

MASSACHUSETTS BENCHMARKS

The quarterly
review of
economic
news &
insight

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- Economic Currents
- Massachusetts Current and Leading Indices
- Left Behind: The Persistence of Poverty Through the 1990s
- Surviving the Slide in the Northeast Region
- A Look at Layoffs

A PUBLICATION OF
THE UNIVERSITY
OF MASSACHUSETTS

IN COOPERATION WITH
THE FEDERAL RESERVE
BANK OF BOSTON





Massachusetts Benchmarks Editorial Policy

Massachusetts Benchmarks is a quarterly journal published by the University of Massachusetts in cooperation with the Federal Reserve Bank of Boston. It presents timely information concerning the performance of the Massachusetts economy, including periodic economic analysis of major geographic regions within the Commonwealth and an array of key industries that make up the economic base of the state. The journal provides commentary and interpretation of economic data aimed at business leaders, public policymakers, educational organizations, and the general public.

The editors of *Massachusetts Benchmarks* invite articles on topics of current interest from researchers on various aspects of the state economy, regional economic development, and key growth industries. The editors also welcome queries from academic or professional economists for future issues of the journal. Please send queries to Carolyn Dash Mailler at cmailler@donahue.umassp.edu with a brief biography and topical outline. Authors considered for *Massachusetts Benchmarks* will be furnished with writers' guidelines.

All submissions are subject to rigorous review by the Editorial Board or other referees. Manuscripts of accepted articles are expected to adhere to the guidelines. Final publication decision rests exclusively with the editors.

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The State of the State Economy**

Alan Clayton-Matthews

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This and past issues of *Massachusetts Benchmarks*, along with information about the Benchmarks Project, can be found on the Web at www.massbenchmarks.org.



PRESIDENT'S LETTER

Our world changed on the morning of the eleventh of September. Our Commonwealth and our nation have undergone a profound alteration. Its ramifications cannot be appreciated in any clear fashion at this time. In general terms, however, we share the prevailing confidence in the strength and resolve of this Commonwealth and the nation's economy.

Since its first issue was published in 1997, *Massachusetts Benchmarks* has provided timely, high-quality information on the Massachusetts economy. This current issue was fully written and prepared for the press before the events of September 11. The articles on the following pages do, however, contain fundamental truths about our economic lives, thanks to the thoughtful and skillful analyses of our authors.



In *Economic Currents*, UMass Boston Professor Alan Clayton-Matthews reports that while the outlook for the statewide economy suggests continued but slow growth, declines in our manufacturing sector may have serious consequences for the rest of our economy.

Professors Randy Albelda and Donna Haig Friedman of UMass Boston present clear evidence that while our growing economy has been accompanied by escalating incomes for a majority of Massachusetts families, our poorest families have seen their incomes decline.

In our regional profile, UMass Lowell Professor Robert Forrant describes current conditions in northeastern Massachusetts, the Commonwealth's leading manufacturing region. While the full effect of recent layoffs by a number of the region's major employers is not yet known, there is cause for concern. The relatively high wages paid by manufacturing, particularly high-tech manufacturing, have helped residents keep pace with a rising cost of living. If the downward trend continues, it will become increasingly difficult for many to keep up.

Each of these reports needs to be considered in a new context, as does the Commonwealth's future economic policies.

In 1993, with the support of the University of Massachusetts, the Commonwealth released "Choosing to Compete," a statewide economic development strategy that charted a course for the state's recovery from the recession of the early 1990s. Today, the Commonwealth prepares to develop an economic strategy for the twenty-first century within a new paradigm that is just beginning to take shape.

The University will once again provide the Commonwealth with world-class research support and technical assistance. It is our sincere hope that this effort will assist policymakers throughout the Commonwealth in establishing a plan that will ensure future prosperity.

William M. Bulger
President
University of Massachusetts

E X C E R P T S

F R O M T H E B O A R D

Note: This space is normally occupied by a summary of the Benchmarks Editorial Board's quarterly meeting. In its place, the following summarizes the Board's assessment of the economy following the events of September 11. All other articles in this edition were completed before September 11 and remain unchanged.

The editorial board of *Benchmarks* joins with all Americans and people across the world in condemning the deplorable acts of terrorism of September 11, and we express our support and sympathy to all those affected.

While the risk of a recession has increased, the economy retains its fundamental strength. The Federal Reserve moved quickly to ensure liquidity, and the federal government has authorized the first major expenditures for disaster relief and rebuilding. Though intended to deal with the disaster and support the stability of financial markets, these actions should provide some stimulus to what was a lackluster economy flirting with recession. On the other hand, more risk and uncertainty in the short run is cause for concern and contributes to a significantly higher probability of a recession. There is strong evidence that when consumers feel proximity to peril, they rein in their spending, thus weakening the sector of the economy—consumer expenditure—that has been sustaining us during the recent slowdown.

Business investment has been affected by a new set of risks and uncertainties. The initial reaction of the American stock market upon reopening supports this view, as the market dropped sharply. Over time, especially if investors gain a sense that the United States is capable of dealing effectively with the threat of terrorism, we expect the stock market to stabilize and eventually return to valuations based on sound financial analysis. The key issue is when uncertainty about the future will begin to dissipate and be replaced with a growing sense of normalcy.

In many ways, the nation ground to a halt for the hours and days following the attack; ratcheting the economy back up is going to take some time. In the interim, productivity will suffer, especially for those firms and sectors with ties to Lower Manhattan.

In the past century, the nation has sustained progress through four wars, a 10-year depression, and the assassinations of two presidents. As painful as the events of last week are, we will sustain progress through them as well.

Submitted September 19, 2001

Economic Currents

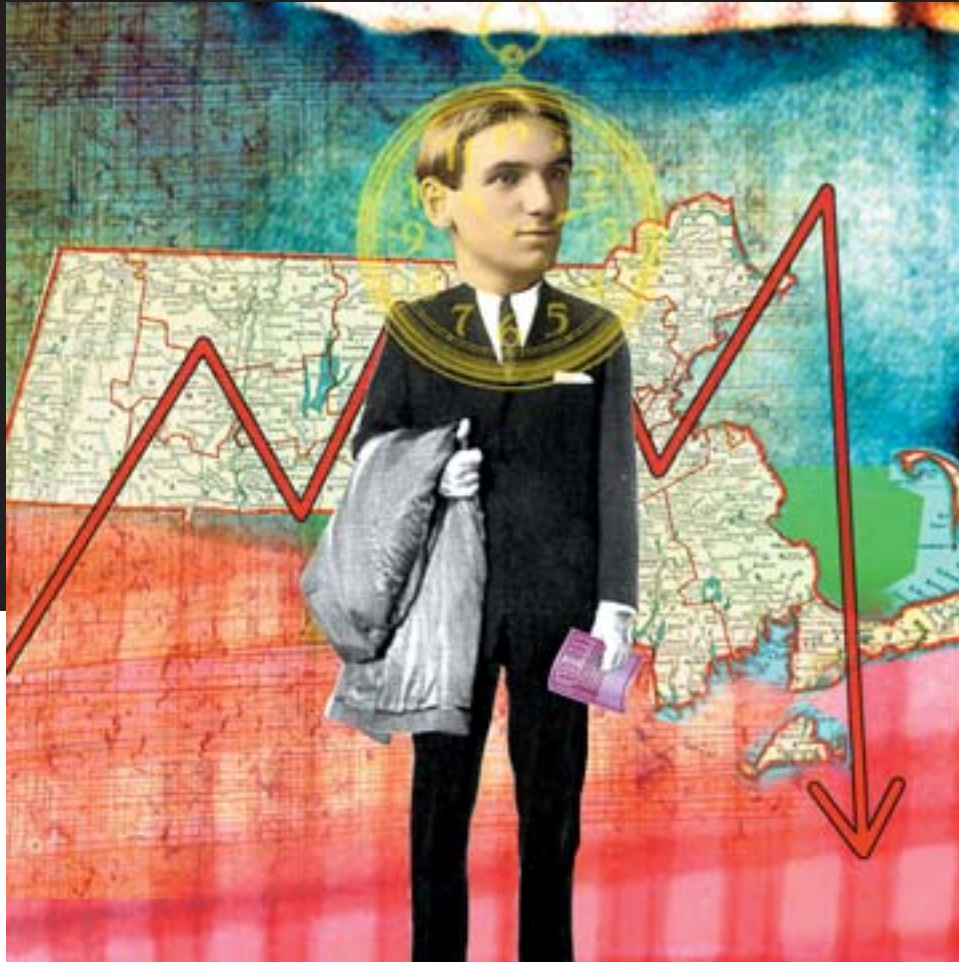


ILLUSTRATION: NAOMI SHEA

ALAN CLAYTON-MATTHEWS

Aggregate economic activity in Massachusetts during the first half of the year slowed to a halt, with declines in manufacturing offset by continued expansion in the rest of the economy. The Massachusetts economy appears to be weaker than that of the nation and may even have contracted during the second quarter.

The state is being hit hard by the fall in national and worldwide demand for computers and other information technology products, especially semiconductors and telecommunications equipment. Significant income losses have resulted from the disappearance of thousands of relatively high paying manufacturing jobs. Employees have also seen

lower bonuses and realized stock options associated with falling corporate profits and declines in stock markets relative to the prior year. Consumer spending has been restrained, and with the exception of a strong second quarter in automobile purchases, sales of taxable goods in recent quarters have not kept up with the rate of consumer price inflation.

Countervailing segments supporting the economy include construction, residential real estate, finance, and most services. The outlook for the second half of this year is for continued weakness, with very slow growth at best. A moderate decline in output and employment is more probable than not.

The Current and Leading Economic Indices for Massachusetts

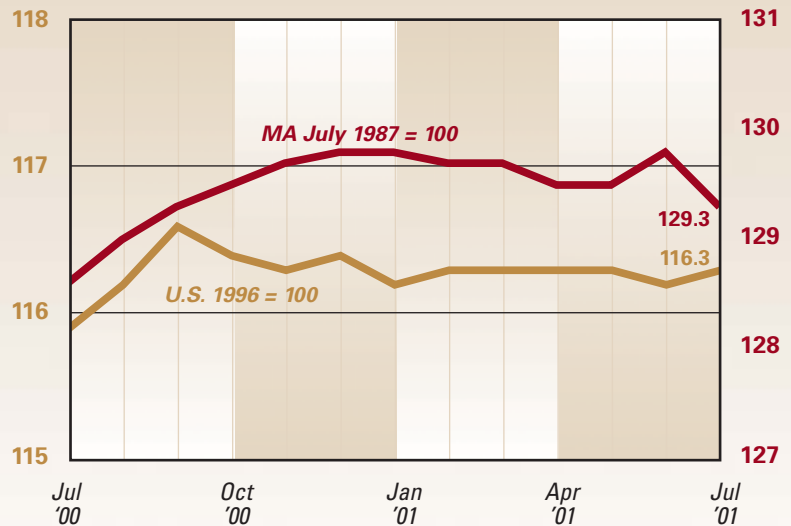
The Massachusetts Current Economic Index for July was 129.3, down 0.5 percent from June (at annual rates) and up 0.6 percent from July of last year. The current index is normalized to 100 in July 1987 and is calibrated to grow at the same rate as the Massachusetts real gross state product over the 1978–1997 period.

