

# Rochester region sees hope for better job market in 2011

Tom Tobin • Staff writer • January 9, 2011

Slowly, painfully, a recovering America and Rochester region are inching toward daylight from the deep well of the worst economic collapse since the 1930s.

Businesses are investing again, cautiously but with optimism. The retail sector enjoyed its best holiday season since 2006 and online sales set another record. The banks and investment community have paid off most of their federal bailout money and are lending again.

The domestic automobile manufacturers have survived bankruptcy. Wall Street had its best December in years and big corporate profits pushed up the Dow Jones industrial average by 11 percent for the year.

But there's something still stuck at the bottom of the well.

Jobs. The engine of the American economy — and the American family.

The unemployment rate nationally is 9.4 percent. Eight million Americans lost their jobs during the recession. Unless a new boom kicks in, and soon, it will take years to get back to normal **employment** levels.

Relatively speaking, the numbers are better in the Rochester region, where the local unemployment rate was 7.7 percent in November. But in November 2006, the rate was only 4.2 percent. That's a difference between 22,000 people out of work four years ago and almost 41,000 jobless now.

The good news is that the private sector is hiring again. But just like the national situation, growth so far is much too slow to get things back to normal. In the 12-month period ending in November, private **employers** added a net of 3,400 jobs in the region, while financially stressed governments slashed 1,300 jobs.

The pain and anxiety of job losses does not make it into the statistics.

When Rosetta Dyes of Brighton met in November at the Bagel Bin Café in Brighton with other unemployed workers, she was worried about two things: the fact that she hadn't had a job in her career field since her previous employer went bankrupt 10 months before, and the possible loss of her unemployment benefits if Congress failed to extend them, which it eventually did.

"I'm reinventing myself," she said. "I've done it before and I'm doing it again."

The region is doing much the same thing — and real job growth, sizable enough to erase the sting of the recession, depends on success in that makeover.

The University of Rochester and Rochester Institute of Technology are vibrant institutions that are intent on moving the best of their academic and medical research into commercial ventures.

"I think UR and RIT are finding more ways than ever to work together," said state Assemblyman Joseph Morelle, D-Irondequoit. "We're at the end of the huge layoffs at Kodak and Xerox, I think. And businesses that were so enamored with computers and the Web realize now they need the sort of skilled engineers and managers we have here to make their business go."

University offshoots like iCardiac Technologies Inc. and VirtualScopics Inc. are carving out profitable niches in such areas as drug testing and medical

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private dollars to help emerging businesses in biomedicine, optics and alternative energy.

trials. A venture capital firm, Excell Partners, which was launched out of UR, Cornell University and the former Infotonics Center in Canandaigua, has over five years invested more than \$2 million in 21 startup firms.

Kent Gardner, CEO of the nonprofit think tank Center for Governmental Research, said the proper view of Rochester's job situation takes into consideration not only the 2007-09 recession but also the more gradual decline since 2000, when the work forces at **Eastman Kodak**, Xerox and Bausch + Lomb were still large, though layoffs had begun, and the dot-com boom hadn't yet gone bust.

The math backs up that analysis. Seen historically, a yearly chart of local employment resembles a classic bell graph: rising steadily until 2000 and then falling at a rate nearly equal to the rise. The recession and subsequent job loss hit boom towns like Phoenix and Denver like a thunderclap. But in Rochester, the recession simply worsened an already bad situation.

### Taxes hurt

This year may be when the region leaves the bottom behind. "We're showing stability," Gardner said. "I don't see real decline in the next year. For the past decade, there has been a slow, steady erosion. We're well-positioned on the technology side for growth over the long term. In the near term, I see the (federal) debt overhang restraining our ability to grow jobs. An awful lot of people are out of work and it will be hard to overcome that."

Mark Zupan, dean of the Simon Graduate School of Business at the University of Rochester, said he was "reasonably bullish" about reducing the jobless numbers in 2011.

"It's important that government gets its fiscal house in order," Zupan said. "The cumulative tax burden is a problem. It's hard to persuade a business to locate here with a tax situation like this."

Zupan said Rochester has a "huge upside" with its universities. "Just look at how Facebook or **Google** came about," he said. "We have brilliant business ideas on campus right now. The question is whether these entrepreneurs will get the support they need."

The trick, Zupan, Gardner and others said, is to build jobs in the traditional sectors that have shown promise — health and education, leisure and hospitality — while using targeted public and

It would help, too, if employment sectors hit hard by the recession show a turnaround this year. For instance, upstate lost 1,200 financial services jobs in the 12 months ending in November. Yet in December, the mortgage lending company Foundation Financial Group, which has offices in Atlanta, Jacksonville, Fla., and Savannah, Ga., announced it would open a **New York** processing center at 1 S. Washington St. in Rochester. The goal is to create 50 jobs.

"We were looking for a place where we could centralize our **Northeast** operations and we came to Rochester and loved it," said Senior Vice President Darren Ross.

### More optimism

One starting point for jobs, either retained or created, is an upbeat boss. The Rochester Business Alliance surveyed members during the fall and found generally positive feelings about 2011 — and feelings that were strikingly better than they were in May 2009, when the RBA had last done such a survey.

Among those optimistic about his company's jobs picture this year is Togo DeBellis, CEO of Badger Technologies in Farmington, Ontario County, which makes electronic accessories for military, medical and other uses. He said his company enjoyed 28 percent revenue growth in the past year and hired 46 people at the 13,000-square-foot plant. He expects to hire 30 to 50 more people this year.

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"We're very committed to upstate New York and to growing jobs here," DeBellis said. "Not so long ago, some of our customers were sending their work overseas. Now they're coming back here, and to us, because of quality."

DeBellis said he senses a shift in attitude away from offshore manufacturing. But hiring in 2010 didn't reflect that viewpoint. American corporations with multinational operations created 1.4 million jobs overseas in 2010 compared with 1 million domestically, according to an Economic Policy Institute report. If those jobs had been added to the American **work force**, the unemployment rate would now be almost a full percentage point lower.

The reasons for offshore hiring are many: low pay, scarce benefits, no union presence. Marketplaces today are global in scale and countries that used to import American business talent now are developing their own.

"I don't think companies should be hiring here because it is the American thing to do," Zupan said. "The way to create jobs locally is for these corporations to be profitable on a global scale."

### Taking risks

DeBellis said he works hard to hire locally. But state rules and regulations can throw up roadblocks.

"I hired a couple of homeless men but to do that triggers the state bureaucracy," he said. "The benefits that people can get from government for being out of work can discourage them from working."

Patrick Ho, owner of Rochester Optical, which is involved in both retail and commercial eyewear manufacturing and sales, said his company had double-digit growth in 2010 and expects to hire 10 to 20 more people at its Lyell Avenue plant.

"A lot of businesses are hunkering down when it comes to hiring," Ho said. "I'm a risk-taker. And it's worked for me."

Many businesses caught in the recession's grip, such as Rochester Lumber, found ways to slash costs other than lay off workers.

"We all went from a 40-hour week to a 32-hour week," said CEO Jerry Stahl. "And when I say 'all,' I mean me, too."

For the unemployed in the Rochester region, 2011 will look depressingly similar to 2010 until the ice breaks, the doors open, the clinching handshake is offered and the pleasing vistas of a new job, steady pay and a constructive life open wide once again.

"The recession has been heartbreaking for families with foreclosures, bankruptcies," DeBellis said. "If you believe in people, and are in a position to help them with a job, it's something you want to do."

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Caroline Gilbert of Penfield inspects a finished circuit board at Badger Technologies in Farmington, which is expanding. (SHAWN DOWD staff photographer)

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