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## Our manufacturing roots sprout jobs

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Once upon a time, Rochester was a city that built things.

As recently as the early 1980s, factories churned out millions of cameras, photocopiers, auto parts, eyewear and gears. And the companies that did the work — Eastman Kodak, Xerox, General Motors, Bausch & Lomb, Gleason Works and so on down the line — employed 165,000 people.

But an economy that once depended on those jobs has had to find a different way in recent years as massive corporate downsizings reduced manufacturing employment to less than 75,000.

Yet, arguably, the region has weathered the losses better than many others in the same economic boat in the Northeast and Midwest, buoyed by a unique set of strengths.

"If you compare Rochester's experience with Buffalo and Bethlehem Steel, to Binghamton when IBM and the defense electronics business shrank ... we've done pretty well," said Kent Gardner, chief economist for the Rochester- and Albany-based Center for Governmental Research.

The local economy "could be worse off," said Jim Bertolone, president of the Rochester Labor Council, AFL-CIO. "A lot of people expected it to be. Our economy was more diverse than people realized."

The talent pools that helped build companies such as Kodak are a key strength that has enabled other businesses to spring up and keep the economy going.

NaturalNano Inc. in Pittsford is a prime example. The company makes Pleximer, a clay-based additive that strengthens plastic products

while at the same time making them lighter.

Chief Executive Cathy Fleischer used to work at Kodak and most of NaturalNano's scientific team also came from the imaging giant.

"We're fortunate in Rochester there's so much material science expertise coming out of Kodak," Fleischer said.

By several benchmarks, the regional economy is stronger than popularly perceived. The amount of personal income in the six-county region — wages, salaries, pensions, investments, all adjusted for inflation — increased by 45 percent, to \$37 billion, between 1975 and 2005.

The number of businesses in the region also increased steadily during the past 30 years, from 17,000 to 26,000.

Employment growth has been especially impressive. Three major fields within the vast service sector — health, education and professional services such as law, accounting, and science and technology — have added almost 55,000 jobs since 1990, enabling total employment to remain within 3 percent of its peak in 2000.

### **Largest upstate economy**

According to a recent U.S. Bureau of Economic Analysis study, Rochester has the state's second-largest regional economy, with the goods and services produced here totaling \$38.4 billion in 2005, surpassing the more populous Buffalo region and trailing only New York City. And a new U.S. Commerce Department study pegged the value of Rochester's annual exports at \$4.6 billion, making it the second-largest exporter in the state and 40th-largest in the nation.

But the huge decline in manufacturing has hit hard in many Rochester-area homes as well-paying blue- and white-collar jobs were lost. Kodak was the main example of that, plunging from 60,400 local jobs in 1982 to 9,200 today. Other big manufacturers, including Xerox and Bausch & Lomb, cut their local employment by at least half.

A watershed moment for the region came in 1992, when employment in services overtook manufacturing, capping a 10-year growth spurt in the service sector and cuts in manufacturing.

The manufacturing decline is part of a national, decades-long deindustrialization of urban centers. The impact, the AFL-CIO's Bertolone said, has been a decline in quality of life as many people make less money and the area's twenty- and thirtysomethings look for careers elsewhere.

Gardner, however, said that people shouldn't underestimate the quality of jobs being created.

"It's still fashionable to think of service jobs being lesser jobs than manufacturing. But that's really not the truth. ... The companies growing in Rochester are offering a high-value product and they can afford to pay a high wage. Paychex is a good example," Gardner said, referring to the payroll and human services company founded by Tom Golisano that employs 3,000 people locally and has a value on Wall Street more than twice that of Kodak.

Also, Gardner said, "think about Wegmans and the kinds of sophisticated functions that go on in Wegmans' central office."

### **Knowledge-based jobs**

While inflation-adjusted average wages in the region have fallen slightly, Rochester Business Alliance Chief Executive Sandy Parker said the growth in health care and at area universities is offsetting some of that as more knowledge-based jobs are created.

Meanwhile, the small businesses that supplanted the giants that dominated the economy have diversified their customer bases, Parker said. "They're no longer dependent on the Kodaks, the Xeroxes, the Bausch & Lomb's," she said.

And some of those job losses were partly filled by companies that either spun off or grew out of Kodak, examples including Carestream Health Inc. and ITT Corp.'s Rochester-based space systems division.

"It's no accident that our employment numbers are flat even though we've lost 50,000 jobs at Kodak," said Dennis Mullen, president and chief executive of Greater Rochester Enterprise. "People who have left Kodak have been able to find other opportunities. We've been able to fill the leaky bucket."

The expertise and knowledge from places such as Kodak and Xerox have proven invaluable to numerous local companies. Started by a laid-off Kodak executive, Perinton-based technology company Scene Genesis Inc. has "yellow roots, if you will," said Chief Executive Ian Cunningham. "Most things do around here."

"A lot of the small businesses here geared around imaging have benefited from the employees coming out" of Kodak and Xerox, said Rexford Fisher Sr., CEO of Rochester-based imaging company Lightwave Enterprises Inc.

"It's not surprising that the area's very resilient," said Carestream CEO Kevin J. Hobert. "There are so many assets here in terms of the educated work force and creativity. Once you get through the shock of a couple of these big industries going into decline, you get a more distributed base of employment."

"I think it's going to be a strong community."