The Massachusetts Leading Economic Index for July was -0.7 percent, and the three-month average for May through July was 0.0 percent. The leading index is a forecast of the growth in the current index over the next six months, expressed at an annual rate. Thus, it indicates that the economy is expected to contract at an annual rate of 0.7 percent over the next six months. Because of monthly fluctuations on which the index is based, the three-month average of 0.0 percent, which indicates a stalled economy, may be a more reliable indicator of near-term growth.

Massachusetts is suffering from the national and worldwide decline in investment spending for technology products. Producers of semiconductors and semiconductor equipment, communications equipment, and other suppliers of business investment and related services have cut their workforces or announced layoffs. Unemployment is increasing, payroll employment declined in July, and tax-based measures of real (inflation-adjusted) statewide labor earnings have declined in recent months. The trend in recent sales tax revenues is flat to declining, suggesting that consumer spending in Massachusetts is weakening. Strength or stability in several sectors, including construction, residential real estate, finance, hospitals, education, and management and consulting services, have kept the economy from slipping into a full-blown recession.

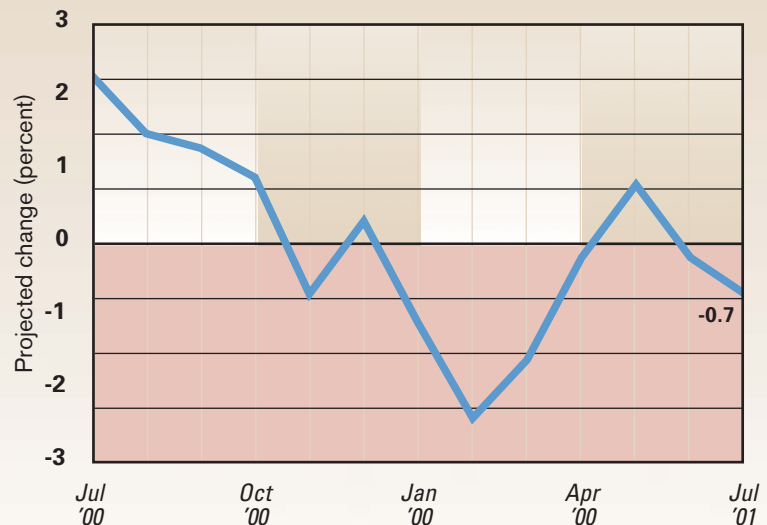
Current Economic Index United States and Massachusetts

The U.S. Current Economic Index is measured on the left vertical axis; the Massachusetts Current Economic Index is measured on the right.



Massachusetts Leading Economic Index

The leading index is the annualized, six-month projected change in the Massachusetts Current Economic Index.



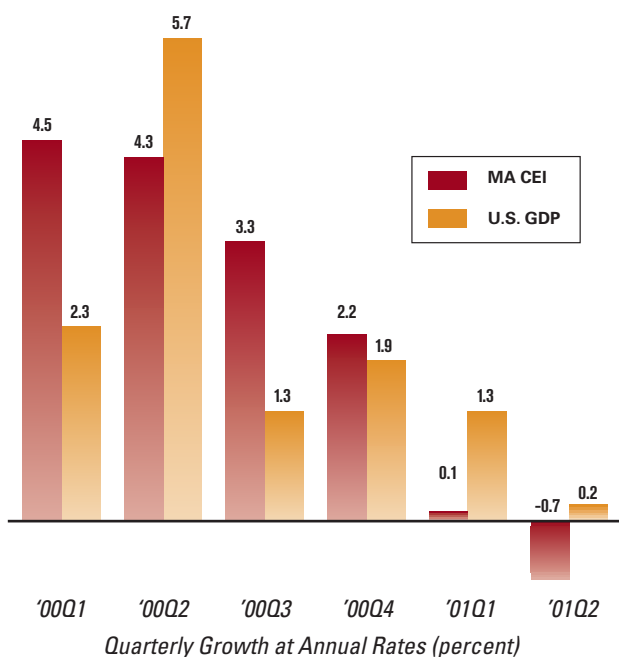
Sources: The Conference Board; University of Massachusetts; Federal Reserve Bank of Boston

2001: The End of the Expansion?

The Massachusetts Current Economic Index, a proxy for real state gross product, grew at a meager 0.1 percent annual rate in the first quarter and declined at a 0.7 percent annual rate in the second quarter. U.S. real gross domestic product (GDP), the analogous measure of economic output for the nation, grew at higher annual rates of 1.3 percent in the first quarter and 0.2 percent in the second quarter.

Massachusetts vs. U.S. Growth

Massachusetts grew more slowly than the nation in the second quarter of 2001.



Sources: U.S. Bureau of Economic Analysis; author's calculations

All four indicators that comprise the current economic index—payroll employment, withholding taxes, sales taxes, and the unemployment rate—contributed to a below-trend rate of growth. In real terms, the tax bases estimated to underlie these revenues have declined over the 12 months ending in August. The unemployment rate in July, at 3.8 percent, was still low relative to its long-term history, but it had risen by 1.5 percentage points from its all-time low of 2.3 percent in December.

The Massachusetts Leading Economic Index, composed of the four coincident indicators of the current index plus six indicators that lead the current index, is projecting that the economy (real Massachusetts gross state product) will decline at a 0.7 percent annual rate from July through January. The weakness in the six leading indicators is concentrated in initial unemployment claims and stock prices. Initial unemployment claims rose sharply in the first seven

Initial Monthly Unemployment Claims, MA



Source: Division of Employment and Training, seasonally adjusted by the author

months of this year, and the Bloomberg stock index has exhibited a declining trend since early June, falling by 12.7 percent from June 8 to September 5.

Not all the news is bad. Consumer confidence for New England is holding steady at historically strong levels and actually bucked the national index by increasing in August from its July level. Construction employment is still increasing at about long-term trend rates of growth, supported by both residential construction and heavy construction projects, such as the Big Dig. It is also important to realize that forecasts of future economic growth are not certain. The standard error of the leading index is roughly one percentage point of growth, so it is very possible that growth could resume before the year ends.

A Manufacturing Recession

Manufacturing is in a recession in Massachusetts, the nation as a whole, and many other countries as well—especially for our trading partners in East Asia (with the exception of China). The source is a sharp decline in business investment in computers, communications equipment, and related information technology equipment and services. U.S. investment in information processing equipment and software has completely turned around from double-digit growth—an annual rate of 18.0 percent (in nominal terms) in the second quarter of 2000—to double-digit decline—at annualized rates of 19.8 percent in the first quarter of 2001 and 23.1 percent in the second quarter.

The cause of this reversal was a frenzy of what is now viewed as over-investment in such goods at the end of the 1990s and in early 2000, and the subsequent adjustment period that we are now in. This is also partly the cause and

the effect of the bubble in technology stocks, its bursting, and the recent doldrums. Falling corporate profits have exacerbated the fall in demand, as capital expenditures and workers are victims of cost containment.

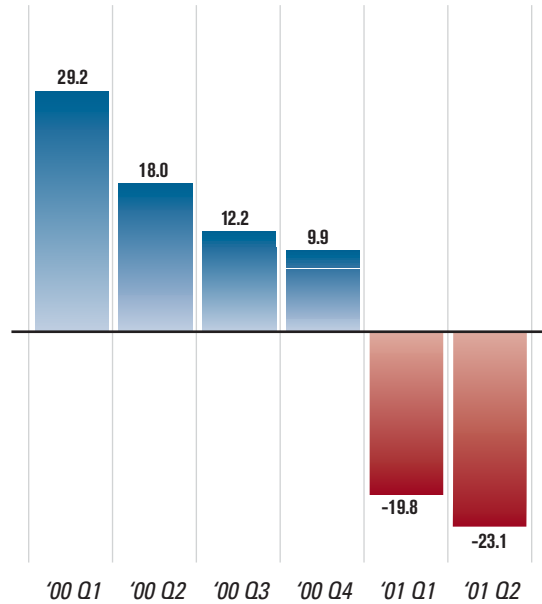
The manufacturing sector most closely aligned with these products in the new North American Industrial Classification System (NAICS) is computers and electronic products. According to the Census Bureau's survey of shipments, orders, and inventories for the United States, shipments in computers and electronic products in the first half of 2001 were 23.3 percent below those in the second half of 2000; new orders in the first half of 2001 were 32.3 percent below those in the second half of 2000; and inventories, though declining in the second quarter of this year, still grew by 5.7 percent in the first half of 2001 relative to the second half of 2000.

These national trends in computers and electronic products have impacted Massachusetts disproportionately, as the Commonwealth is 2.5 times as concentrated in the production of these products as is the nation as a whole. (According to the 1997 Census of Manufactures, this industry employed 105,506 in Massachusetts, or 3.4 percent of all payroll jobs, while nationally it employed 1,696,742, or 1.4 percent of all payroll jobs. This gives a relative concentration in Massachusetts of 2.5:1.)

Production and employment in almost all broad manufacturing sectors in Massachusetts and the nation are in decline, albeit to a lesser degree than in computers and electronic products. Exceptions include food, printing and publishing, and sectors supply-

U.S. Investment in Information-Processing Equipment and Software

Data show nominal growth from prior quarter at an annualized percentage rate.



Sources: U.S. Bureau of Economic Analysis; NIPA accounts

ing the oil industry. In part, this is because firms in some industries (e.g., metal fabrication and plastics) supply computers and electronic products. It is also due to a general decline in all types of business investment, as well as a slowdown in consumer purchases of manufactured products.

Massachusetts lost 12,900 manufacturing jobs between December and July, which amounts to 2.9 percent of manufacturing payroll employment. This is the third major decline in manufacturing employment since the mid-1980s. To put this episode in perspective, the most recent prior decline in manufacturing, which began in February 1998 in response to the "Asian Crisis,"

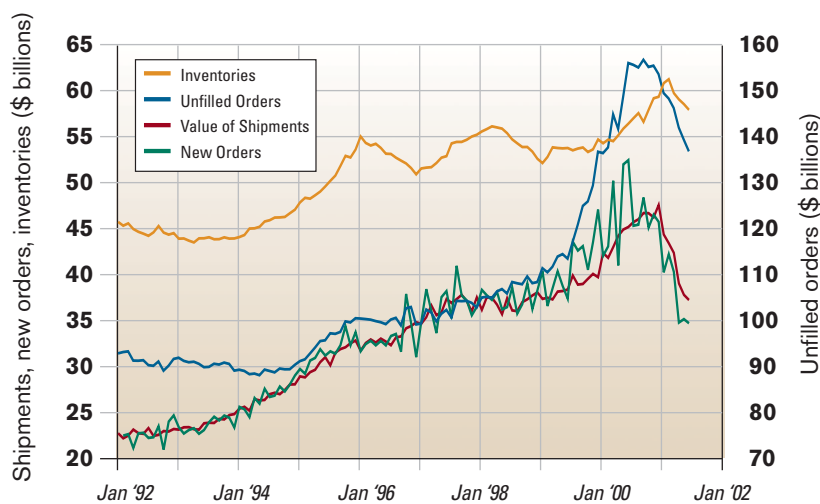
Wage Income and Consumption Spending Are Weak

The information technology sector in Massachusetts in the late 1990s was associated with high-paid manufacturing jobs; even higher-paid management, engineering, and professional jobs; and associated bonuses and stock options. Wage-

rate growth for Massachusetts workers (the wage rate measures used here include bonuses and the value of realized stock options), which trended slowly upward along with the nation through 1997, began to accelerate rapidly in 1998. By the second half of 1999, it was growing at over 10 percent per year.

