



# PUSHING THROUGH THE DOWNTURN

## A SUMMARY OF THE 495/METROWEST REGION'S ECONOMY

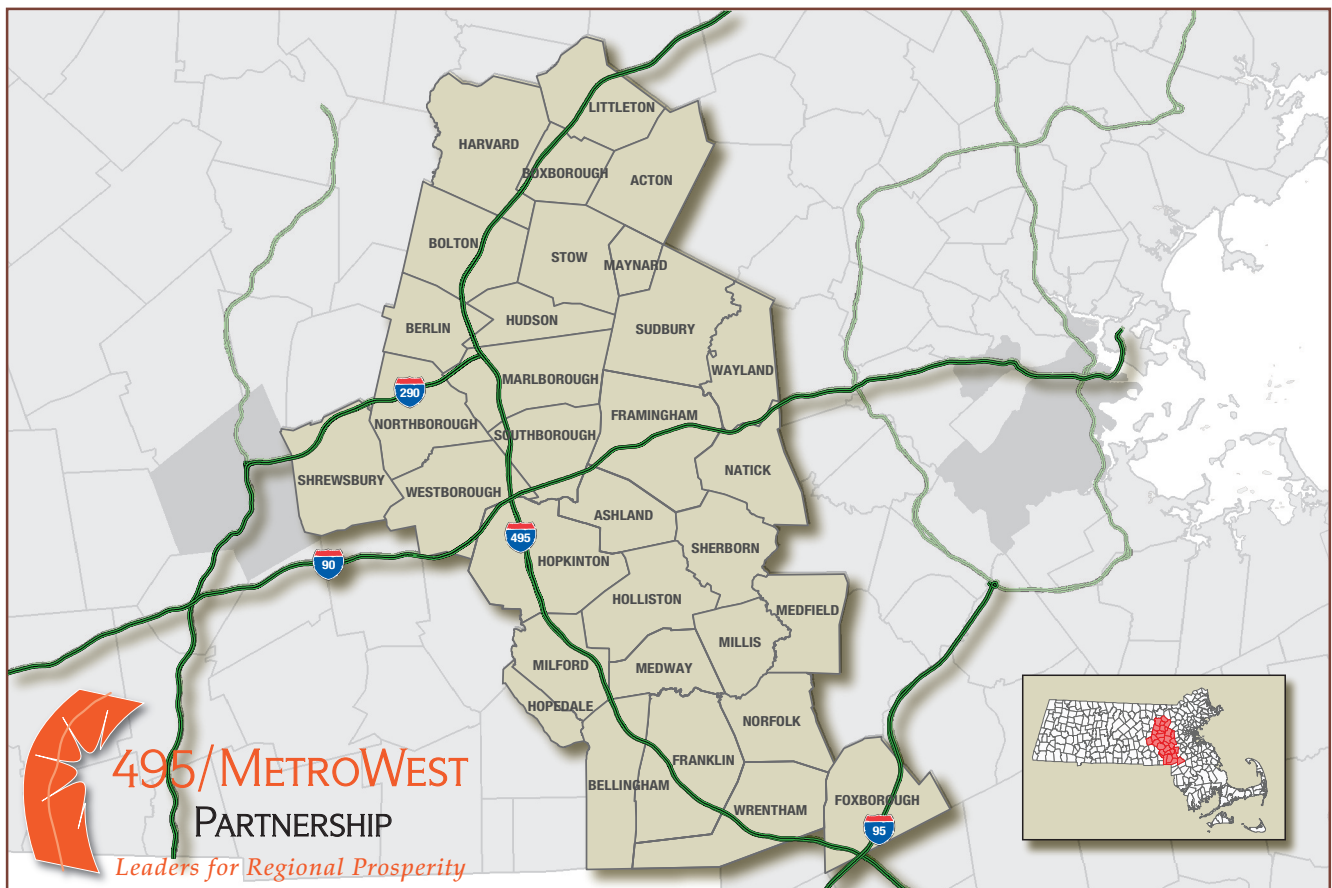
**A**s the advocacy organization for the 495/MetroWest region, the **495/METROWEST PARTNERSHIP** worked with the **METROWEST ECONOMIC RESEARCH CENTER (MERC)** at Framingham State College to develop an ongoing analysis of our region's economic importance to the Commonwealth. This data is particularly important as the region, state, and nation struggle through, by many indicators, the worst economic downturn since the Great Depression.

