employment and mail service), February 2012, as adjusted (see footnote 2). 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 \$24 million in sales, and \$1.8 million in business income, plus nearly \$471,000 in proprietors' earnings. That's a combined reduction in business and proprietor's income of over \$2.3 million. Half of this loss (\$1.16 million) is in the real estate sector, with smaller losses in banking, restaurants, health care, utilities, wholesale, trucking, and legal services, among others. See the Appendix for detailed business impacts in the Youngstown metro area.

Local governments will also experience a loss of nearly \$290,000 in property and sales taxes associated with the movement of work from the Youngstown facility.

Examining the positive economic impact on the Cleveland metropolitan area

To accommodate the additional mail processing that will be transferred from Youngstown, there will be an estimated 45 new clerks, mail handlers, and maintenance staff at Cleveland, plus 24 management/supervisor slots. These additional jobs are associated with a nearly \$5.5 million increase in direct labor income. The 69 new direct jobs would lead to an estimated total of 115 new jobs in the Cleveland region,⁶ with a total labor income gain of \$7.2 million. The local economy would gain an estimated nearly \$11 million a year in sales, and metropolitan Cleveland would gain an estimated \$151,000 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 Youngstown reductions and the consolidation proposed for the Cleveland facility. Despite the transfer of some postal positions from Youngstown to Cleveland, the net impact of the proposed consolidation will result in an estimated loss of 145 jobs and an estimated \$8.7 million in labor income in Ohio overall. Altogether, the net total loss of output to the Ohio economy would be over \$13.2 million. This would be associated with a net decline in state and local taxes of \$238,500 and the loss of \$2.0 million in federal individual income and payroll taxes.

Conclusion

The USPS figures on “savings” do not account for adverse employment and economic impacts on Ohio or the lost tax revenues to the federal, or state and local governments. Looking from the point of view of the Ohio economy, the projected \$7.0 million a year in cost savings⁷ comes at the expense of an estimated \$13.2 million a year in lost economic activity in northeast Ohio. The proposed consolidation involves a net of an estimated \$8.7 million in lost labor income and

⁶ The Cleveland metropolitan area is Cuyahoga, Geauga, Lake, Lorain, and Medina Counties.

⁷ Projected “cost savings” of \$7.0 million differs from the projected \$7.3 million net reduction in “direct labor income” because the latter includes Youngstown trucking contract costs and excludes added maintenance expenses in Cleveland and reduced truck leasing costs.

over \$950,000 in lost business income. In addition, there would also be a net loss in local and state taxes of \$238,500, and \$2.0 million in lost federal income and payroll taxes.

Table 3

Net economic and fiscal impact of the proposed Youngstown-Cleveland consolidation

	<u>Youngstown losing sorting</u>	<u>Consolidation in Cleveland</u>	<u>Net economic and fiscal impacts</u>
Direct jobs	-161	69	-92
Total jobs	-261	115	-145
Direct labor income	-\$12,788,786	\$5,475,480	-\$7,313,306
Total labor income	-\$15,884,788	\$7,230,600	-\$8,654,188
Total business income	-\$1,839,107	\$886,124	-\$952,982
Local economic output	-\$24,175,243	\$10,957,760	-\$13,217,482
Local taxes	-\$289,742	\$151,384	-\$138,358
State taxes			-\$100,159
Federal payroll and income taxes			-\$1,973,155

Source: Fiscal Policy Institute analysis based on USPS AMP report (projected changes in employment and mail service), February 2012, as adjusted (see footnote 2). 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.

More important, however, than the net impact overall is the fact that metropolitan Youngstown would lose 159 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 Cleveland 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 145 jobs statewide. However, metro Youngstown alone will lose a total of 261 jobs, nearly \$16 million in total labor income, \$1.8 million in business income, and over \$24 million in total economic activity, along with \$290,000 in lost local sales and property taxes.

Appendix Table

The top industries in metro Youngstown losing total business income*

Real estate	-\$1,157,902
Banking	-\$237,365
Restaurants	-\$102,609
Health care	-\$98,441
Utilities	-\$99,761
Wholesale businesses	-\$74,371
Trucking	-\$52,019
Legal Services	-\$43,487
Losses in these eight industries	-\$1,865,955
All other industries	-\$443,854
Total business losses	-\$2,309,809

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

Source: Fiscal Policy Institute analysis using IMPLAN.