

REINVENTING A REGIONAL ECONOMY

REINVENTING A REGIONAL ECONOMY: THE MID-HUDSON VALLEY AND THE DOWNSIZING OF IBM

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ABSTRACT In January of 1993, something unimaginable happened in the Mid-Hudson region of New York State. IBM, the region's largest private-sector employer abandoned its long-standing policy against lay-offs and proceeded to eliminate perhaps as many as 10,000 jobs in the Valley. In May of that year, Governor Mario Cuomo announced the formation of eleven working groups to bring representatives of state agencies, local government and the region's private sector to respond to the unprecedented regional economic crisis. At the request of Governor Cuomo, Lieutenant Governor Stan Lundine and former State Senator Jay Rolison coordinated a three-pronged program for recovery. First, a series of efforts were initiated to stabilize the immediate effects of the crisis. While the immediate issues of getting assistance for dislocated workers, and aggressively marketing the newly abandoned industrial sites were being addressed, a second set of working groups began projects to help restore economic growth in the region. Working groups were created for establishing a regional revolving loan fund for businesses, creating business incubators, and assisting both existing and start-up companies. A third set of groups addressed strategies for the long-term growth of the Hudson Valley economy. This paper will review the accomplishments of these eleven working groups, evaluate the working group process as a model for quickly mobilizing state and regional resources in a time of economic crisis, and identify those factors most essential for success in efforts of this kind.

The following is a review and evaluation of the work of the Mid-Hudson Working Group's study, Building Regional Partnerships for Economic Renewal, A Progress Report to Governor Mario M. Cuomo from Co-chairs Lieutenant Governor Stan Lundine and Jay Rolison, Esq. (December 20, 1993).

Specifically, eleven working groups were established in May 1993 to attempt to meld public and private entities to respond to the radically changed economy of the Hudson Valley occasioned essentially by IBM's substantial reductions in its local work force. In the words of the co-chairmen, "The Hudson Valley and New York State are indebted to the working group members and others who have been instrumental in these efforts. These men and women have put in place some of the critical ingredients for an economy that will be more diversified, more productive, and better able to provide the region with a high quality of life. Following their example, if we continue to work together, anything remains possible." (From the "Forward.")

The eleven working groups were organized into three categories which describe the general steps taken, in process, or to be taken: Stabilizing the Immediate Crisis, with three working groups; Restoring Conditions for Economic Growth, with six working groups; and Strategic Planning for the Future, with 2 working groups. The remainder of the paper briefly details each working group's activities, current and anticipated, in December 1993, and concludes with final remarks.

STABILIZING THE IMMEDIATE CRISIS

Dislocated Worker Adjustment

Of the eight activities proposed under this rubric, five were completed. They include a computerized job skills bank detailing the region's work force, in terms of both quantity and quality; the creation of a dislocated worker transition center for former IBMers' basic readjustment services, including career counseling, child care information, commuting assistance, and personal financial counseling services; initiation of a resource center on jobs and training to include job clubs, resume writing, testing such as aptitude and interest inventories for those employed in businesses and industries liable to be affected by IBM's plight; a "Switching Channels" job fair and career workshops at SUNY new Paltz. Moreover, Unemployment Insurance Benefits would be provided for over 6,500 eligible unemployed, and training in the entrepreneurial and job-related skills required to find future jobs. Finally, the Ulster County Area Labor/Management Committee will look to developments in need of skills of local unemployed workers.

Emergency Commission of the Hudson Valley Economy

Information collected from IBM and the various counties' economic development corporations served as the fodder for a computer data base of industrial sites and buildings with over 500 entries. For counties willing to spend \$2,000, training was made available to developers on using the sites/buildings database. At the time the report was submitted, an effort was underway to begin marketing aggressively the Stewart Properties, a report was submitted to this commission on the available work force, and an effort to discern high-tech employment prospects both in the United States and abroad was begun.

State Facilities in Dutchess County

Each state facility in Dutchess County was reviewed vis-a-vis bonding issues, the initial meeting for this purpose taking place in July 1993. Second, plans for adaptive re-use of state facilities were reviewed.

RESTORING CONDITIONS FOR ECONOMIC GROWTH

Infrastructure and Local Capacity Building

The nurturing of emerging transportation modes and methods sensitive to both the needs for mobility and environmental protection was the first activity in this rubric. In addition to the creation of new jobs for companies engaged in high technology such as intelligent transportation, high-speed rail, and cost-benefit analysis of MAGLEV in the Hudson Valley with links beyond the region. The only other activity shown as having been completed or in process is the expediting of NYSDOT's review of Dutchess County's recently completed feasibility study--an I-84 intermodal transportation center, a rest area/transport

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hub integrating local bus and park and ride services with Metro North rail access and bus service to Stewart Airport. In addition, Urban Development Corporation (UDC) funds are to be reviewed for communities to complete feasibility studies and generic environmental impact statements for lands with development potential; a group was formed to review a Jobs Bond Act for creation of a support team to package economic development infrastructure improvement projects and help locate funds in support of them. In the latter activity, one project each was identified for Dutchess, Orange, and Ulster counties. Other activities not completed include, among others, low-interest and interest-free loans to improve sewers and water-treatment plants, funds of \$1.2 billion for highway and bridge improvements, \$1 billion to improve Metro North rail facilities, continue support of Stewart Airport's development, and \$90 million under SHIPs for local highway projects.

