

OUTLOOK

An Overview of Planning Issues in Herkimer and Oneida Counties

March ♦ 2002

SPECIAL EDITION

This special edition of Outlook was prepared in response to concerns about the current economic health of our area. While the specific focus here is on Oneida County and the role that transfer payments have in shaping, as well as being shaped by, our local economy, similar information is available concerning Herkimer County and should be forthcoming in a future edition of Outlook.

Understanding Oneida County's Personal Income, Per Capita Income, and Local Regional Economic Performance of the 1990s

by Dale Miller, Associate Planner, HOCCPP

Oneida County, like much of New York State, has experienced considerable changes since the 1990 Census. One area that concerns many policymakers is the degree to which our local economy has recovered from the devastating effects of the loss of Griffiss Air Force Base and the loss of many high paying jobs due to a number of manufacturers leaving the region. While these losses have had major impacts on working wages and the out-migration of various segments of our population, policymakers in the region have worked hard to "turn the bend" and get Oneida County moving toward recovery.

Recently a variety of information has been released concerning the personal income and per capita income of New York's

counties. Often policymakers and the media see these numbers as an indication of Oneida County's continuing struggle to right a sliding local economy. While there is no doubt that the County has a long ways to go to claim economic victory, it is important not to view the personal income data in a vacuum. This brief is an attempt at putting this data in a context which should allow for a fuller understanding of the significance of personal income and per capita income data recently released.

PERSONAL INCOME and PER CAPITA INCOME

So that the reader has a clear understanding of the terms being used here, it is important to define what is meant by personal income and per capita income.

Personal income is all income received by a person before deductions for taxes, but after deductions for Social Security and things such as retirement. There are three basic types of personal income:

- net labor and proprietors income (this is in essence wages and salary);
- property income (rent payments, interest and dividends); and
- transfer payments (these include retire-

ment earnings, as well as what has traditionally been referred to as entitlement programs, such as disability, unemployment, SSI, food stamps, etc.).

Per capita income is the total of personal income for a region or county, divided by that area's total population – including every man, woman and child, regardless of age, regardless of work status.

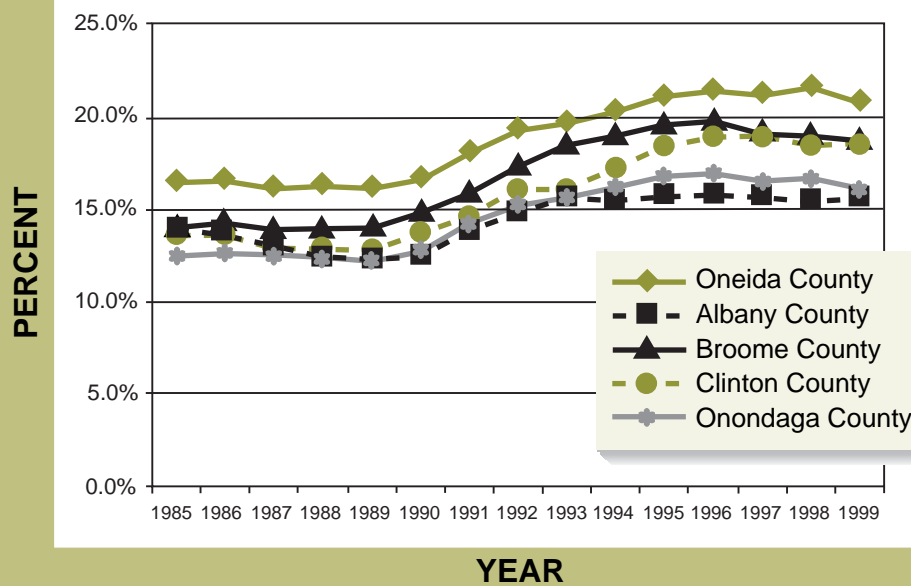
RECENT DATA

Recent data released through the United States Bureau of Economic Analysis (BEA) shows the per capita income of Oneida County as being \$23,910 for 1999. This lags considerably behind some comparative counties in the upstate region. Albany County, for example, has a per capita income level of more than \$32,000; Onondaga County's per capita income is about \$27,000. So in some "absolute" sense, Oneida County continues to trail other areas in terms of its overall per capita income figure.