For the most part, these aggregate gains appear to have been

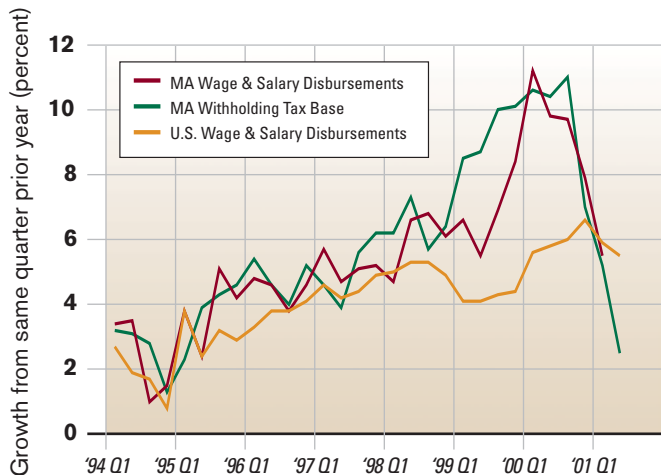
Computers and Electronic Products, United States



Source: The Conference Board

Growth in Nominal Wages Per Worker

The rapid decline in wage growth seen in Massachusetts in the first quarter of 2001 has continued in the second quarter, an indication that labor supply bottlenecks continue to disappear.



Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; MA Department of Revenue; author's calculations

garnered by a relatively small minority of skilled and professional workers. Included are those in information technology and medical sciences and the top ranks of employees in sectors that traditionally include bonuses as a significant part of compensation: finance, law, management consulting, and medical services. After the Nasdaq bubble burst in March 2000, and with the subsequent failures of dot-com companies, sharp declines in output of technology products, and widespread declines in corporate profits, these highly concentrated gains appear to have diminished dramatically. As a result, aggregate wage-rate growth has sharply decelerated. In the second quarter of this year, average wages per worker are estimated to be only 2.4 percent greater than they were a year earlier. (These wage rates are estimated as total wages and salaries as drawn from state withholding taxes, divided by payroll employment.) Earnings per worker actually declined in the second quarter, which is consistent with job losses concentrated among manufacturing workers (who are better paid, on average, than non-manufacturing workers) and less compensation from realized stock options.

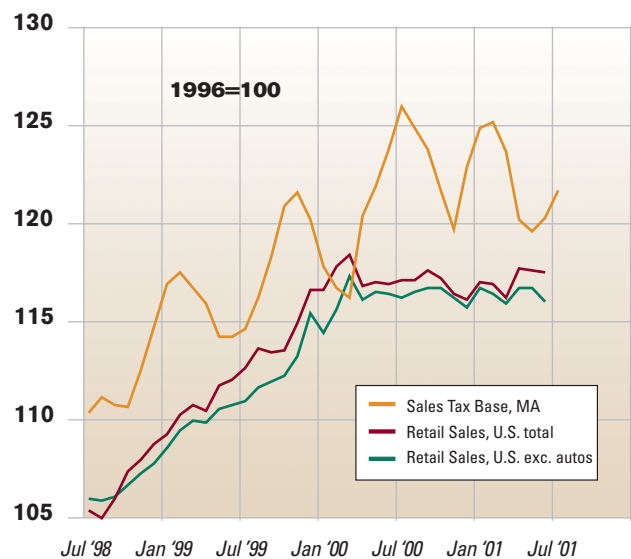
Consumer spending in Massachusetts, excluding the purchase of automobiles, appears to have barely kept up with inflation; in real terms, it may have declined slightly during the second half of 2000 and the first half of 2001. This is based on state regular sales taxes, which do not include all consumer purchases and are highly volatile from month to month. Given the volatility of sales tax receipts, it is possible that consumer spending growth in the state has paralleled the weak, but positive, trend in the nation as a whole.

The data suggest, however, that spending has been weaker in Massachusetts. For the three-month period ending in August (the most recent month available), the nominal sales tax base declined at an annual rate of 2.1 percent from the prior three months; the most recent six months of the nominal sales tax base (March through August) declined at an annual rate of 0.8 percent over the prior six months.¹

Automobile purchases in both the state and the nation were strong in the second quarter of this year, expanding at an annualized rate of 13.7 percent nationally and by 15.4 percent in Massachusetts, based on motor vehicle sales taxes. These may have come at the expense of sales in the second half of this year, however. In the most recent three-month period, ending in August, seasonally adjusted state motor vehicle sales taxes declined at an 8.2 percent rate over the prior three months.

Real Consumer Spending

After falling sharply in the first quarter, spending in Massachusetts picked up during the second quarter.



Sources: U.S. Census Bureau; MA Department of Revenue; author's calculations

A More Somber Near-Term Outlook

The economy continues to have several strengths that are countervailing the weakness in manufacturing. These are in residential real estate, construction, finance, education, hospitals, and medical sciences, which includes medical device manufacturing, pharmaceuticals, and biotechnology. So far, these sectors have contributed enough employment gains and income to keep Massachusetts from falling into a full-blown recession. Until there are clear signs of a bottom or turnaround in business investment and the manufacturing sectors that supply it, however, it is difficult to remain opti-

mistic about the near-term outlook. This is especially true in the face of declining state tax revenues, which have been a reliable indicator of current economic conditions.

Aside from national and state consumer spending, which account for the bulk of aggregate spending, the key sector to watch is manufacturing, especially computers and electronic products. New orders in this sector fell rapidly in the first half the year but appear to have stabilized in the last couple of months. This good news is tempered by the fact that the current level of new orders is still below current levels of output, which indicates that output will probably contract further in the coming months.

Overall, the current and leading indices appear to balance these strengths and weaknesses reasonably well. This means that we can expect the Massachusetts economy to continue to stutter along through the beginning of next year, with no real growth, but perhaps a mild contraction. ▮

Submitted September 7, 2001

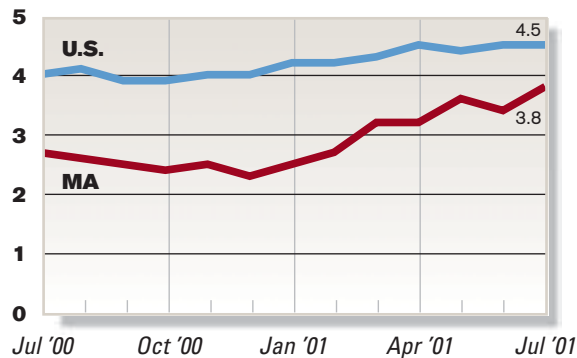
¹ Sales taxes are converted into a sales tax base by adjusting for tax-law changes in the tax base, dividing by the tax rate, and smoothing. The resulting indicator is weighted toward durable goods, since food and most clothing are tax-exempt. The indicator also includes taxes paid by businesses, which may account for up to one-fourth of sales tax revenue.

ALAN CLAYTON-MATTHEWS is an assistant professor and the director of quantitative methods in the Public Policy Program at the University of Massachusetts Boston. He is also president of the New England Economic Project.



The Measure of Massachusetts

Unemployment Rates



State Labor Force, Employment, & Income

	Period	Value	Change from Year Earlier (%)
Labor Force (<i>household-based</i>)	7/01	3,366,000	1.0
Employment (<i>establishment-based</i>)	7/01	3,237,100	0.4
<i>Manufacturing</i>		424,400	-2.7
<i>Services</i>		1,241,700	2.5
Monthly Initial Unemployment Claims	7/01	40,362	75.4
Income	'01 Q1		
<i>Personal Income (\$M)</i>		250,759	6.4
<i>Real Personal Income (\$M 1982-84)</i>		142,720	3.0
Help Wanted Advertising Index, Boston (1987 = 100)	6/01	41	-26.8

Regional Employment

	Employment		Unemployment Rate	
	7/01	Change from Year Earlier (%)	7/01	7/00
Central				
Fitchburg-Leominster PMSA	65,303	3.4	5.5	4.1
Worcester, MA-CT PMSA (MA only)	238,612	2.6	4.4	3.0
Cape and Islands				
Barnstable-Yarmouth MSA	85,842	2.3	2.6	2.1
Boston Metro				
Boston, MA-NH PMSA (MA only)	826,213	7.4	3.6	2.4
Northeast				
Lowell, MA-NH PMSA (MA only)	167,337	4.0	4.6	2.7
Lawrence, MA-NH PMSA (MA only)	128,892	3.9	5.7	3.6
Southeast				
Brockton PMSA	127,395	2.4	4.6	3.4
New Bedford PMSA	77,426	2.9	6.1	4.9
Providence-Fall River-Warwick, RI-MA MSA (MA only)	112,752	2.0	5.0	3.8
Pioneer Valley				
Greenfield LMA	32,451	3.3	3.0	2.4
Springfield MSA	272,288	3.4	4.2	3.5
Berkshire				
North Adams LMA	12,611	2.5	3.6	2.7
Pittsfield MSA	39,321	2.7	3.9	3.1

The University of Massachusetts Economic Benchmarks

	July '01	July '00
Current Economic Index	129.3	128.6
Leading Economic Index	-0.7%	2.3%

The Massachusetts Current Economic Index for July was 129.3, down 0.5 percent from June (at annual rates) and up 0.6 percent from July of last year. The current index is normalized to 100 in July 1987 and calibrated to grow at the same rate as the real gross state product over the 1978–1997 period.

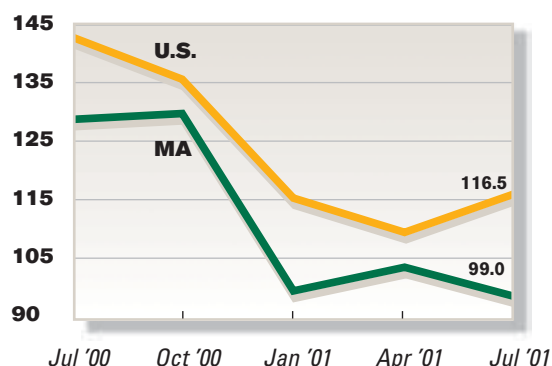
The Massachusetts Leading Economic Index for July was -0.7 percent, and the three-month average for May through July was 0.0 percent. The leading index is a forecast of the growth in the current index over the next six months, expressed at an annual rate. Thus, it indicates that the economy is expected to contract at an annual rate of 0.7 percent over the next six months.