The third annual report from MERC for the 495/MetroWest Partnership, **2009 ECONOMIC INDICATORS FOR THE 495/METROWEST REGION**, offers a wide range of economic indicators assessing the region's growing role as an employment center for the Commonwealth. *Indicators* provides a continued examination of the economic characteristics of the region, unemployment data, labor force data, the types of jobs located in the region, and the payroll they generate. The analysis also provides regional job churning data. This document is a summary of the report, as well as additional data collected by the Partnership, intended to provide the highlights of the analysis; the full report is available online at [www.495partnership.org](http://www.495partnership.org).



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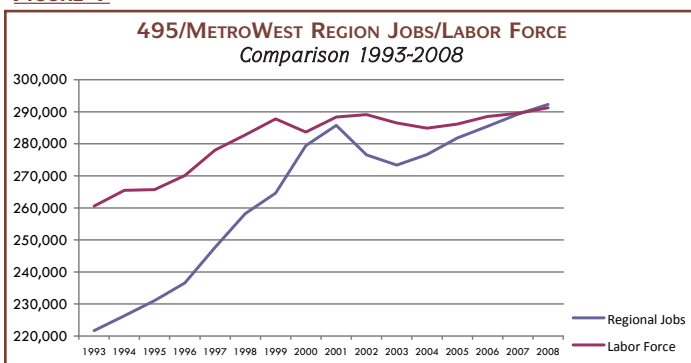
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## Jobs/Labor Force

As of 2008, the 495/MetroWest region has a labor force of 291,250 workers, a slightly smaller number than the 292,318 jobs that exist in the region. Dating back to at least 1993, this is the first time the region has been a net importer of labor (see Figure 1). The shift from a net exporter of labor to a net importer of labor brings with it several public policy challenges, one of which is recognizing the relationship between job growth, housing affordability, and transportation.

**FIGURE 1**

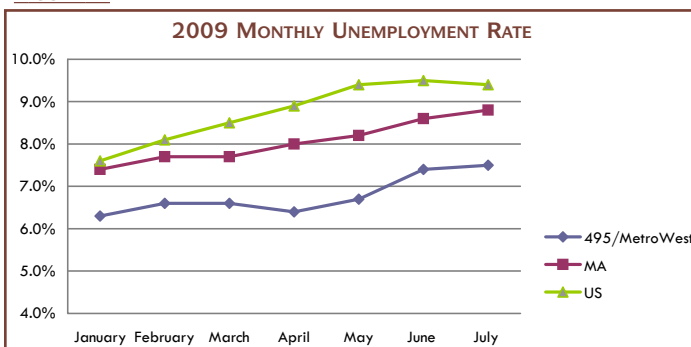


In 2008, employment in the 495/MetroWest region totaled 292,318, up 3,100 jobs from 2007. The 2008 employment numbers represent a new historic high in regional jobs, surpassing the previous peaks in 2007 (289,199) and 2001 (285,700). Since 1980 the region has added over 112,000 jobs – an increase of 62%. The region has consistently outperformed the Commonwealth in job creation as its share of state employment currently represents one out of every eleven jobs in Massachusetts.

