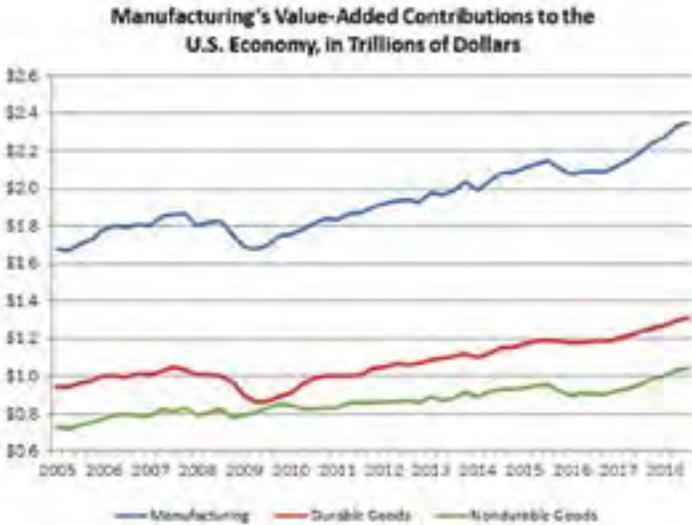


# BRIEFS

## Manufacturers Produced an All-time High in the Third Quarter

Manufacturers produced \$2.35 trillion in value-added output in the third quarter, an all-time high, with the sector accounting for 11.4 percent of real GDP. Adjusting for inflation (in chained 2012



dollars), real value-added output in manufacturing also set a new record, and overall, manufacturing contributed 0.31 percentage points to real GDP growth in the quarter.

## NY Fed Survey: Job Openings Taking Longer to Fill; Minimum Wage Hike Affecting Manufacturers

Supplemental questions in the February 2019 Empire State Manufacturing Survey and Business Leaders Survey focused on staffing and compensation issues, including effects of the recent minimum wage hike in New York. Firms were queried about the extent of their hiring, the degree of difficulty they encountered in filling job openings, and their expectations for wage and salary growth.

When asked how long, on average, it had taken to fill job openings over the preceding twelve months (mostly 2018), the median manufacturing respondent said thirty days. When asked how these intervals compared with their experience in 2017, 59 percent of manufacturers reported that the duration of job vacancies had increased and almost no manufacturers reported a shorter duration. Businesses were also asked how many job openings they had at the time of the survey: the median figure for job openings as a share of the workforce was 2.7 percent among manufacturers—about the same as in last February’s survey but up sharply from 1.0 percent in the 2017 survey.

Respondents with operations in New York were asked how much

of an effect, if any, the recent increase in the state’s minimum wage had on their decisions about compensation and employment. [A parallel question was asked in April 2018, following the previous minimum wage hike.] Among manufacturers, 36 percent indicated no effect—about the same proportion as in early 2018—while 22 percent noted a significant effect (up from 17 percent).

## NAM Outlook Survey: Optimism Continues for Manufacturers

Manufacturers in America remain upbeat about the economy, according to the NAM Q1 2019 Manufacturers’ Outlook Survey—the latest edition of a survey routinely cited by the administration, Congress and the media. This quarter’s survey continues to show record optimism among manufacturers. Some of the numbers:

- 89.5 percent of manufacturers were optimistic about the future, compared to 88.7 in the last quarter in 2018.
- Manufacturers’ concerns about our nation’s crumbling infrastructure keep rising, with more than 77 percent saying the state of infrastructure threatens their competitiveness.
- The inability to attract and retain a quality workforce remained manufacturers’ top business concern (71.3 percent). The workforce shortage has forced more than one in four manufacturers surveyed to turn down new business opportunities.

**71.3% OF MANUFACTURERS CITE INABILITY TO ATTRACT SKILLED WORKERS AS THEIR TOP CHALLENGE.**

## ENERGY

### Con Edison Imposes Gas Moratorium in Westchester County

Con Edison has officially imposed a moratorium on new firm service in southern Westchester, something it has been warning state policymakers would happen for months. The gas utility will stop accepting applications for new service on March 15. The moratorium applies to communities in the county south of Bedford, Mount Kisco and New Castle.

The moratorium is the result of high gas demand on the coldest winter days and the limited pipeline capacity in the area. While Con Edison proposed non-pipeline alternatives in an attempt to avoid blocking new gas hookups, the proposals were ultimately not enough to alleviate the need for a new pipeline.

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The Cuomo administration has rejected permits for most new gas pipeline projects in recent years, leading to pipeline developers shying away from proposing projects in the state. Environmental advocates are pressuring Cuomo to reject all new gas infrastructure, including a pipeline National Grid says is needed to avoid its own moratoriums on Long Island and in the city.

### What's in Store for U.S. Energy in 2019

Direct Energy Business President John Schultz recently discussed the what they see are the main trends for energy costs in 2019. Here's the good news: wholesale energy prices are actually quite low. The bad news? Energy consumers watched their costs increase throughout 2018, and can expect that trend to continue. So why don't the numbers add up?

In theory, low wholesale prices translate into lower prices for consumers. But in reality, the cost to consumers has actually risen about 8 percent. Here's why:

#### Subsidies

Government subsidies make some sources of energy financially possible. When there is a federal agenda to support a sector of the industry or a specific energy source (be it wind, nuclear, coal, etc.), the government often offers financial backing in the form of subsidies, to both stimulate development, as well as to stabilize it for the long term. The cost of these subsidies ultimately gets passed on to the consumer in non-energy portions of the bill. So while subsidies don't affect the price of energy per se, they do factor in to the bottom line.