The Massachusetts economy appears to be weaker than that of the nation and may even have contracted during the second quarter.

Consumer Confidence U.S. and Massachusetts

QUARTERLY DATA

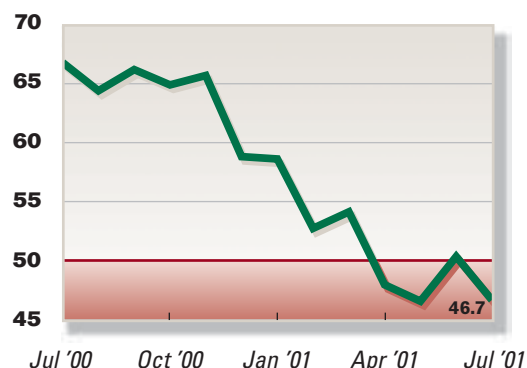
The trends rather than the levels of these indices should be compared, due to different base points.



Business Confidence in Massachusetts

MONTHLY DATA

Employers have generally positive views on current and prospective business conditions when the index is above 50.



Boston Consumer Price Index

(1982–84 = 100)

7/01	Change from Year Earlier (%)
192.1	4.9

MA Home Price Index

(1987: Q1=100)

'01 Q1	Change from Year Earlier (%)
163.06	13.3

MA New Housing Permits

(monthly average, 7/00–6/01)

7/00	Change from Year Earlier (%)
1,422	-6.1

Public Higher Education in the Berkshires

In a recent article on the Berkshire County economy, we overlooked some of the region's college degree-granting programs. Among the most important of the public higher education institutions is the Massachusetts College of Liberal Arts (MCLA), formerly North Adams State College. In 1992, the college changed its mission to include a more focused liberal arts and sciences curriculum, and simultaneously changed its name. The current enrollment includes approximately 1,500 undergraduates and 150 graduate students. Last year, MCLA graduated 283 students with BA and BS degrees, as well as 36 with master of education degrees.

The University of Massachusetts at Amherst also offers classes and degree programs in the Berkshires. Since the middle 1990s, the university's Isenberg School of Management has operated a small MBA program at the Berkshire Medical Center in Pittsfield. This program has averaged close to 50 enrolled students, and in the past three years has graduated nearly 100 students. These and other institutions of higher education have much to offer with regard to making the region economically viable in the future.





ILLUSTRATION: NAOMI SHEA

LEFT BEHIND

The Persistence of Poverty Through the 1990s

RANDY ALBELDA
DONNA HAIG FRIEDMAN

The Commonwealth's economic growth over the past decade has led to more jobs and an increasing median income, but the rising tide has not lifted the boats at the bottom. The bottom 20 percent of the Commonwealth's families with children have not found relief. Growth in earnings has been almost completely offset by the loss of public support, which in turn has strained the private sector's emergency support system. Poverty rates for families have dropped only slightly, child poverty rates and the percentage of families who are very poor have increased, and the need for emergency housing and food services has grown. Safety nets for the poor have unraveled.

By almost all measures, the Massachusetts economy has had a remarkable decade. The unemployment rate has fallen, and absolute levels of employment have reached new heights, surpassing the 1980s period of expansion popularly referred to as the Massachusetts Miracle. The 1980s represented a sharp demarcation in the Massachusetts economy, expanding its service and financial sectors and moving away from industrial manufacturing (a mix of both high- and low-wage work). The “miracle” not only lifted the economy from a long slump, it allowed the Commonwealth’s economic growth to far outpace that of the nation. And while the miracle faded in the late 1980s, pushing the Massachusetts economy into a fairly severe recession, unemployment rates have remained at or below 6 percent since 1994, falling to 2.6 percent in 2000.

In terms of actual numbers of people employed, it was not until 1997 that Massachusetts surpassed its 1989 high mark of 3,053,000. In 1999, over 120,000 more people were employed than were a decade earlier (a 3.9 percent increase). Compared to 1993, the first full year of post-recession recovery, more than 250,000 more people were employed in 1999. This was a 7.7 percent increase.

Establishment data reveal that the Massachusetts economy had roughly 400,000 more jobs in 1999 than it did in 1993, almost a 14 percent increase.¹ The growth in jobs and average wages differs by industry category, however. Services generated more than three times as many new jobs as the second-largest sector, retail. Together service and retail sectors launched an additional 289,900 jobs, accounting for nearly 75 percent of all new jobs. It is important to note that these are among the two lowest-paying sectors. The three highest-paying sectors—finance, insurance, and real estate; wholesale trade; and manufacturing—have generated just 26,800 new jobs (6.7 percent of the net growth) since 1993.²

The Expansion Economy and Massachusetts Poverty Policies

In 1993, the Weld administration published a document titled “Choosing to Compete: A Statewide Strategy for Job

Creation and Economic Growth,” which was a blueprint for bringing the state out of its economic doldrums. One section addressed poverty, focusing on distressed urban areas, and succinctly argued, “The best social program is a job.”³ In short, the best poverty policy the state could pursue was general economic development—i.e., building a robust economy.

This sentiment was echoed even louder in policy changes directed specifically at poor families. The Weld administration, together with the legislature, aggressively pursued change to the existing welfare laws. Passed in February and enacted in November, Chapter 5 of the Acts of 1995 radically changed the state’s welfare program for low-income families with children. The changes placed a heavy emphasis on replacing public cash assistance with earnings.

Since 1995, the administration has pursued its “work first” strategy, bolstered by a strict set of rules that families receiving aid must follow to avoid benefit reductions or cutoffs. The Massachusetts Earned Income Tax Credit (EITC) program, enacted in 1997, complements the federal program, providing families who have low earnings with a refundable tax credit. Both programs reinforce employment, even at low wages, supporting the notion that a job is the best path out of poverty.

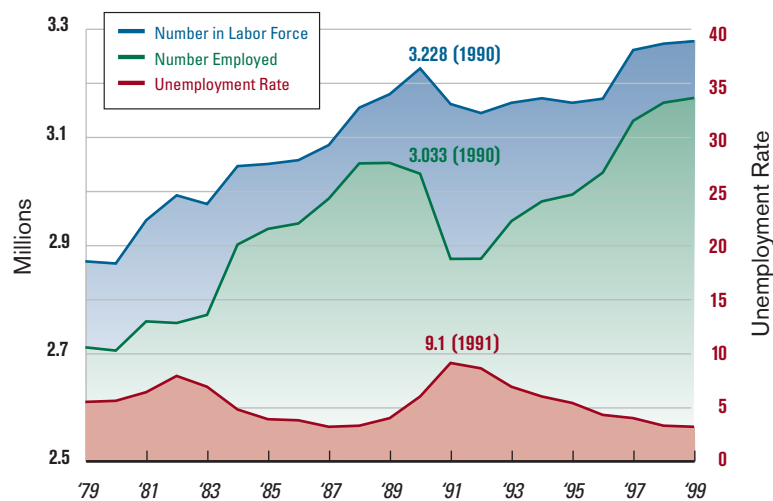
Family Income and Poverty in Massachusetts

Family income. The U.S. Census Bureau defines a family as two or more persons related by blood, marriage, or adoption, who live in the same housing unit. In 1999, there were 2.62 million households in Massachusetts, of which 1.57 million were families. Of all families, 57 percent had at least one child under 18 years of age. Of those with children, just under 72 percent were two-adult (mostly married-couple) families, and the rest had only one adult—most often a female, usually a mother.⁴

Every March, the Current Population Survey (CPS) collects detailed information from a sampling of the U.S. population about income over the previous calendar year. The data are cross-sectional, and as such, do not allow re-

Labor Force and Number Employed in Massachusetts, 1979–1999

The labor force includes persons 16 and older who are employed or unemployed (seeking employment).



Source: Massachusetts Division of Employment and Training

searchers to look at the same families over any extended period of time. Instead, they provide a snapshot of family income and poverty.

Pooling Massachusetts income and poverty data for the first three years and the last three years of the 1990s expansion (1993–95 and 1997–99) ensures statistical reliability and allows a closer look at low-income families before and after welfare reform. Median family income (adjusted for price changes using the CPI) from 1993 to 1995 was \$53,621, which grew by 5.4 percent to \$56,491 in 1997–99. The median income for families with children was \$51,856 in 1993–95 and rose by 2.7 percent to \$53,271 in the 1997–99 period. Changes in family income are uneven, however. Splitting the number of families into quintiles, ranked by income, gives a better sense of how families in different income brackets are faring.⁵

Family poverty. The Census Bureau defines persons and families as poor if their incomes are below a particular threshold, which differs by family size. In 1999, a family of three was poor if their annual income was \$13,290 or less; for a family of two the income threshold was \$10,869. While these thresholds do not take into account the value of non-cash assistance (such as food stamps) or of taxes paid or tax credits received, they do include government cash assistance, such as Social Security or welfare. Nonetheless, these amounts are far below the recent estimates provided by the Women’s Educational and Industrial Union on self-sufficiency for families of this size, with or without children.⁶

Poverty rates for all families and for families with children fell slightly during the 1990s boom, while those of all persons rose slightly. Surprisingly, child poverty rates rose over the boom. Poverty rates for Latino families fell, while those for Black families rose (though none of the changes are statistically significant). However, both Black and Latino families are still six times more likely to be poor than White families in Massachusetts.

The data also reveal an important trend in the poor population: There is a discernible shift toward an increase in the very poor. That is, those who are poor are much more likely to be *very poor*. There was a sharp percentage rise in the “very poor” category for female-headed families with children. The percentage of very poor children rose significantly, from 6.5 percent to 9.6 percent.

History shows that poverty rates fall during economic expansions. That Massachusetts poverty rates for all persons and families have hardly

budged is surprising and unlike the trend for the nation as a whole. The average poverty rate for all persons and families in the United States, while at higher levels than for Massachusetts, fell considerably over the two periods—from 14.5 percent to 12.6 percent for all persons and from 11.6 percent to 9.9 percent for families.

Public Assistance Caseloads Decline, Emergency Services Use Increases

Poverty policies and the expanding economy have succeeded in reducing the number of people using cash assistance.

*Those who are poor
are much more likely
to be very poor.*

Average Income for All Families and for Families with Children

Despite the robust economic expansion throughout the decade, the bottom 40 percent of all families, ranked by income, saw their incomes stay about the same (adjusted for inflation), while the top 60 percent improved incomes by about 5 percent. For families with children, the disparities are starker; the bottom 40 percent lost income on average, while the rest saw increases, with the richest seeing their incomes grow the fastest. As a result, the already wide income gap between the richest and the poorest grew even wider.