However, it is important to also see how the region has performed relative to other counties. In terms of its over all ranking, Oneida County's per capita income ranks it as having the 27th best per capita figure in the State for 1999. So in a relative sense, it is doing better than more than half of the State's counties.

While there is no doubt that the County has a long ways to go to claim economic victory, it is important not to view the personal income data in a vacuum.

Transfer Payments as a Percent of Total Personal Income by County



It has also shown considerable recovery in the last half of the 1990s. In 1985, Oneida County ranked 28th out of all of New York State's counties in per capita income. By 1990, after suffering some major employment losses, the County had slipped to 29th. In 1995, Oneida County had fallen to 30th in terms of per capita income, largely due to the closing of GAFB as well as additional economic losses. As noted above, by 1999, Oneida County found itself jumping back up the rankings to 27th.

This represents a considerable recovery in the last 5 years of the decade. While

Since Oneida County has experienced both tough economic times and an increase in its average age, understanding Oneida County's transfer payments can help to understand its current economic recovery.

Oneida County has seen its per capita income grow over the last decade by more than 41%, two thirds of that growth came during the last half of the 1990s. This places Oneida County as having the 20th fastest growing per capita income figure in the state out of 62 counties.

What this suggests is that Oneida County has, in fact, begun to recover from some severe blows to its local economy that occurred over the last 10 to 15 years.

REGIONAL INCOME and TRANSFER PAYMENTS

As mentioned previously, personal income, and per capita income, are really derived from three different sources: labor and proprietor income; property income; and transfer payments. Of these three, one which has been suspected of having a considerable negative impact on local income figures is transfer payments.

Transfer payments, for the most part, are typically thought of as traditional "entitlement" programs. Disability payments, unemployment insurance payments, SSI, and food stamps are typical types of transfer

payments. Transfer payments in actuality are derived from three possible components:

- government payments to individuals (such as retirement, disability, medical, income maintenance, and veteran's benefits);
- government payments to non-profit businesses (which includes federal, state and local funds for foster care, and educational assistance); and
- business payments to individuals (largely these are personal injury payments by businesses to non-employees).

Remembering that transfer payments are one part of what makes up our total personal income (the other two being, in essence, wages/salary, plus rental income), one question to be answered is how transfer payments influence our total personal income and per capita income figures in Oneida County and other regions in the State.

Since most transfer payments are generally smaller sums (compared to wages, etc.), the greater the proportion that transfer payments make up of a region's overall personal income figure, the smaller the per capita income for that region is likely to be. In Oneida County transfer payments comprise about 21% of the personal income figure used to derive per capita income during 1999. This represents a jump of more than five percentage points since 1985.

Comparing Oneida County with several other counties, Oneida County has historically had a greater proportion of its personal income derived from transfer payments than have other areas. As the chart below suggests, when compared to Albany, Broome, Clinton, and Onondaga counties, Oneida County has a larger proportion of its personal income coming from transfer payments sources.

Given the inverse relationship of transfer payments and per capita income (i.e. counties with higher transfer payments as a proportion of personal income tend to have lower per capita income) it is not surprising to find that Oneida County's per capita income level is lower than almost all of these same counties.

Interestingly, transfer payments are generally indicative of one of two things. Sometimes transfer payments reflect the local economic conditions – the proportion of personal income derived from transfer payments increases for a county as a result of an

