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Diversity of the Western Mass. economy provides some protection during recession

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Eighteen months into the current economic downturn and the economy of Western Massachusetts is battered but not beaten. The unemployment rate in Hampden, Hampshire, and Franklin counties stood at 8.4% in March (vs. the statewide of 8.2% and the national rate of 9.0%). The chronically troubled city of Springfield reported an 11.2% rate, while the balance of the I-91 corridor had 7.7% unemployment.

With a total labor force of 350,000 employees, no single employer represents more than 2% of the total, and no single employment sector has a concentration greater than 10%. This represents a departure from the region's employment make-up of 30 years ago, when manufacturing stood close to 30%, much of it in cyclically sensitive industries like paper-making.

The largest employment sector is higher education, with ten 4 year colleges and universities, as well as three community colleges. The second largest employer is Baystate Health Services, and like higher education, the healthcare industry has not contracted. Although the financial industry has been decimated nation wide, the headquarters of MassMutual in Springfield has announced only two rounds of layoffs of fewer than 100 employees each.

The manufacturing sector itself is diversified. Precision machining has weakened over the last year, but much of its work is related to defense and medical devices which have not had dramatic declines in demand. The plastics industry in the regions is also composed of numerous smaller manufacturers. These businesses serve a variety of segments in the market that may actually thrive in the stimulus environment, from urethane based medical devices (Deerfield Urethane, JPS Elastomerics, and Greenfield-based Argotec), to plastic pipe maker Advanced Drainage Systems in Ludlow that will likely supply a good part of the piping and structures for highway infrastructure projects.

Much of the industry that was previously susceptible to the business cycle, such as paper manufacturing and textiles, moved from the area many years ago.

State and federal government employment in Western Massachusetts also provide a stable element to the labor force with the University of Massachusetts at Amherst (6,000 faculty and staff) and Westover Air Reserve Base (3,000 reservists and civilians).

In spite of demand destruction of historic proportions, the vacancy rate for modern industrial buildings in the 10 to 30,000 s/f range remains below 5%. There is currently an oversupply of distribution buildings over 100,000 s/f, most of which was carried over from before the advent of the recession and sales activity for industrial land for new construction has dwindled to a trickle. The vacancy factor for industrial properties would be much worse if not for the diversity of the economic base.

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