	Bottom quintile	2nd quintile	3rd quintile	4th quintile	Top quintile	Ratio of top to bottom quintile
All Families						
1993–1995	\$13,915	\$34,459	\$53,571	\$77,161	\$149,775	10.8
1997–1999	\$13,972	\$34,281	\$56,194	\$81,558	\$157,138	11.6
Percent change	0.41	-0.51	4.90	5.70	4.92	
Families with Children						
1993–1995	\$11,179	\$32,552	\$51,820	\$73,812	\$142,842	12.8
1997–1999	\$10,854	\$31,920	\$54,036	\$80,263	\$161,650	14.9
Percent change	-2.90	-1.90	4.30	8.70	13.20	

Source: March Current Population Survey, various years: Massachusetts families

Percent of Persons and Families Who Are Poor or Very Poor

In the late 1990s, there was a discernible shift toward an increase in the “very poor.”

	Poor			Very Poor		
	Percent 1993-1995	Percent 1997-1999	Percent Change	Percent 1993-1995	Percent 1997-1999	Percent Change
All families	9.1	8.6	-0.5	3.1	3.7	0.6
White families	6.2	5.5	-0.7	1.6	2.2	0.6
Black families	27.6	32.7	5.1	13.8	21.4	7.6
Latino families	45.4	33.5	-11.9	22.2	12.7	-9.5
Families w/ children	14.3	13.6	-0.7	4.8	6.4	1.6
Married-couple families w/ children	4.2	3.0	-1.2	1.4	0.7	-0.7
Female-headed families w/ children	48.1	45.1	-3.1	15.6	23.5	7.9
All persons	10.5	10.9	0.4	4.0	4.7	0.7
All children	16.1	17.9	1.8	6.5	9.6	3.1*

*Difference significant at 90 percent level

Race and ethnicity of family are defined by the head of the household.
Female-headed households include only those with one female adult.

Source: March Current Population Survey, various years

Current Population Survey and administrative data show a tremendous drop in the number of families using public assistance. After rising during the recession of the early 1990s to more than 114,000 families, caseloads dropped steadily, both before and after welfare reform. By 1999, the Department of Transitional Assistance reported fewer than 50,000 families receiving welfare. U.S. Department of Agriculture data reveal an equally sharp drop in food stamp use in the state. The Current Population Survey asks if families benefit from any type of government-sponsored programs. Responses reveal a rather steady decline in both the welfare and food stamp rolls.

The post-welfare reform years show a substantial drop in welfare and food stamp use, even though poverty rates have barely declined. Most revealing is the drop in poor families' use of assistance. While almost one out of every two poor families received welfare before welfare reform, the number dropped to one in three after the reform went into effect. Similarly, 56 percent of all poor families received food stamps before reform; fewer than 44 percent did thereafter. One expects reliance on public assistance to drop in economic expansions, but there is little reason to expect the percentage of *poor* families (who are likely to be eligible) who use public assistance to fall so dramatically, es-

pecially as the percentage of those who are very poor rises.

Administrative data and information gathered from surveys and focus groups reflect emergency services use and needs.⁷ The number of families receiving Department of Transitional Assistance (DTA) and privately funded shelter has increased steadily, with the private sector stepping in to provide shelter to families deemed ineligible for state-funded shelter. These data reflect only a segment of homeless families in Massachusetts.

The membership of soup kitchens and food pantries in food banks across the state has also risen since welfare reforms were implemented. Information obtained directly from emergency services providers in six Massachusetts communities confirms the trends identified by administrative sources. Housing assistance programs reported as many or more people served

since welfare reform. Nearly half of the community agencies surveyed reported an increase in the number of families they had provided with food assistance between 1995 and 2000, including the state's three largest food banks. The Massachusetts Emergency Food Assistance Program

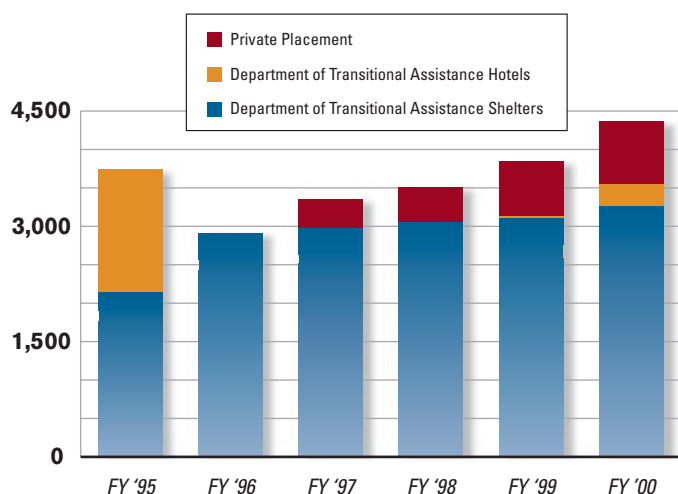
Families Receiving Food Stamps and TAFDC/TANF*

	Percent of families receiving:		Percent of families with children receiving:		Percent of poor families receiving:	
	TAFDC / TANF	Food Stamps	TAFDC / TANF	Food Stamps	TAFDC / TANF	Food Stamps
1993-95	6.0	7.7	11.1	13.2	45.0	55.9
1997-99	4.1	5.2	7.9	9.7	32.3	44.8

*Transitional Aid to Families with Dependent Children/Temporary Assistance for Needy Families

Source: March Current Population Survey, various years

Families Served by Type of Emergency Shelter



Source: Massachusetts Executive Office of Health and Human Services

has provided new state funding for food banks, up from \$1 million at its inception in 1994 to more than \$7 million in 1999. More than two-thirds of the 104 parents surveyed were using food stamps; nearly half reported using food pantries on a monthly basis.

Low-income families' use of emergency services is neither occasional nor episodic. Though the term "emergency" implies a crisis that is temporary in nature, the growing need to respond to families struggling to survive has led to the establishment of a permanent array of emergency services in Massachusetts. Further, homeless shelters, homeless prevention programs, and food banks report a shift in the population they serve since welfare reform; more are extremely poor, more are employed, and fewer are "welfare poor."

Working More Without Much to Show

A closer look at families with children in the bottom income quintile shows that average earnings and income from the Earned Income Tax Credit have increased, but these increases are completely offset by the decreases in food stamps and welfare benefits. In short, low-income families with children are working more but do not have more family income than they did before.

One might argue that even without more income, families would fare better with a "self-reliant" member, rather than by receiving public assistance. The biggest gain in income is from the EITC, which is public assistance. Further, this type of self-reliance is not assuring self-sufficiency. In both time periods considered, about 70 percent of families with children in the bottom 20 percent of all families were officially poor, based on the Census definition.

Finally, income measures—either in-kind or in cash—do not take into consideration the new costs to families associated with replacing cash assistance with earnings. These

include clothing, transportation, prepared food expenses, and child care, all of which increase when parents are employed. Families who have more employment and higher costs—but no more income—may actually be worse off with this new income composition.

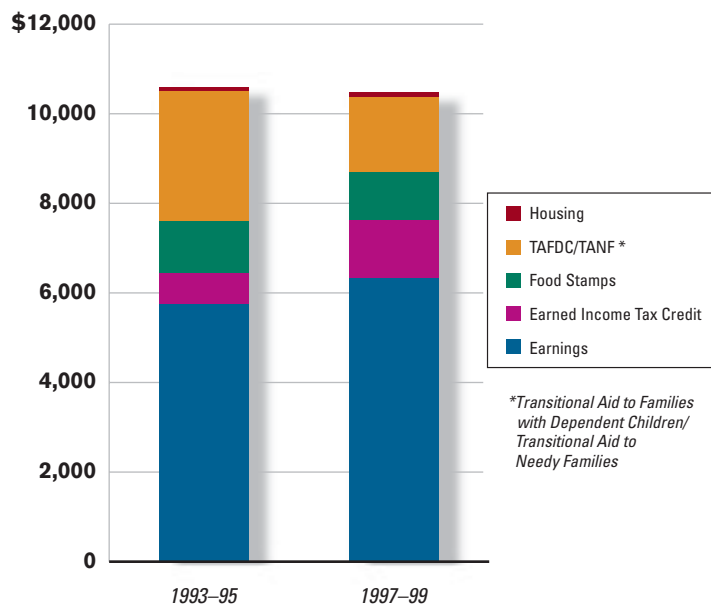
Data Signal Continued Cause for Concern

The economic boom has clearly benefited some families. Many, however, especially those with children, have been left behind. Family poverty rates have barely budged. Poverty rates for children and for Black families have actually increased, while the percentage of very poor persons, families, and children is rising. Income inequality, already high, is escalating.

The loss of welfare income and job growth has not ameliorated poverty among single-mother families with children. The decline in two major forms of public assistance to poor families—Transitional Aid to Families with Dependent Children/Temporary Assistance for Needy Families, and food stamps—has not been relieved with increased earnings or the Earned Income Tax Credit. The private, non-profit sector is picking up some of the slack, but they are not fully up to the task and find themselves trying to serve a group of people they are not well equipped to serve. These populations often fall between the cracks of public assistance programs. They are the working poor.

Mean Earnings and Assistance Income for Bottom 20 Percent of Families with Children

Single-mother families comprise 73 percent of all families with children in the bottom quintile.



Source: March Current Population Survey, various years: Massachusetts families

The widening income gap for families with children should be of grave concern to policymakers. The benefits of expanded educational opportunities that parents purchase on the market—which are often costly but pay off tremendously in cognitive and financial success—span childhood from early education to private tutoring and from after-school activities to college. The top 60 percent of families with children gained income at a rapid rate, and it is likely that the educational enrichment opportunities for children in these families have also expanded. Similarly, as the bottom 40 percent of families with children face real income losses, and as single-mother families grow relatively less prosperous, the opportunities for children in these families are probably shrinking.

Massachusetts has made K–12 educational success a major political and fiscal priority. These income trends—occurring as the economy expands—are likely to work against the state’s goals.

What accounts for the inability of the Massachusetts economic expansion to trickle down? Without further analysis, it is impossible to know. Shared income growth is not theoretically or empirically predetermined. In many ways it is as much a political question as an economic one.

In the 1990s, those in the higher echelons reaped the rewards of the economic boom in the form of higher salaries and growing wealth. They were able to keep more of their income as both the state and federal governments reduced income taxes. Unions, which traditionally have been able to demand higher wages during periods of high growth and productivity, have seen declining membership. The poor economic performance among families with children may be related to state and federal policies toward poor families. Major welfare reforms in the state have resulted in vastly reduced caseloads, a reduction in welfare income, and deep cuts in the food stamp rolls.

Earnings growth and the Earned Income Tax Credit are almost completely offset by corresponding losses in public assistance. During a boom period these results are alarming; with a potential recession on the horizon, they signal serious cause for concern. ▮

1 Household and establishment data often differ. Household data depict jobs people hold, while establishment data record jobs in firms.

2 From U.S. Bureau of Labor Statistics. Employment and wage numbers are reported by the Federal Reserve Bank of Boston in its publication *New England Economic Indicators* and at their Web site: <http://www.std.com/frbbos/economic/nee/nee.htm>.

3 See “Choosing to Compete: A Statewide Strategy for Job Creation and Economic Growth” (Boston: Commonwealth of Massachusetts, Executive Office of Economic Affairs, 1993): 72.