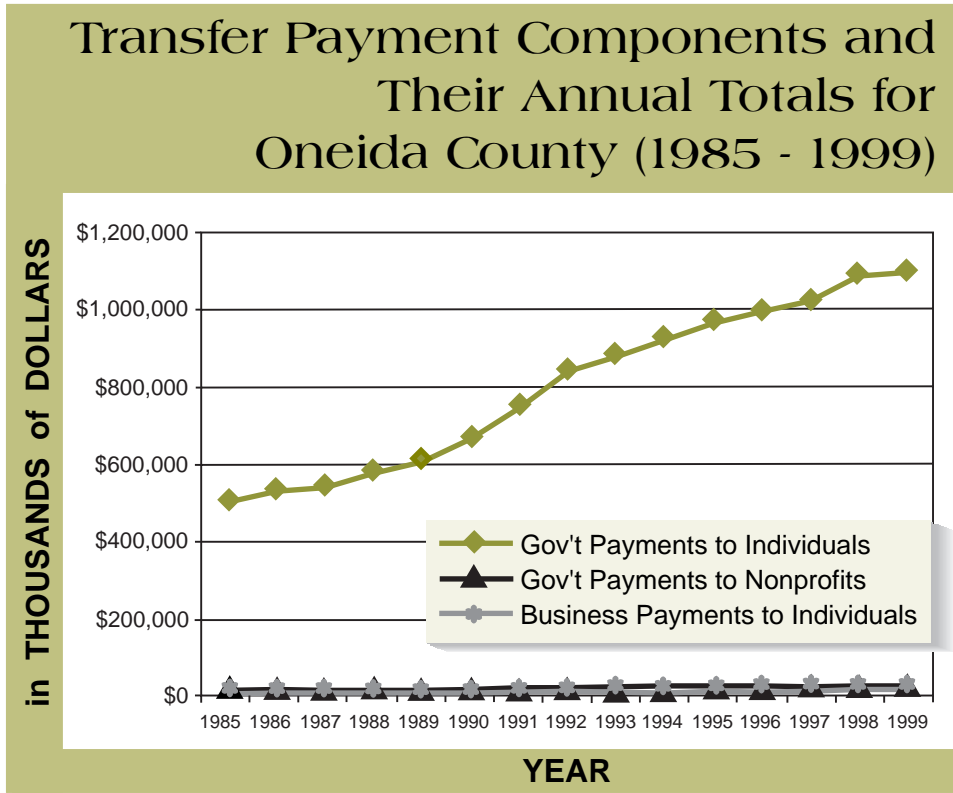
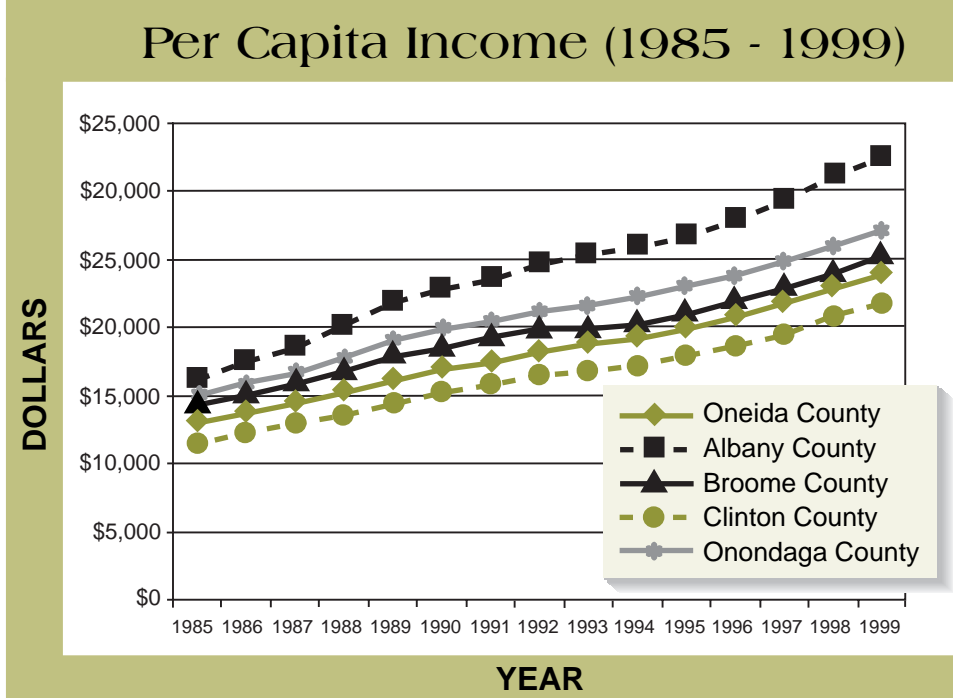
increase in the number people seeking out public assistance and relief programs due to difficult economic times. More unemployment claims, use of food stamps, etc., will cause transfer payments to be a larger proportion of a county's overall total personal income. On the other hand, transfer payments sometimes reflect the nature of a region's population – namely, as the local population ages, there is an increased likelihood of retirements and the use of disability benefits. In addition, of course, a poor economy also tends to promote out-migration of more traditional working class populations (e.g. 18 to 45 year olds). This decrease of younger wage and salary earners results in an increase in the impact of aging on personal income; the percentage of retired population increases not just because of the aging of the baby boom generation, but also because of an outflow of younger workers.