## Unemployment

The region has not been immune to the effects of the recession with unemployment rates rising through 2008 and accelerating through July 2009 (see Figure 2). From

**FIGURE 2**

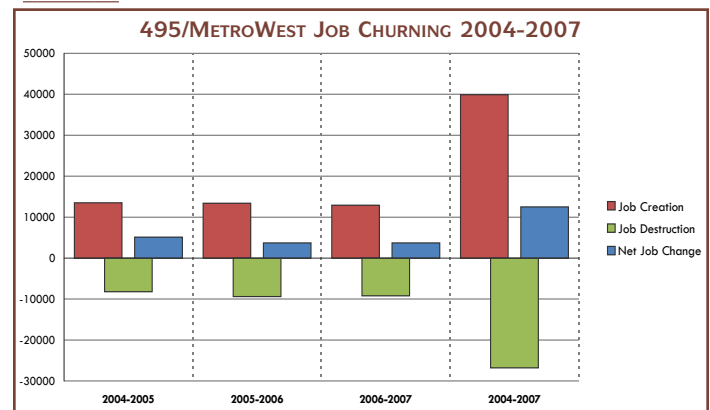


July 2008 to July 2009 unemployment increased from 4.3% to 7.5%. Though unemployment has increased, regional unemployment rates have remained below the state and national rates—regional unemployment in July 2009 was 7.5%, the Massachusetts rate was 8.8% and the US rate was 9.4%.

## Job Churning

Analyzing job churning (the creation and destruction of jobs) is one way to gauge the economic dynamism of the 495/MetroWest region. With exceptions, including the current recession, the region has seen steady growth in employment since the early 1980s. This growth in employment masks the consistent churning of job creation and destruction as less innovative and efficient companies downsize or go out of business and more innovative and efficient companies take their place. This turbulence is a major driver of economic innovation and growth. Between 2004-2007 job creation outpaced job destruction resulting in a positive net change in employment each year (see Figure 3).

**FIGURE 3**

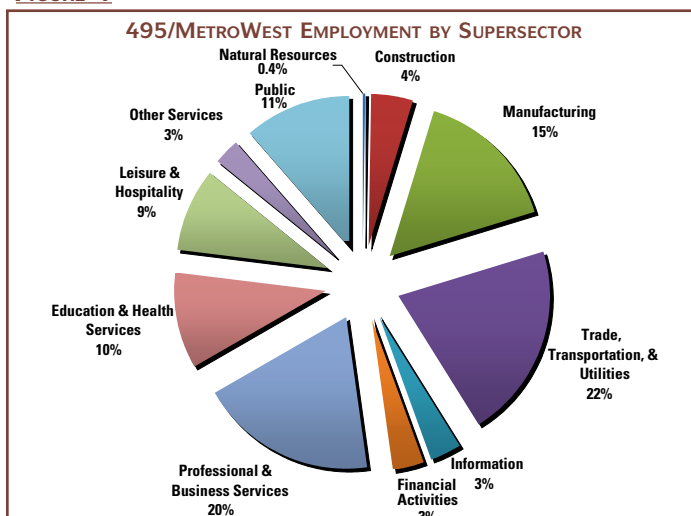


The annual rate of job creation ranged between 4.5% and 4.9% while the annual rate of job destruction ranged between -2.9% and -3.4%. The highest level of job creation, 13,500 jobs, occurred in 2005 whereas the highest level of job destruction, -9,500 jobs, occurred in 2006. Job creation averaged 4.7% annually while job destruction averaged -3.2% annually resulting in an average annual net change of 1.5%. Between 2004-2007 the net job increase of 12,500 jobs was the result of nearly 40,000 newly created jobs outpacing the loss of -27,000 jobs. One out of every twelve jobs in the region was either newly created or lost in the region each year during 2004-2007.

## Employment Diversity

The 495/MetroWest region has a robust and diverse economy across several different employment sectors. Jobs in the region are concentrated in three North American Industry Classification System (NAICS) supersectors.<sup>1</sup> They include: Trade, Transportation, & Utilities (20.9%), Professional & Business Services (19%), and Manufacturing (15.4%) (see Figure 4).<sup>2</sup> These three sectors total more than 55% of the jobs in the region.

