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## NOTES FROM THE BOARD

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*The Massachusetts Economy continues to perform well with several economic indicators outperforming pre-recession highs. Concerns about long-range growth center around available labor supply and uncertainty in federal immigration policy.*

Overall, the Massachusetts economy is performing quite well. Several key indicators, including total jobs, unemployment, wages, and gross state product, are close to or better than prerecession levels. Similarly, the monthly unemployment figures continue to signal positive news. The January 2017 unemployment rate for Massachusetts was 3.2 percent, 1.6 percentage points lower than the national average. And the current unemployment rate is among the lowest for the state since before the 2001 recession.

Despite these trends, areas of concern persist, mainly involving the state's untapped labor reserve. The U6 unemployment rate, which includes discouraged workers, all other marginally attached workers, and workers who are part-time for purely economic reasons, still exceeds prerecession levels. This suggests that many workers in the state economy lack the skills that employers are currently looking for.

Board members also acknowledged that related, overall labor market tightness raises concerns about long-term economic growth. The most significant room for employment growth, they agreed, is among young adults aged 16-24 and for all with limited educational attainment. While employment rates have recently increased for both [overlapping] groups, there is still significant room for improvement. Over 40 percent of workers under 25 in Massachusetts, for example, work in either retail or food services—industries that offer very limited opportunities for skill acquisition or job advancement.

Another area of concern is the current uncertainty over federal immigration policy. Over the last 30 years, Massachusetts has relied heavily on the foreign born as a key driver of population and labor-force growth. Since 2000, the foreign-born population has accounted for 74 percent of the state's population growth and 67 percent of its the labor force growth. The immigrant labor supply is critical in both Greater Boston and the Gateway Cities. Today, nearly 28 percent of Greater Boston's workers are foreign born. And Greater Boston accounts for about 62 percent of the state's foreign-born workforce.

While some might associate foreign-born labor with low-skill work, the Commonwealth's concentration of colleges and universities coupled with its emerging life sciences, innovation, and technology sectors make the state a magnet for highly skilled immigrants. For example, nearly one-quarter of all workers in the Massachusetts technology sector are foreign born. To that end, Massachusetts and Greater Boston in particular have relied on foreign-born labor through the H-1B visa program to help fill critical job openings in STEM (science, technology, engineering, and math) occupations.

There is some evidence that employers use lower-cost foreign labor in STEM jobs to receive training that ultimately leads to off-shoring of these jobs.

Confusion and uncertainty about future national immigration policies could have a chilling effect on the current immigrant workforce and the future supply of immigrant labor to Massachusetts across a wide variety of industries. There is already some evidence that college applications from international students are decreasing nationally. Besides healthcare and other STEM-driven industries, vulnerable industries include manufacturing and accommodations/food services, where immigrants account for between 25 and 30 percent of the workforce. In the Board's view, the implications of a national policy shift on immigration may yield significant outcomes—both for Massachusetts and its local economies.

Prepared by Senior Managing Editor Mark Melnik  
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