Since Oneida County has experienced both tough economic times and an increase in its average age (due to both the aging of the baby boom population as well as the out-migration of younger workers), understanding Oneida County's transfer payments can help to understand its current economic recovery.

COMPONENTS of TRANSFER PAYMENTS

Transfer payments are made up of three components – government payments to individuals, government payments to non-profits, and business payments to individuals. Of these three components, government payments to individuals is far and away the largest single component. Almost 96% of all transfer payments in Oneida County originated from government payments to individuals in 1999.

Percentage-wise, this is up slightly from 1990. On an absolute dollar basis, the costs of government payments to individuals has skyrocketed. Whereas nearly \$500 million dollars worth of government payments to individuals came to Oneida County citizens during 1985, by 1999 this figure had double to more than \$1 billion.



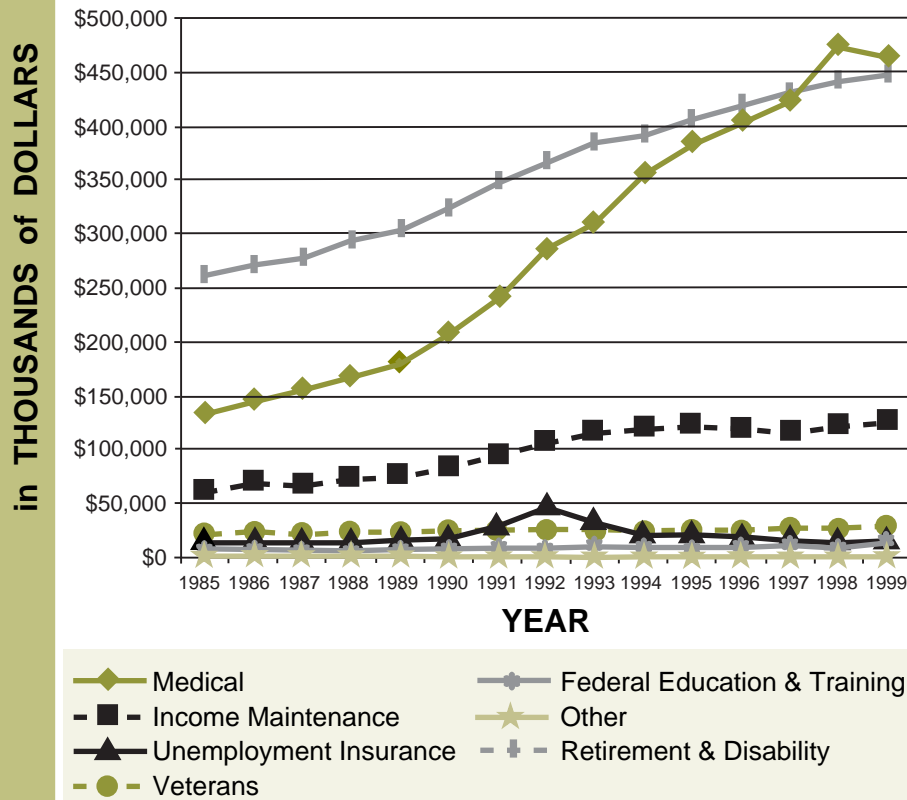
Given that government payments to individuals is the largest portion of transfer payments, the focus becomes what is there about these payments that has contributed to this huge increase over the last 15 years.

As mentioned earlier, government payments to individuals are comprised of several sources. These include retirement and

disability, medical payments, income maintenance, unemployment, veterans benefits, and others. Two types of payments make up most of government payments to individuals, as seen in the chart below.

While income maintenance payments have increased somewhat steadily for Oneida County over the period, and unemployment

Government Transfer Payments to Individuals in Oneida County (1985 - 1999)



payments spiked around 1992, clearly retirement/disability payments and medical benefit payments have had the greatest impact on transfer payments in the County. Retirement/disability payments have risen considerably in the last 15 years, but not nearly as dramatically as medical payments. While retirement/disability payments have risen some 70% since 1985, medical payments have leapt by more than 250% over the same time frame.

Oneida County's growth in its retirement/disability component of transfer payments has been similar, but somewhat smaller, than comparative counties. While Oneida County has seen these payments to individuals grow by about 71% in the last 15 years, other counties have seen their retirement/disability payments grow even more dramatically, as seen below.