**FIGURE 4**



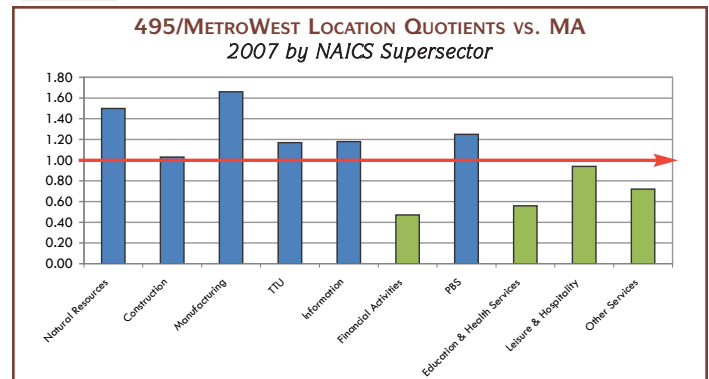
Source: Massachusetts Division of Unemployment Assistance and MERC

Another way to examine employment strength and diversity is by comparing industrial sectors within a region with a larger reference economy. Location quotient analysis is a commonly utilized economic analysis method that gauges the relative concentration or specialization of one or more industries or industrial sectors in a given region. This technique compares a regional economy to a reference economy; this year's study compared the 495/MetroWest region to Massachusetts and the United States. The analysis revealed that the region had concentrations of employment greater than existed statewide in five NAICS supersectors most notably:

- ❖ Manufacturing which has a 66% higher concentration of jobs than existed statewide;
- ❖ Professional & Business Services, which has a 25% higher concentration of jobs;
- ❖ Information, which has an 18% higher concentration of jobs; and
- ❖ Trade, Transportation, & Utilities, which has a 17% higher concentration of jobs (see Figure 5).

Jobs in these sectors tend to have higher average wages than sectors where the region has less concentration of employment.

**FIGURE 5**



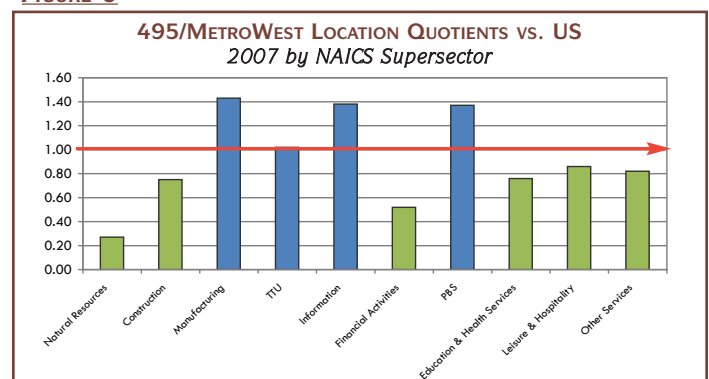
Source: Massachusetts Division of Unemployment Assistance and MERC

When comparing 495/MetroWest to the United States, analysis showed the region had concentrations of employment greater than existed nationwide in four NAICS supersectors most notably:

- ❖ Manufacturing, which has a 43% higher concentration of jobs than existed nationwide;
- ❖ Information, which has a 38% higher concentration of jobs; and
- ❖ Professional & Business Services, which has a 37% (see Figure 6).

As mentioned, jobs in these sectors tend to have higher average wages than sectors where the region has less concentration of employment.

**FIGURE 6**



Source: Massachusetts Division of Unemployment Assistance and MERC

The number of establishments, or separate places of work, more than doubled in the region between 1980 and 2008, growing at a faster rate than the Commonwealth. Rapid increases occurred during the 1980s as almost 6,000 were added to the region. Declines in the number of establishments occurred in 1991, 1992, 1997, and most recently in 2005, 2006, and 2008. The 495/MetroWest region's share of all establishments located in Massachusetts rose from 6.8% in 1980 to 8.4% in 2007 with one out of every twelve Massachusetts' establishments located in the region.