4 For example, in 1999, 86 percent of single-parent families with children were headed by women.

5 When looking at the entire sample, median income provides a better snapshot than does average. Median is the midpoint, indicating that 50 percent of the population made more while 50 percent made less. Because of wide income disparity, an average is somewhat distorted. When exam-

ining income within quintiles (a much smaller range), average income provides a better snapshot than a median.

6 See Jean Bacon, Laura Henze Russell, and Diana Pearce, *Self-Sufficiency Standard: Where Does Massachusetts Stand?* (Boston: Women’s Educational and Industrial Union in collaboration with Wider Opportunities for Women, January 2000).

7 With funding provided through a grant from the U.S. Department of Health and Human Services, an interdisciplinary group of researchers at the University of Massachusetts in Boston collected and compiled data on households as well as emergency food and housing services. The group also administered surveys to directors of emergency services in six Massachusetts communities and conducted focus groups with emergency-services providers and clients in those same communities. The communities are Brockton, Greenfield, Lowell, North Dorchester/Roxbury, Upper Cape Cod, and Worcester. A copy of that full report is available at http://www.mccormack.umb.edu/Centers/SocPol/CSP_site/csp_home.htm.

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Randy Albelda was one of the guests discussing welfare reform on “The Connection” on National Public Radio last May. The show can be accessed via Real Audio from the following Web page:

<http://www.theconnection.org/archive/2001/05/0509a.shtml>



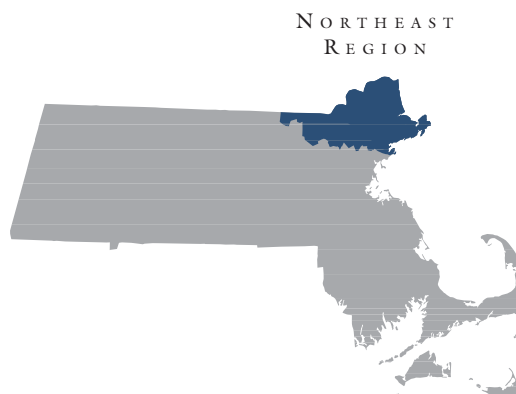


ILLUSTRATION: NAOMI SHEA

Surviving the Slide in the Northeast Region

ROBERT FORRANT

A year ago, this would have been an upbeat article, albeit tempered by increasing traffic congestion, staggering housing costs, and the difficulty of finding skilled employees. Today, a strong indicator of corporate confidence stagnates, as new orders for industrial machinery, computer chip making equipment, fiberoptic cable, and telecommunications equipment continue to decline. We are seeing a manufacturing slump. A manufacturing slump, historically, foreshadows a protracted slowdown.



The Decline of an Important Growth Engine

Business activity in the Northeast region was a powerful engine for the Commonwealth's spectacular economic growth in the 1990s. Recently, however, layoffs have escalated among the region's dominant employers. (See Endnotes, pages 24–25.) The slump may well put the brakes on statewide growth and shrink revenues in the state coffers. Now, as the engine sputters, we must take heed.

Much of the manufacturing-related business activity has been concentrated along the Route 495 corridor and at the intersections of Route 495 with the Massachusetts Turnpike, Route 93, and Route 95.¹

High-tech manufacturing is important for workers, considering that wages paid often exceed the state's average wage of \$44,289. Electronic equipment pays in excess of 151 percent of the Massachusetts average wage, industrial machinery 174 percent, fabricated metals 108 percent, and instruments 164 percent.

Comparing Essex and Middlesex counties and the rest of the state, we see a wide variation in average salaries paid in the four sectors, as well as the variation in average wages between the state and the two counties.

Where manufacturing remains important—most particularly in the categories analyzed here—output per worker has grown significantly, and much of what is produced is for export out of the state and out of the country.

For most of the 1990s, industrial machinery and electronic equipment ranked first and second in the state for total dollar value of exports. But as the Massachusetts Technology Collaborative (MTC) recently reported, while Massachusetts manufacturing exports increased close to 40 percent between 1991 and 2000, this integration into the global economy carries increased vulnerability to international market fluctuations.² Global stagnation can take its toll on the region.

The growth euphoria of the first Massachusetts Miracle made it difficult to conjure the distress felt by blue-collar families, as 25 percent of the state's durable goods manufacturing disappeared between 1985 and 1992. Over the period, the Digital Equipment Corporation workforce fell from 33,000 to 12,000, Raytheon's local employment dropped to 16,700 from 30,000, and Wang Laboratories skidded from 8,800 employees to 1,350. Symbolic of the decline was the 1992 sale of the Wang Towers in Lowell for \$500,000. It was a building complex that had cost \$23 million to construct during the golden days.³

Two years ago, MTC voiced concern over the rapid escalation of the new economy. Some of their concerns were borne out in the Commonwealth's shortfall of high-tech workers. Still, stories of layoffs and retrenchment abound, as the engines of Miracle II sputter and thousands of high-paying jobs are eliminated.

Northeast Region's Share of MA Employment in Key Manufacturing Sectors

Category	MA	Northeast Region	Northeast Share (percent)
Fabricated Metal	34,374	5,578	16.2
Industrial Machinery	62,675	24,164	38.5
Electronic Equipment	64,635	30,751	47.5
Instruments	49,908	16,785	33.6
Total	211,592	77,278	36.5

Source: Division of Employment and Training, Employment and Wages (ES-202), 3rd Quarter 2000

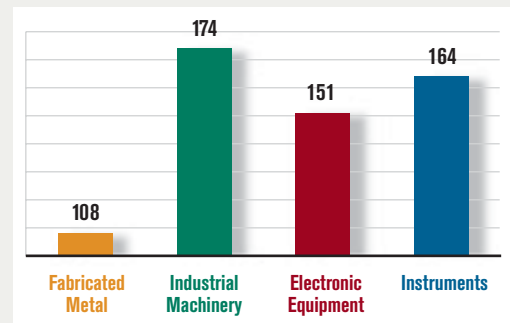
Regional Shares of MA Employment in Key Manufacturing Sectors

Category	MA	Northeast	Boston Metro	Central	Southeast	West*
Fabricated Metal	34,374	16	27	23	13	21
Industrial Machinery	62,675	39	12	33	7	11
Electronic Equipment	64,635	48	19	14	16	2
Instruments	49,908	34	39	11	13	3
Total	211,592	37	23	20	12	8

*Aggregation of Pioneer Valley and Berkshire Regions

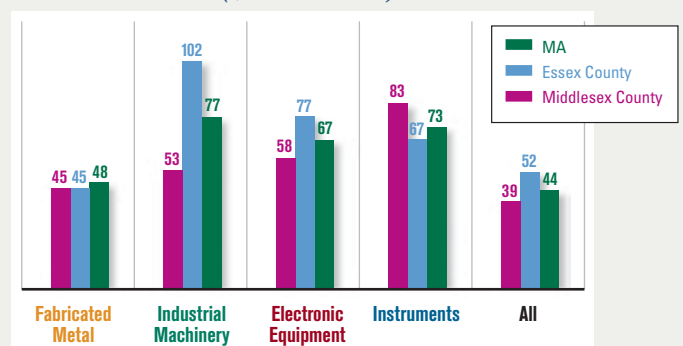
Source: Division of Employment and Training, Employment and Wages (ES-202), 3rd Quarter 2000

Average Wage by Sector as Percentage of Average Wages in All Sectors



Source: Division of Employment and Training, ES-202, 2000 Quarterly Data

Average Wage by Sector (\$ Thousands)



Source: Division of Employment and Training, ES-202, 2000 Quarterly Data

Why Worry? It's Only Manufacturing.

Five good reasons to be concerned about what happens to the Commonwealth's manufacturing sector:

1. *A drop in orders will lead to a drop in export dollars.* The high-tech manufacturing slowdown in the Northeast region, the state's most intense concentration of such activity, portends a decline in export dollars.*
2. *The overall job market will dwindle.* Hiring has already slowed for a host of high-paying jobs related to high-tech manufacturing, including software development, new product design, precision metalworking, and marketing.
3. *The loss of jobs will affect the white-hot housing market.* What will happen when thousands of workers with outsized mortgages find themselves out of jobs? The real estate market might begin to resemble the stock market.
4. *Investing won't be what it used to be.* A good deal of growth in the financial services sector was generated by increases in such things as mutual funds purchases. These have slowed, as many dot-coms have ceased operations and others have curtailed end-of-year bonuses, causing large amounts of discretionary income to disappear.
5. *Belt-tightening will filter down through all levels.* Hundreds of retail and service companies (day care, lawn care, restaurants, take-out food, upscale car dealerships, Web design firms, home remodeling, etc.) will feel the pain when their customers' disposable income dissolves.

In other words, the tsunami of manufacturing-related job loss will soon be felt across the Commonwealth.

* For a discussion of employment and wages in Massachusetts export industries, see Robert Farrant, Philip Moss, Chris Tilly, "Knowledge Sector Powerhouse: Reshaping Massachusetts Industry and Employment During the 1980s and 1990s," University of Massachusetts Donahue Institute, 2001.

the bottom 40 percent of families has not grown since 1993. At the same time, child poverty rates and the need for emergency housing and food services have increased.⁵

To learn more about how the region is coping, representatives of regional development organizations, UMass Lowell, and the AFL-CIO were asked to comment on the

In spring 2001, the New England Economic Project (NEEP) reported that New England's economy was experiencing a sharp deceleration. The six-state output was expected to grow 2.2 percent in 2001, down from 2000's growth of nearly 8 percent. Media headlines have crackled with bad karma: "Stocks Fall on Warnings by Key Technology Companies," "Earnings, Job Data Pull Down Markets," "Downsizing Cuts Deep into US Workforce," "Fearful Investors Punish Nasdaq," "Tech Manufacturing Squeeze Hits Home."⁴

There have been announced layoffs, curtailed construction projects, and missed earnings targets among the Commonwealth's showcase corporations, including 3Com, Cisco Systems, Compaq, Corning, EMC, Lucent, Polaroid, Teradyne, and Terra Lycos. Job cuts and plant closings will cause ripple-effect layoffs across these companies' supplier

Manufacturing Employment in Massachusetts



Source: Division of Employment and Training, Current Employment Statistics (CES 790)

base. Retail stores (Bradlees, Montgomery Ward, Ann & Hope, Sears, Roebuck and Co.) have announced closings, while in July there were reports that Cape Cod had higher-than-expected vacancy rates and falling retail and restaurant spending. The shrinking economy is even evident to those on the roads: navigation of the Massachusetts Turnpike/Route 495 interchange has become a lot less hectic in recent months.

