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The Finance Sector in Buffalo since the Great Recession

Gary Keith

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The Finance Sector in Buffalo since the Great Recession

Abstract
In August 2017, The Worker Institute convened high level leaders over the course of two days, around a discussion of Buffalo, NY Since the Great Recession. With presentations, panels, and a visit to the UAW Local 774, participants gained a deeper understanding of the economic restructuring that followed the Great Recession and where this large metropolitan area stands today. Here, you will find links to the resources that were presented during this two day convening.

Keywords
Buffalo, Economic Development, High Road Economic Development, Presentation, Other, PDF

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BUFFALO, NY SINCE THE GREAT RECESSION
A Workshop on Economic Restructuring in the Rust Belt since the Great Recession

By: Dincer and Wheaton

August 14-15 2017
Cornell in Buffalo and UAW Local 774
PROGRAM

DAY 1, AUGUST 14, Cornell in Buffalo

Welcome, Arthur Wheaton, The Worker Institute, Cornell University
09AM-09.10AM

Introduction: The Contours of Economic Development in the Rust Belt since the Great Recession
Evren Dincer, Uludağ University
09.10AM-09.30AM

Session I
Main Trends and Issues of Economic Development in Buffalo
09.30AM-12PM

The Performance of the Buffalo Economy Since the Great Recession
Jaison Abel, Federal Reserve Bank of New York
Healing Buffalo’s Economy: The Buffalo Billion and Priorities for Economic Development
John Slenker, New York State Department of Labor
General Trends in the Labor Market
Cesar Cabrera, New York State Department of Labor
Labor Market and Challenges for Workforce Development
Heather Gresham, Executive Director, Buffalo and Erie County Workforce Investment Board
Labor’s Role in Economic Development and Organizing
Richard Lipsitz Jr., Western New York Area Labor Federation
Economic Development from a Social Justice Perspective
Franchelle C. Hart, Open Buffalo

Lunch Break: 12PM-1PM

Session II
Placing Buffalo in its Geographical and Economic Context:
Buffalo as part of New York State and the Rust Belt
1PM-2.45PM

The Role of New York City in the Economy of New York State
James Parrott, Center for New York City Affairs at The New School
Buffalo’s Economic Relations with Albany
Bruce Fisher, SUNY Buffalo State
The Role of Community Organizations in Buffalo’s Economic Revitalization in a Comparative Perspective
Ronald Applegate, Cornell University
Buffalo’s Economic Development Compared: Buffalo as Part of the Rust Belt
Evren Dincer, Uludağ University

Coffee Break, 2.45PM-3.00PM
Session III
Sectors in Perspective I
3PM-5PM

Buffalo’s Housing Market since the Great Recession
Sam Magavern, Partnership for the Public Good

Buffalo’s Agricultural Economy since the Great Recession
Diane Held, Cornell University Cooperative Extension

The Finance Sector in Buffalo since the Great Recession
Gary Keith, M&T Bank

Buffalo-Niagara Medical Corridor Experiment: Perspectives on a Project for Economic Revitalization
David Scott, Buffalo Niagara Medical Campus (TBC)

The Energy Sector, Community Development and Sustainability in Buffalo since the Great Recession
Rahwa Ghirmatzion, PUSH Buffalo

Concluding Remarks and Reflections on Day One
Rosemary Batt, Cornell University

DAY 2, AUGUST 15, UAW Local 774
Session IV, 09AM-12PM
Sectors in Perspective II
Manufacturing and the Auto Industry

A Historical Review of the Auto Industry in the U.S. and Western New York
Art Wheaton, The Worker Institute at Cornell University

Recent Trends in Auto Manufacturing in Western New York
Ian Greer, Cornell University

Canadian Auto Industry since the Great Recession: A Look at Buffalo from the other side of the Border
Mathieu Dupuis, School of Industrial Relations, University of Montreal

The Reindustrialization of the U.S.: Tonawanda Powertrain since the Great Recession
Evren Dincer, Uludağ University

Auto Manufacturing in Buffalo since the Great Recession: A Managerial Perspective
Steve Finch, Plant Manager, GM Tonawanda Powertrain

Labor Management Relations and Restructuring in Manufacturing since the Great Recession:
A Union Perspective
Wenceslao Valentin III, President, UAW Local 774

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The Finance Sector in Buffalo Since the Great Recession

Gary D. Keith
Regional Economist, Commercial Banking Division
August 14, 2017
Buffalo is a Regional Financial Services Hub

In 2016, the finance sector’s share of Buffalo area GDP was two-thirds higher than the U.S. metro area average.