#### Transmission, Distribution, Reliability & Capacity

Also included in the non-energy portions of the bill are costs like transmission, distribution, reliability, and capacity. These costs are on the rise, and quite significantly so, in large part due to the abysmal state of energy infrastructure. Utilities are investing around \$70 billion annually in transmission & distribution infrastructure, and in many states, utilities are legally allowed to recoup (in some cases with interest) this investment by bundling it into your bill.

While the same math will likely hold true for 2019, some suppliers do offer innovative products to help consumers regain control over expenses.

### TRADE

#### Congress Debating New USMCA Trade agreement

Four months after sealing a new trade deal with Mexico and Canada, President Trump is now attempting to win over Congress.

The fate of the US Mexico Canada Trade Agreement, or USMCA, is now up to three countries' legislatures. The US Congress is expected to vote on the package next, but legislators are already saying they want to make substantial changes to the deal. Ohio Democratic Senator Sherrod Brown says he's ready to make changes to the deal once Congress gets its hands on it. "If it were agreed to, you would see more jobs leaving the United States for Mexico. You've got to raise wages in both countries and then

you have real legitimate trade back and forth.”

Congress is expected to vote on the package next month after the International Trade Commission completes its analysis, once that happens Congress has 90 legislative days to make a decision.



Legislators in all three countries must approve the USMCA, or else, NAFTA remains in place. And, President Trump has repeatedly threatened to withdraw from NAFTA

## U.S. and China Are Near a Trade Deal to Drop Tariffs

WASHINGTON — the New York Times reports that the Trump administration is close to a trade deal with China that would roll back tariffs on both sides of the Pacific but may do little to achieve the substantive changes to China’s economy that the United States initially set out to win, people with knowledge of the talks said.

Significant details remain unsettled and the deal is still being discussed but so far, the two sides have agreed on a pact that would largely require Beijing to make big purchases of American agricultural and energy goods and to lower some barriers that prevent American companies from operating in China. In return, the United States would most likely drop its tariffs on at least \$200 billion of the \$250 billion worth of Chinese imports currently subject to American levies.

The agreement under discussion would expand markets for American financial services firms and farmers, in part by requiring that China buy large amounts of energy and farm goods, like liquid natural gas and soybeans. But, early details indicate it would do little to substantively change the way China has long done business and would not force Beijing to curtail cyber theft or the subsidies that the administration complains create an uneven playing field for American companies.

## LABOR AND EMPLOYMENT

Jackson Lewis reports that the New York State Legislature gavelled in for the 2019-2020 Legislative Session on January 9, 2019. As expected progressive legislation traditionally stalled in a Republican-controlled Senate has been given new life. For example, the Gender Expression Non-Discrimination Act (GENDA) was quickly passed by the Legislature. Below are some items which have either already passed legislatively or are included in the Executive Budget Proposal and expected to become law.

**GENDA** Governor Andrew Cuomo signed the Gender Expression Non-Discrimination Act into law. GENDA prohibits discrimination based on gender identity or expression and includes such offenses under the hate crimes statute.

### **Discrimination based on Reproductive Health Decision**

Both houses of the Legislature passed legislation that would prohibit employment discrimination based on an employee’s or an employee’s dependent’s reproductive health decisions. The legislation creates a civil cause of action against employers alleged to violate the law, requires employers to include remedies provided under the law in their handbooks, and prescribes remedies, including liquidated damages, for relief. The bill has not yet been delivered to the Governor.

### **Policies in Governor’s FY 2020 Executive Budget Proposal** (at press not yet finalized)

The Governor’s FY 2020 New York State Executive Budget Proposal includes many ideas that would affect employers.

### **Equal Pay; Salary History Ban**

The Governor’s Executive Budget Proposal would amend the Human Rights Law to prohibit employers from inquiring about salary history or using salary history information as a factor in determining whether to offer employment to an individual. The Executive Budget Proposal would further amend the Labor Law to require that members of a protected class receive “equal pay for equal work” in both the public and private sectors.



### **Workplace Harassment Protections**

The Governor's Executive Budget Proposal advances language to increase protections against workplace harassment by eliminating the restriction that the harassment be "severe or pervasive." The proposal also would amend the General Obligations Law to mandate that all pre-dispute non-disclosure provisions in an employment agreement allow the filing of a civil complaint. It would further require employers to conspicuously post a sexual harassment educational poster in the workplace.

### **Unemployment Benefits, Penalties**

The Governor's Executive Budget Proposal intends to minimize the financial impact on Unemployment Insurance (UI) claimants who work part-time while they seek full-time employment. Among other things, the proposal would permit a claimant who is partially unemployed and eligible for UI benefits to be paid a reduced benefit amount based upon the difference between the weekly benefit rate, if totally unemployed. And, two-thirds of total remuneration of any nature payable to the claimant for services of any kind during



such week. In addition, the proposal would amend section 594 of the Labor Law ("Reduction and recovery of benefits and penalties for willful false statement") to eliminate forfeit day penalties and to increase the monetary penalties.

### **Extend Workers with Disability Tax Credit**

The Executive Budget Proposal would extend for three years the credits for qualified employers, including for-profit businesses, that employ individuals with developmental disabilities.

### **Employer Recovery Hiring Tax Credit**

The Governor proposed the creation of an "Employer Recovery Hiring Tax Credit," a credit of up to \$2,000 per employee in drug abuse recovery that a business employs.

### **Workers' Compensation Reform**

The Governor's Executive Budget Proposal would permit the New York State Insurance Fund (SIF) to cancel a workers' compensation policy based on the policyholder's failure to cooperate with a payroll audit. Prior to cancellation, the SIF would be required to provide policyholders with 45 days' notice, aiming to pressure policyholders to act to avoid losing coverage.

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