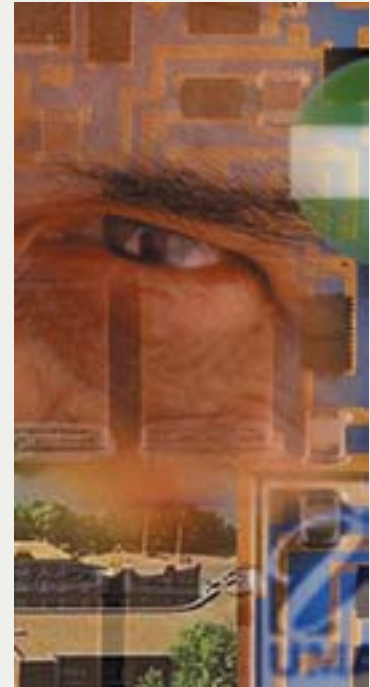
Manufacturing employment in Massachusetts fell by 2.6 percent from December 2000 (437,300) to June 2001 (426,000) as compared with the small fluctuations seen in the previous two years.

What Are the Signs of Resilience?

Are we better prepared now to resolve the problems associated with the volatile economy than we were at the demise of Miracle I? Despite the general euphoria, many families did not benefit from the 1990s boom. Average income for

In the Northeast region, cooperation across city and town lines is on the upswing.

- The Merrimack Valley Development Corporation, a nonprofit subsidiary of the Merrimack Valley Planning Commission, operates a revolving loan fund to provide financing to companies that have a hard time securing loans from conventional sources.
- The Merrimack Valley Planning Commission operated an aquaculture project to work with soft-shell clam fishermen and several seacoast towns, funded in part by the Essex County Community Foundation.
- The Merrimack Valley Economic Development Council, incorporated in 1999, focuses on regional issues, including expansion of regional workforce development, brownfields revitalization, and transportation.
- The Merrimack Valley Project (a coalition of faith-based groups, organized labor, and environmentalists) is doing advocacy work on housing, workforce, and education issues in the Lawrence-Haverhill area.



region's problems and what strengths we have with which to confront them.⁶ What strategies might combat the slowdown?

Merrimack Valley Economic Development Council's David Tibbets sees a problem in the region's historic over-reliance on a small number of major employers. Massachusetts AFL-CIO's Tony Dunn explains that the region's large employers have traditionally guided educational, economic, and civic resources. Now, he adds, as these types of companies parcel themselves into smaller outposts in our communities and take away the long-term, better-paying jobs that have sustained us, they leave a void. Thus, community-based organizations, start-up businesses, grassroots coalitions, broad-based development agencies, labor unions, and higher education will play an increasingly important role in long-term regional development.

Collaborations are on the rise. Nancy Dellamattera of the UMass Lowell Labor Extension Program indicated that one challenge in the region is for cities and towns to let go of their "feudom" mentality and communicate across city lines, especially to resolve transportation and education issues. She also noted that more labor groups and community organizations need to be included when regional issues are discussed.

Skill-base improvements are taking hold. Labor unions and faith-based organizations, such as the Essex County Community Organization and the Merrimack Valley Project, are involved in workforce education and training efforts to boost the skill base and keep the region attractive to employers. The skilled workforce is supported by a high concentration of excellent technical high schools and educational institutions—including Middlesex Community College, Northern Essex Community College, Merrimack College, and UMass Lowell. This provides a substantial boost to the region, as it helps retain jobs, attract new investments, and boost start-ups. It is tempered by concerns, however. What will happen to students who do not pass the MCAS tests? The dropout rate in many of the region's high schools remains extremely high. UMass Lowell's Linda Silka noted that welfare-to-work programs were implemented in a relatively good economy and asks, "What happens now that moms have used up their few years of welfare eligibility and a weakened economy offers fewer entry-level jobs?"

Brownfields are revitalized, and old mills get reused. Andover, Beverly, Haverhill, Lawrence, Lowell, Newburyport, and other cities in the region have turned aban-

doned mill sites and defunct malls into high-tech manufacturing start-ups, software companies, design studios, university laboratory and office space, restaurants, and retail space. Silka observed that much of the recent growth in the region has happened on so-called greenfield sites, and that for many communities such buildable space is nearly gone. Thus, a regional strategy to reclaim old mill space will be essential, especially if many older cities in the region are to succeed.

There are numerous efforts under way across the region to make this happen. The Merrimack Valley Economic Development Council's (MVEDC) 2000 annual report describes three such projects. One is in a former flax mill in Andover, another in the Kunhardt Mill in Lawrence, and the third in a contaminated factory site in North Andover.

Today, the Kunhardt Mill is home to a successful women's clothing manufacturer, and office space is used by MVEDC. The City of Lawrence and site developers extended their Economic Target Area designation to the North Andover mill site so that the Sweetheart Cup Company could receive the investment tax credits necessary to clean up the mill for manufacturing. Lawrence received a commitment that 35 percent of new jobs will be filled by city residents in a long-term plan that envisions the company employing 500 people. If not for the innovative partnership, Sweetheart would most likely have ceased operations in Massachusetts.

Immigrants "anchor" communities. For the AFL-CIO's Tony Dunn, the influx of immigrants and the mixture of different cultures in union halls, educational halls, and workplaces adds value to the sum of the skills and opinions in the region. In Lowell alone, there are more than 300 businesses owned by people from at least 22 different countries, serving the consumer needs of their communities and filling needs in the broader local service sector. According to Silka, immigrants are adding important entrepreneurial skills; the hundreds of businesses they have initiated revitalize neighborhoods and act as an anchor for ethnic neighborhoods. In addition, immi-

grant workers are concentrated in skilled and semiskilled production in the state's manufacturing industries that provide a major share of the state's exports.⁷

Housing: An Obstacle to Growth and Rising Living Standards

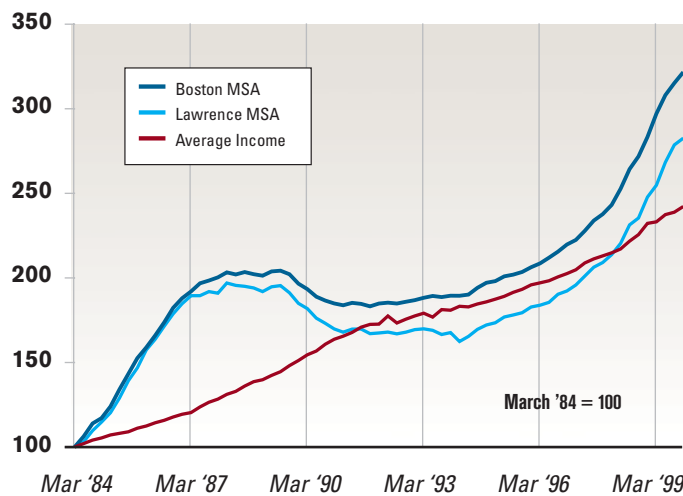
According to Dunn, there is a growing gap between high-paying and low-paying jobs within any workplace. For many workers employed in the service sector or in part-time jobs, wages simply have not kept pace with the purchase prices of homes or rents on three- and four-bedroom apartments. The housing crisis is increasing and spreading faster than is the political will to publicly address it, says Dunn. UMass Lowell College of Management Dean Kathryn Verreault reports difficulty hiring faculty from outside the region, due to high housing prices.

Silka added that her center has been doing a detailed study of the housing issue in the Merrimack Valley. The consensus is that the area has too few units, the units that do exist are too expensive, and the problem will only worsen over time because new units are not being created quickly enough. In June 2001 there was a 1 percent vacancy rate in Lowell apartments. Housing prices have gone up faster than incomes, and there is a shortage of rental units, placing a roadblock in front of

long-term community development. It is estimated that the demand for rental housing in greater Lowell will exceed the supply by more than 2,000 units in 2004, and affordable units are disappearing at an alarming rate.

In its May 2001 strategy report, the Merrimack Valley Planning Commission linked two important issues—brownfield development and housing—by suggesting: "Consideration should be given to potential residential reuses of some mill buildings in order to provide housing for employees and to enliven the districts at night." Those concerned with housing agree that the shortage cannot be resolved by an individual city or town. Therefore, the level of collaboration to develop jobs must be vigorously applied to defuse the ticking time bomb that could blow up the re-

Trend in House Prices and Average Income



Sources: Fannie Mae and Freddie Mac, U.S. Bureau of Economic Analysis, Massachusetts Division of Employment and Training, and author's calculations

gional economy. Community-based organizations, labor unions, local and regional community development corporations, immigrant organizations, and faith-based organizations must come to the table together if the housing crisis is to be resolved.

Reason for Hope

Today in the Northeast there is a concentration of innovative high-tech firms supported by a diverse group of locally owned companies and a host of agencies and organizations. All of these are concerned with job training, immigrant business assistance, and affordable housing, supported by a range of higher-education institutions committed to the region. A shared perspective on what it takes to create an equitable and sustainable economy is beginning to take shape; many organizations have realized it makes no sense to roll their own heavy rock uphill.

This integration represents the best hope for the regional economy, since it can help to move the Northeast away from a reliance on a handful of dominant employers, focus attention on important environmental concerns, establish broad-based coalitions to resolve the housing crisis, and create a widespread awareness of the important role that immigrant populations play in the social and economic life of the region. These positive efforts—a virtuous cycle of improvement—are critical to the establishment of a high quality of life throughout the region. ▮

1 See John Mello, "Tech jobs abound, but hiring is slowing," *Boston Globe*, July 15, 2001, H1; Sarah Kuhn, "Interstate 495 West: The Challenges of Change in an Information Technology Corridor," *Massachusetts Benchmarks*, fall 2000, pp. 18–22; Massachusetts Division of Employment and Training, "High Technology in Massachusetts: The Industries, The Workforce," Boston, MA, 2001.

2 See Robert Forrant, Philip Moss, Chris Tilly, "Knowledge Sector Powerhouse: Reshaping Massachusetts Industry and Employment During the 1980s and 1990s," University of Massachusetts Donahue Institute, 2001; Massachusetts Technology Collaborative, *Index of the Massachusetts Innovation Economy*, Westborough, MA, 2000.

3 See Robert Forrant and Michael Best, "Innovation, the University of Massachusetts Lowell, and the Sustainable Regional Development Process," in R. Forrant, J. Pyle, W. Lazonick, and C. Levenstein, eds., *Approaches to Sustainable Development: The Public University in the Regional Economy*, University of Massachusetts Press, 2001.

4 See Michael Brick, "Stocks Fall on Warnings by Key Technology Companies," *New York Times*, July 7, 2001, B1; Isaac Baker, "Earnings, job data pull down markets," *Boston Globe*, July 7, 2001, C1; Diane E. Lewis, "Downsizing cuts deep into US workforce," *Boston Globe*, July 6, 2001, E2; Jeffrey Krasner, "Fearful investors punish Nasdaq," *Boston Globe*, June 19, 2001, D1; Kimberly Blanton, "Tech manufacturing squeeze hits home," *Boston Globe*, May 8, 2001, E1.

5 See Randy Albelda, Donna Haig Friedman, Elaine Werby, "Still struggling to survive," *Boston Globe*, July 6, 2001, A23; Kimberly Blanton, "In N.E., boom and less thunder," *Boston Globe*, June 19, 2001, D1.

6 This was not a scientific sampling of activities in the region. Instead, it was an effort to explore the thinking and the range of activities of several

agencies and organizations close to the ground of the local economy and the region's residents. Such a series of discussions is an important supplement to the numbers reported on in *Benchmarks*, which may lag many months behind events and may not put a "face" on the trends being discussed.