Rank vs. Top 50 U.S. Metros—2015

Based on Total Population

1. Hartford, CT 17.8%
2. New York City, NY 14.0%
3. Charlotte, NC 12.4%
4. Columbus, OH 11.2%
5. Salt Lake City, UT 10.5%
6. BUFFALO-NIAGARA, NY 10.5%
7. Philadelphia, PA 9.7%
8. Richmond, VA 9.3%
9. Jacksonville, FL 9.1%
10. Chicago, IL 9.1%
**Finance & Insurance Share of Erie County Employment**

**Commercial Banking**
- Erie County: 1.7%
- United States: 0.9%

**Banking Employment is Well Above Average**
- In 2016, the banking industry’s share of Erie County nonfarm employment was nearly twice the U.S. norm.

**Insurance**
- Erie County: 2.7%
- United States: 1.6%

**Insurance Employment Follows a Similar Pattern**
- The share of Erie County jobs in the insurance field is two-thirds higher than the national mean.

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Source: U.S. Bureau of Labor Statistics
# Major Buffalo Area Banking & Insurance Employers

<table>
<thead>
<tr>
<th>Company</th>
<th>FTE Employees (In 8 Counties of WNY)</th>
<th>Rank Among 100 Largest Employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;T Bank</td>
<td>7,500</td>
<td>5</td>
</tr>
<tr>
<td>GEICO</td>
<td>2,750</td>
<td>16</td>
</tr>
<tr>
<td>HSBC</td>
<td>2,700</td>
<td>17</td>
</tr>
<tr>
<td>First Niagara</td>
<td>2,200</td>
<td>22</td>
</tr>
<tr>
<td>Key Bank</td>
<td>825</td>
<td>55</td>
</tr>
<tr>
<td>Citibank</td>
<td>1,700</td>
<td>25</td>
</tr>
<tr>
<td>BlueCross BlueShield</td>
<td>1,500</td>
<td>33</td>
</tr>
<tr>
<td>Independent Health</td>
<td>1,300</td>
<td>39</td>
</tr>
<tr>
<td>Bank of America</td>
<td>800</td>
<td>57</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21,275</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Buffalo Business First Book of Lists—2017

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The Finance Sector Has Been a Major Contributor to Buffalo’s Economic Rebound

Real output from the finance & insurance industries has grown by an estimated 58% since 2007—six times the 9.4% increase in total real GDP.

Net Increase in Buffalo Area Output Since 2007:

$2.1 Billion

Representing nearly half (47%) of the estimated $4.4 billion increase in total Buffalo area GDP since 2007.
Buffalo Metropolitan Area
Real GDP Growth From Finance & Insurance

Relative Change in Real GDP From Finance & Insurance Since 2007

Buffalo’s Finance Sector Growth Has Significantly Topped the U.S. Norm

Since 2007, Buffalo’s real output has grown by more than 6X the U.S. metro area mean

“Apples-to-Apples” Growth Is Even More Impressive

Normalized for population factors, real GDP from the financial sector is up 59%—versus a 0.2% gain for all U.S. metro areas

Sources: U.S. Bureau of Economic Analysis, M&T Bank estimate for 2016
Hiring Surge Since 2011 Drives Employment to Historic High

Commercial banking and insurance industry employment is up 4,200 (24%) since 2011—and is now 1.6% above the pre-recession peak.

M&T Bank FTE Employment in Erie County

Major Contributor to Countywide Employment Gains

Over 2,000 new jobs have been added since 2011—accounting for 13% of the net gain in total Erie County nonfarm jobs over the period.

~$400 million in salary paid to Erie County employees in 2016.
Finance Sector Jobs Are a Strong Source of Household Income & Spending Power

In 2016, annual earnings for commercial banking and insurance industry workers were 35% to 45% above the nonfarm average.
Real Average Annual Earnings—Erie County vs. U.S.

Lower Labor Costs Are a Major Locational Advantage & Business Development Tool

Annual earnings for Erie County commercial banking and insurance workers are 15% to 20% below the comparable national average.

This differential is a major advantage in mature, highly commoditized industries with thin profit margins and limited growth potential.
Growing “Millennial” Population Provides an Attractive Labor Pool

The 15.7% increase in young adults since 2005 tops the 14.4% U.S. average gain. Retaining and attracting this age group is essential to future economic growth.

Buffalo Metro Area Population by Age Group

- **20 to 34 Years**
  - 31,560 increase since 2005
  - 15.7% relative change since 2005

- **Total 20 to 64 Years Old**
  - +2.8% relative change since 2005

- **35 to 64 Years Old**
  - 12,937 decrease since 2005
  - -2.8% relative change since 2005

Source: U.S. Census Bureau—American Community Survey 1-Year Estimate
Questions?

Note: This presentation is for informational and educational purposes only. Nothing herein should be considered or relied upon as legal, tax, accounting or financial advice. The author assumes no responsibility or liability for the specific applicability of the information provided. Please consult your own legal counsel for any legal advice.