In comparison, Oneida County's medical transfer payments have outpaced most comparative counties. While other counties such as Broome (209%), Albany (223%), and Onondaga (230%) have experienced huge jumps in their medical transfer payment costs, Oneida County has seen its costs balloon to about 250%.

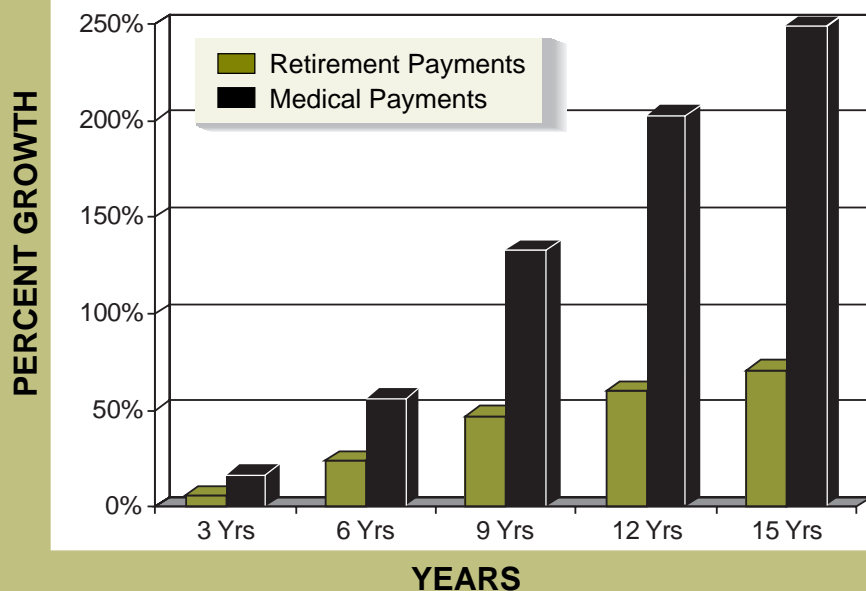
THE IMPACT of TRANSFER PAYMENTS in ONEIDA COUNTY

While the data available for analysis isn't complete enough to assess a true monetary impact of transfer payments on Oneida County's local economic numbers, several impacts are still clear.

First, the data suggest that Oneida County has a considerably greater proportion (21% in 1999) of its total personal income being derived from transfer payments than do many other counties. Oneida County remains in the top third among NYS counties in terms of the percentage of its personal income based in transfer payments. This means more of Oneida County's local economy, and personal income figures, are based on "entitlement" types of programs than are many other counties.

Oneida County's percentage of personal income derived from transfer pay-

Retirement and Medical Transfer Payment Growth in Oneida County Over 15 Year Period (1985 - 1999)



ments has also been increasing in the last 15 years. It has climbed from about 16% to about 21%. This increase is probably a function of both the aging of the local population as well as the economic difficulties with which the region has had to deal. This suggests that, while the County not only has had a larger proportion of its personal income based on transfer payment programs, the percentage is growing.

The growth specifically of government payments to individuals, as a component of transfer payments, has been dramatic since 1985. These payments have far out-stripped any growth in payments to non-profits or business payments components of transfer payments.

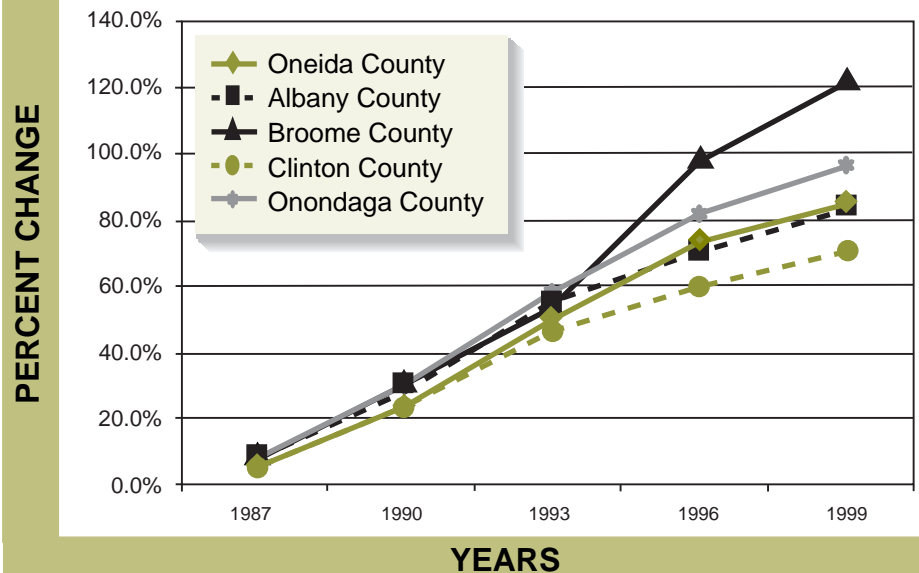
Of particular concern is the huge leap that medical payments have had in terms of