Incubators and Spin-Offs

The first two business incubators in the Valley were promoted and encouraged by this working group. The plans called for incubators to be established in Dutchess and Ulster counties in cooperation with local governments. To facilitate spin-off opportunities from companies such as IBM, new-venture protocols were to be promoted, for which an action plan had been developed and its implementation was to begin. Further, local colleges were to be sites of proposed incubators, given their computer facilities and faculty expertise.

Business Start-Ups and Entrepreneurial Training

Grants were awarded to refund the Entrepreneurial Assistance Program at Orange-Ulster Board of Cooperative Educational Services (BOCES), designed for dislocated workers and Minority and Women Owned Business Enterprises. A Department of Labor "Switching Channels" job fair and career workshop was held at SUNY New Paltz in summer 1993, attracting some 3- or 4 thousand participants, mostly IBMers. In process was entrepreneurial training for 75 dislocated workers from IBM who sought to start their own businesses through Orange-Ulster BOCES at several sites. Other efforts in progress in late 1993 included, but were not limited to, the establishment of additional entrepreneurial training centers to serve the large pool of former IBM workers with technical, managerial, or educational experience. The purpose is to create a new generation of high- and low-tech businesses in the local area, to establish business support networks operated by chambers of commerce to assist nascent businesses. Finally, work with Spin-Offs Action Group to create a New Venture Capital Network for purposes of providing equity investments in local new technical transfer companies.

Regional Farmers' Market

Agricultural activities were limited to those directed toward assessing the feasibility of a regional farmers market, both with wholesale and retail capability. The feasibility study was approved by the USDA in November 1993 and the group set about to develop regional support for the concept. At the time this report was issued Dutchess, Orange, Putnam, Rockland, and Ulster counties had submitted letters supporting the feasibility study.

Revolving Loan Fund

The Mid-Hudson Bankers Small Business Loan Fund, a consortium of banks in the local region, was established to create \$5 million earmarked for low-interest loans for small businesses. Last October, the

Fund was capitalized at \$4.5 million from 21 participating banks. By December 1993, three applications were under review. The second activity is the creation of a Mid-Hudson Revolving Loan Fund to work with the consortium described above to finance small business development. From August through December 1993 Team Hudson Valley, the loan fund, received \$500,000 from the Urban Development Corporation (UDC) and the counties pledged an additional \$300,000. To induce riskier bank loans, a Capital Access Loan Loss Rescue Fund was being considered. In March 1994, the focus turned to a consortium of banks in Rockland and Westchester counties, a group reported to be considering a \$50 million fund. Finally, industrial modernization linked to a deposit program was initiated in February 1994.

Business Retention and Expansion

This group recommended creation of an economic development training program for local government officials. A curriculum has been developed for this program by the New York Main Street Alliance. The course has been funded by a grant from the New York State Urban Development Corporation and is offered beginning in October, 1994. In addition, members of this working group and state economic development officials organized visits with fifteen IBM suppliers to assist them in developing new customers and new markets.

STRATEGIC PLANNING FOR THE FUTURE

Strategic Planning and Analysis

This working group developed recommendations to create a more coherent and well-established effort to plan for the region's future. It recommended that regional not-for-profits improve coordination of their annual agendas, and advocated for the creation of a formal regional planning and analysis capacity in the Hudson Valley. In addition, it recommended the formation of region partnerships for economic development involving the Valley's business community, local governments and not-for-profit sector.

Tourism Development

Waterfront revitalization was called for by both state agencies and local communities. The Hudson River Greenway Trail was mentioned as worthy of becoming a world-class tourist destination. The Beacon Long-Dock Project was cited as worthy of a regional working cabinet with representatives from a number of state agencies (DED, DOS, DOT, DEC, and the like). Pedestrian and bike trails as well as scenic easements and historic sites and buildings were the targets of NYSDOT's five-year Federal "Enhancement Program" to which communities were encouraged to apply for part of the dedicated funds (\$14.5 million from the Intermodal Surface Transportation Enhancement Act funds). Applications have been submitted and are under review. Other activities include the evaluation of a Hudson Valley Regional Tourism Office, the development of a regional public relations campaign, exploration of innovative ways to involve Stewart Airport in attracting tourists, for example.

FINAL REMARKS

The efforts of this working-group process can be evaluated on two dimensions:

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1. It did accomplish, encourage or expedite a number of discrete projects.
2. It created a new context for regional cooperation, involving 113 people from business, local government and the State all working together.

Collaboration is a delicate commodity. Without the leadership from the top in the persons of Governor Cuomo and Lieutenant Governor Lundine, the region's response to this crisis might have been either complete paralysis or business as usual. With the advent of election season in the fall of 1994, the possibilities for bi-partisan cooperation diminished significantly. In addition, from the tradition of home rule in New York State to the competition among not-for-profits for funding, many incentives encourage competition instead. The next few years will be the true test of the collaboration begun in the midst of crisis. Once the crisis atmosphere has dissipated, the incentives to "go the extra mile" will equally disappear. Will the patterns of cooperation established by this effort persist after the crisis? After the election--especially if Pataki unseats Cuomo--will State government be able to resume its role as a catalyst for regional action? That will be the final measure of the success of the work begun in the wake of IBM's downsizing.

SOURCE

Ludine, Stan and Jay P. Rolison. Building Regional Partnerships for Economic Renewal, A Progress Report to Governor Mario M. Cuomo from Co-chairs Lieutenant Governor Stan Lundine and Jay Rolison, Esq. (December 20, 1993).