



## **THE RIPPLE EFFECT: THE IMPACT OF A BIG 3 FAILURE ON NEW YORK STATE**

### **The “Detroit Three” Automakers Directly Employ Almost 3,000 Production Workers in New York State**

New York state has three major production facilities owned directly by the “Detroit Three” automakers (GM, Ford, Chrysler). These are the Tonawanda engine plant owned by General Motors, which employs 1,447 workers, the Massena powertrain plant also owned by General Motors, employing 348 workers, and Ford’s Buffalo stamping plant, which employs 1,116 workers. The 2,911 workers at these three plants would likely lose their jobs immediately on a failure of the major U.S. auto companies.

<b>"Detroit Three" Direct Employment in New York</b>		
<u>Production Facility</u>	<u>Owner</u>	<u>Number of New Yorkers Employed</u>
GM Powertrain Tonawanda Engine Plant	General Motors	1,447
GM Powertrain Massena Plant	General Motors	348
Buffalo Stamping Plant	Ford Motor Co.	<u>1,116</u>
<b>Total</b>		<b>2,911</b>

Sources: General Motors and Ford Motor Co., as of December 17, 2008.

### **The “Ripple Effects” of a Big Three Failure Would Lead To Far Greater Impacts on State Employment**

The vehicle manufacturing supply chain – the network of firms who supply the parts and raw materials to make a car – extends far beyond the Detroit Three automakers themselves. A recent study found that almost 80 percent of the workers directly involved in manufacturing and assembling a new car do not work directly for the major automakers.<sup>1</sup> Auto parts manufacturers themselves also draw on additional raw materials suppliers such as machine tool producers and steel makers. Many New Yorkers are employed in these sectors, including 17,000 workers in motor vehicle parts manufacturing and 49,000

workers in industrial machinery manufacturing. In addition, each of these workers themselves supports many additional workers through the household spending made possible by their paychecks.

Beyond the workers in the supply chain necessary to manufacture a car, numerous workers are also employed in automobile dealers. Many dealers for the Detroit automakers would be shut down in the event of a company failure. Approximately 51,000 New Yorkers are employed by auto dealers.<sup>2</sup>

### **New York State Would Lose 144,600 Jobs in One Year Due To A Big Three Shutdown, Estimates Show**

The Economic Policy Institute has used models developed by the Federal government's Bureau of Labor Statistics to determine the full "ripple effects" of a shutdown of the Detroit automakers on the New York State economy.<sup>3</sup> The study finds that within the first year following such a shutdown, the state's economy would lose a total of 144,600 jobs. This represents 1.7 percent of New York state jobs, or one in every fifty nine jobs in the state.<sup>4</sup> The total includes direct job losses in auto manufacturing, losses of supply chain jobs at firms that provide necessary goods and services, losses of jobs at dealers, and also the indirect job losses created by spending declines among workers who lose their jobs.

### **Auto Shutdowns Could Cause Largest One-Year Job Loss in New York State in 17 Years**

A loss of 144,600 jobs from the auto shutdown alone would represent New York State's largest single-year job loss since the 1991 recession. Unfortunately, in 2009 the state can expect numerous additional job losses from the current national recession, even beyond any job losses from automaker shutdowns. The addition of the major job losses from the automaker shutdowns could easily propel New York State to the worst one-year job loss in its history. The state cannot afford the risk of a major shutdown of Detroit automakers during a year in which the economy is already so weak.

---

<sup>1</sup> Klier, Thomas K. and James M Rubenstein. "Who really made your car?" Federal Reserve Bank of Chicago: *Essays on Issues* October 2008. Available at [http://www.chicagofed.org/publications/fedletter/cfloctober2008\\_255a.pdf](http://www.chicagofed.org/publications/fedletter/cfloctober2008_255a.pdf).

<sup>2</sup> All New York State jobs figures for industries cited are raw (not seasonally adjusted) jobs figures from the Bureau of Labor Statistics for October, 2008.

<sup>3</sup> Scott, Robert E. "When Giants Fall: Shutdown of one or more U.S. automakers could eliminate up to 3.3 milion U.S. jobs." *Economic Policy Institute* (December 3, 2008). Available at <http://www.epi.org/content.cfm/bp227>.

<sup>4</sup> Based on total New York State payroll employment for October, 2008.