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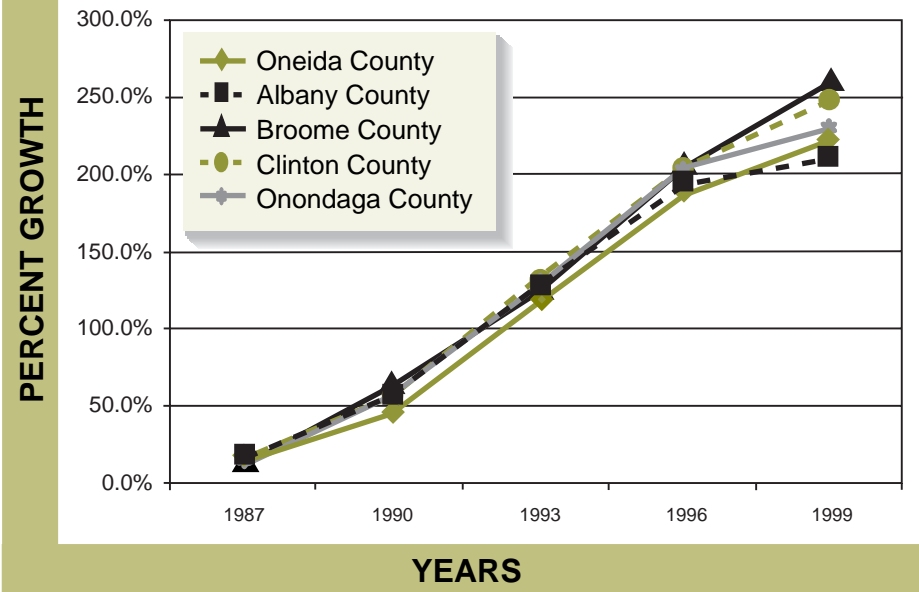
government payments to individuals. While the retirement/disability payment portion of government payments to individuals has grown considerably, medical payments, as a proportion of this type of transfer payment has more than doubled and overtaken retirement/disability as the major form of transfer payment with in Oneida County. This suggests that programs such as Medicaid and Medicare are burgeoning and are having a quickly increasing influence on local economic numbers.

Despite these facts and the growing impact of transfer payments on Oneida County, the County has made some recovery, especially in the latter half of the 1990s. While Oneida County still has a long ways to go, it has shown resilience. Its over all per capita income level is better than most other counties within the State. In addition, its growth in per capita income has been con-

Comparisons of Retirement/ Disability Transfer Payment Costs (1985 - 1999)



Percentage Growth in Medical Transfer Payments Costs Since 1985



siderably stronger in the last five years. More than two thirds of its per capita income growth during the 1990s has been since 1995.

What all of these numbers suggest is that Oneida County has seen considerable economic recovery in the last half of the past

decade. This is not to say that there isn't room for increased growth or that regionally we have completed our recovery. Clearly there is a long ways to go economically.

Rather, it is to say that increasing transfer payments to the region have had the effect of "depressing" local per capita and

personal income figures in a way which might mask an otherwise recovering economy.

While there is no ready made “solution” to this type of issue (after all, to the degree this is due to aging of the population, for example, that is a variable beyond any policymaker’s control), certainly understanding the role of transfer payments as they impact upon the region is important.

It’s necessary to look beyond the more common measures of a region’s economic health. Recognizing how factors such as transfer payments may lower the region’s


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per capita income and other measures of the “average” economic pulse of the region, can allow a more accurate perception of the

region’s economic vitality to become apparent. ♦

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