7 See Andrew Sum and Neil Fogg, *The Changing Workforce: Immigrants and the New Economy in Massachusetts*, Boston, The Massachusetts Institute for a New Commonwealth, 1999. Lawrence has the highest percentage (60 percent) of Hispanic residents in Massachusetts, and Lowell the highest percentage (17 percent) of Asian residents (Merrimack Valley Economic Development Council, "U.S. Census Reveals Growth, Change as Valley Heads into New Century," May–June, 2001). For an analysis of immigrant-owned enterprises in Lowell, see Linda Silka and Robert Forrant, "Moving Toward Equity and Economic Empowerment: Some Observations on Immigrant and Ethnic Enterprises in Lowell, Massachusetts," University of Massachusetts Lowell Department of Regional Economic and Social Development, unpublished paper, March 1999.

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A Look at Layoffs *July 2000 to June 2001*

According to the Commonwealth Corporation's Rapid Response Team, 28,952 layoffs were announced in Massachusetts from July 2000 to June 2001. Job losses were concentrated in the manufacturing sector (44 percent) compared with the services sector (25 percent), which employs three times as many people. Provisional figures from the U.S. Bureau of Labor Statistics suggest that June 2001 was a particularly poor month for Massachusetts. The number of significant layoffs was up by 71 percent from June 2000. This pattern also appears in the data for initial claimants for unemployment insurance. There were 62 percent more claims filed in June 2001 than in June 2000.

Top 12 Layoffs All Sectors

Company	Number laid off	Sector
Bradlees	2,400	Retail
Boston Scientific	850	Manufacturing
Fleet Financial	844	Services
Hale Hospital	610	Health Care
Anne & Hope Warehouse	550	Retail
3Com	541	Manufacturing
Allmerica Financial	535	Services
Quantum	503	Manufacturing
Gillette	500	Manufacturing
Verizon Information	500	Services
Raytheon	497	Manufacturing
Jabil Circuit	490	Manufacturing

Sources: Commonwealth Corporation, iMarket, and wire services

Significant Layoffs and Initial Claimants for Unemployment Insurance, U.S. and MA

Layoff events of 50 or more workers

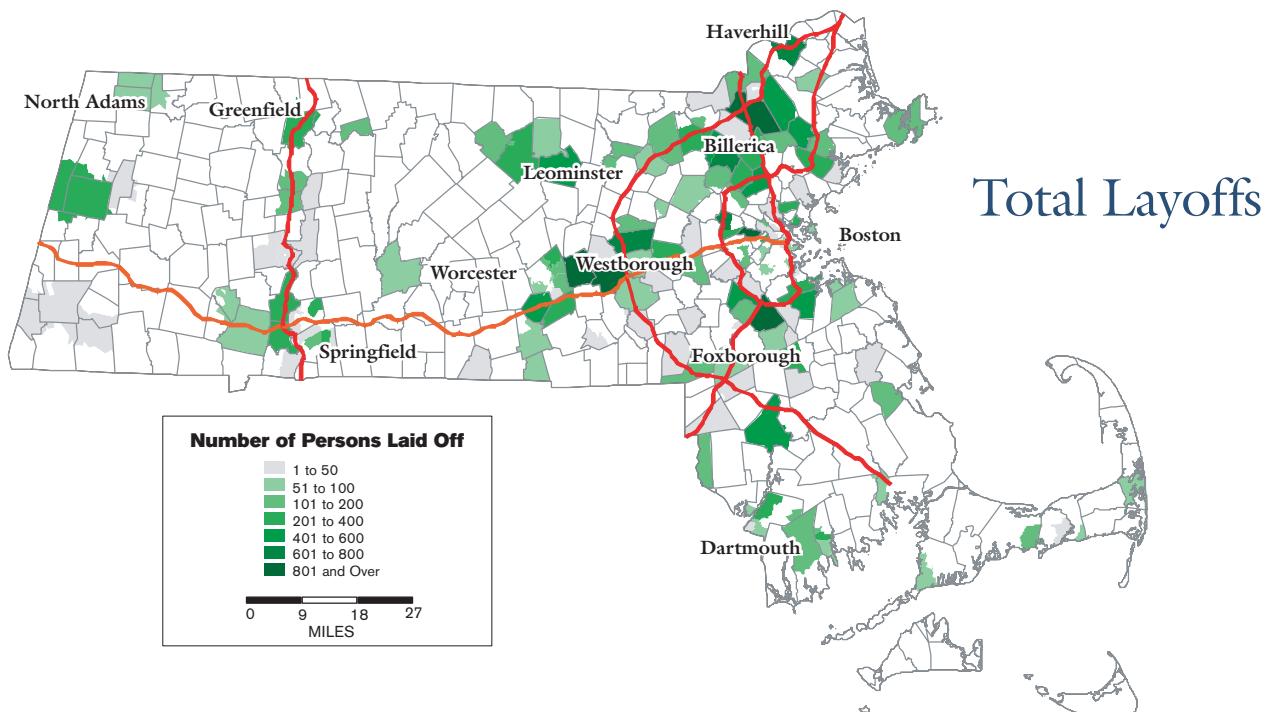
June 2000	April 2001	May 2001 (p)	June 2001 (p)	Percent Change from 2000
1,597	1,450	1,426	2,081	30
21	28	27	36	71

Initial claimants for unemployment insurance

June 2000	April 2001	May 2001 (p)	June 2001 (p)	Percent Change from 2000
192,025	175,911	157,759	250,359	30
2,227	2,731	2,686	3,613	62

(p) denotes provisional figures

Source: U.S. Bureau of Labor Statistics



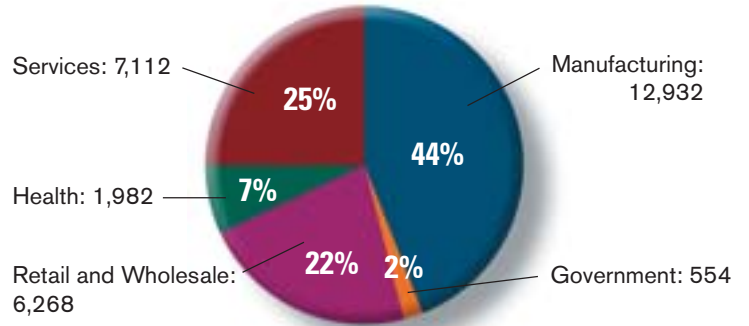
Total Layoffs

Top 25 Towns by Number Laid Off

Town/REGION	Number laid off
Boston/BOSTON METRO	1,263
Canton/BOSTON METRO	1,148
Springfield/PIONEER VALLEY	1,110
Watertown/BOSTON METRO	1,083
Andover/NORTHEAST	1,076
Westborough/CENTRAL	1,024
Waltham/BOSTON METRO	978
Worcester/CENTRAL	836
Shrewsbury/CENTRAL	809
Haverhill/NORTHEAST	669
Marlborough/BOSTON METRO	645
Billerica/NORTHEAST	630
Braintree/BOSTON METRO	568
Woburn/BOSTON METRO	567
Westwood/BOSTON METRO	561
Leominster/CENTRAL	515
Middleton/NORTHEAST	500
North Billerica/NORTHEAST	499
North Andover/NORTHEAST	470
Fall River/SOUTHEAST	429
Auburn/CENTRAL	414
New Bedford/SOUTHEAST	411
Taunton/SOUTHEAST	411
Pittsfield/BERKSHIRE	396
Allston/BOSTON METRO	393

Sources: Commonwealth Corporation, iMarket, and wire services

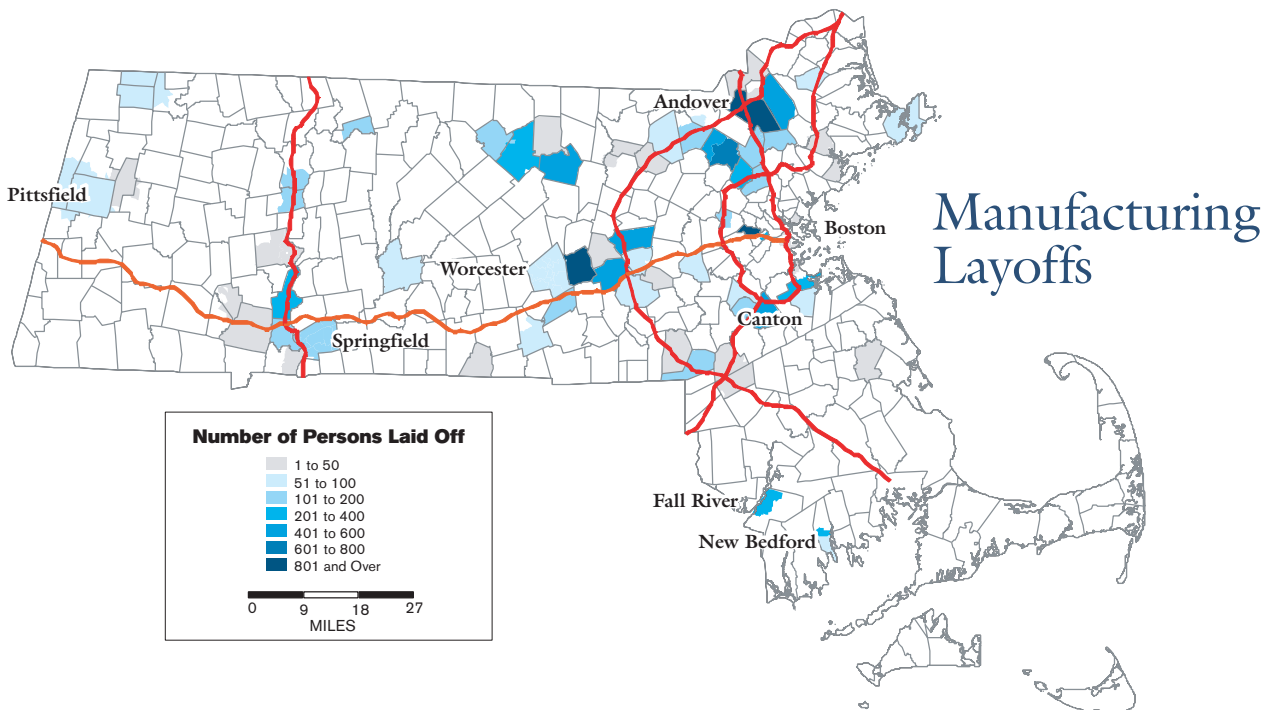
Job Losses by Sector



Top 12 Manufacturing Establishment Layoffs

Company	Number laid off
Boston Scientific	850
3Com	541
Quantum	503
Gillette	500
Raytheon	497
Jabil Circuit	490
Lucent Technologies	450
PRI Automation	370
Solectron	330
Copley Pharmaceutical	325
Simplex Time Recorder	301
Cliftex	300

Sources: Commonwealth Corporation, iMarket, and wire services



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