## Regional Payroll

For the first time in four years the 495/MetroWest region had a year to year decline in payroll. After posting a record payroll of \$17.73 billion in 2007 (up \$1.3 billion from 2006) the regional payroll dropped slightly in 2008 to \$17.72 billion. The region continues to provide one out of every 10 payroll dollars in the Massachusetts economy. Between 2000-2008, the region produced an overall net change in payroll of \$3.6 billion, an eight year increase of 26%.

In 2007, just over 50% of the region's payroll dollars were generated by the Manufacturing (\$4.3 billion) and Professional & Business Services (\$4.6 billion) supersectors. This large percentage share is linked to the high employment numbers in each of these sectors but also to the high average wages that each sector generates.

In 2008 the region's average annual wage reached \$61,300, exceeding the Massachusetts average wage of \$56,700 by 8%. 2007 data indicate that the three supersectors with the highest average annual wage include Manufacturing (\$97,000), Information (\$95,900), and Professional & Business Services (\$84,000).

## 495/MetroWest Commercial Real Estate Update

The Partnership teamed with the Boston based commercial real estate firm Richards Barry Joyce & Partners to develop an analysis of the region's commercial real estate market for the most recent quarter. The global economic slowdown has affected the 495/MetroWest region with negative absorption (decreased use of space) and a slight decrease in lease rate levels, though the ability to accommodate tenants for lower occupancy costs than in other markets may attract some tenants in a highly cost-conscious environment. The following is a snapshot of some of the current conditions in the commercial office market in 495/MetroWest region:

- ❖ A Class A discount to 128 West space has narrowed from 38% to 29% in four quarters.
- ❖ Availability increased 3.2% over a year.
- ❖ Properties built in 1990 and since are 14.4% vacant, those built prior to 1990 sit 21.4%.
- ❖ Sublease available sf has increased 16% from 687,000 sf to 795,000 sf over the year.
- ❖ The four-quarter absorption trend has been negative two consecutive quarters, for the first time since Q1'04.
- ❖ Class A asking rents are 1.8% below year-ago levels, compared with a 15.3% drop in the 128 West submarket and 23.5% in Boston's Financial District.
- ❖ Choices available for a 10,000 sf space user desiring Class A space increased from 19 to 32 over a year.

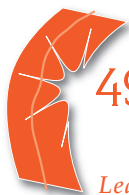
## Conclusion

The 495/MetroWest region is a key foundation of the Commonwealth's economy, as an employment center and a key source of skilled workers. The 495/MetroWest region's economic strength has helped buoy the overall Massachusetts economy during the current recession. The region's economic dynamism and ability to innovate will play a critical role in stabilizing and spurring the Massachusetts' economy towards growth. The diverse depth and breadth of the region's economy, with strengths in multiple sectors, has helped to keep the unemployment rates lower than state and national rates.

However, the region faces challenges that could jeopardize its economic accomplishments. The shift from a net exporter of labor to a net importer of labor will bring with it challenges associated with housing and transportation. Massachusetts faces daunting financing challenges to address serious infrastructure limitations, which threaten economic competitiveness. Due to the recession, the role that infrastructure can play in promoting prosperity and building a framework for economic growth has taken front stage. Limited short-term stimulus funding for various road, transit, rail, and water projects has helped the region but it offers no substitute for long-range efforts to maintain regional prosperity. Appropriate infrastructure maintenance and enhancement isn't just about regional equity but is instead about keeping the region and state competitive in a rapidly evolving and competitive global marketplace. For these and other reasons public policy makers must formulate sound policies and adequate infrastructure investments that can address these challenges and help ensure that the 495/MetroWest region and the Commonwealth's economy remain strong and vital.

<sup>1</sup> NAICS is an industrial classification system used by the US Department of Labor that groups establishments into industries based on the activities in which they are primarily engaged. It is a comprehensive system covering the entire field of economic activities, both producing and non-producing. NAICS has twenty separate industrial sectors, which are grouped into eleven supersectors.

<sup>2</sup> Trade, Transportation and Utilities includes retail establishments. Professional and Business Services include professional, scientific, and technical services and management of companies and enterprises.



**495/METROWEST**

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