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# *From the* **Field**

ILLUSTRATION: NAOMI SHEA

## Berkshire County: on the threshold of a NEW ECONOMY

— CRAIG MOORE —



*The map inside the back cover  
of this issue provides additional information  
on the Berkshire region.*

**B**erkshire County is set off from the rest of the Commonwealth by rolling mountains and wide valleys that offer spectacular natural beauty. It is a very civilized and sophisticated place, known for exceptional classical music, world-class dance, fine art, and spas that cater to alternative approaches to health and beauty. The upscale tourists and second-home owners who enjoy the cultural treasures also create a market for fine cuisine, tempting antiques and objets d'art. Some of the wealthier visitors still put on classic lawn parties reminiscent of an earlier age.

This region seems to attract more New Yorkers than Bostonians. Residents prefer the *New York Times* to the *Boston Globe*, and their radio and television stations originate across the border. In turn, many businesses based in upstate New York include Pittsfield in their marketing area.

The Massachusetts Turnpike in the southern part of the county and Route 2 in the north are the only real links to the rest of the state. To define this region as part of Western Massachusetts would obscure its unique economic character and distort the economic picture of the Pioneer Valley to its east.

**A RECENT HISTORY OF TOUGH TIMES**

The modern economic legacy of the Berkshire region was cemented in the 1980s, when the employment base of large manufacturing companies in the region went into a secular decline. The end of the Cold War prompted the loss of nearly 10,000 defense-related jobs in this region alone.

Concurrent with these job losses were the continuing rumors and realities of downsizing, mergers, acquisitions, and closings. In this decade, one of the major defense plants has been owned in turn by General Electric, Martin Marietta, Lockheed Martin, and now, General Dynamics Defense Systems.

This legacy — and the perceived economic instability that resulted — serves as the background for every personal, company, and public policy economic decision made in the Berkshires, and injects each with a degree of angst.

It may now be time to leave this legacy behind.

There is an economic base arising in the Berkshires that is tied to a mix of small, new, high-technology companies with important links to the telecommunications industry. There is a resurgence of activity in the arts and in tourism. The Berkshires is embarking on a future that appears to be very different from even its recent past.

**AN OVERVIEW OF THE ECONOMY**

Berkshire County has about 6,300 business firms that employ 57,000 workers. The composition of employment is shown in Figure 1. The service sector makes up just under 40 percent of all employment, with retail and wholesale trade contributing about a quarter of all jobs. Manufacturing follows, with just under 17 percent, and FIRE (finance, insurance, and real estate) adds almost 5 percent.

Between 1995 and 1998, employment in the region grew by 5.6 percent.<sup>1</sup> Services led this growth with a 7.3 percent change, followed by retail trade, which grew by 6 percent. Even manufacturing, which has experienced serious declines at various times in the past 20 years,

grew by 4.6 percent.

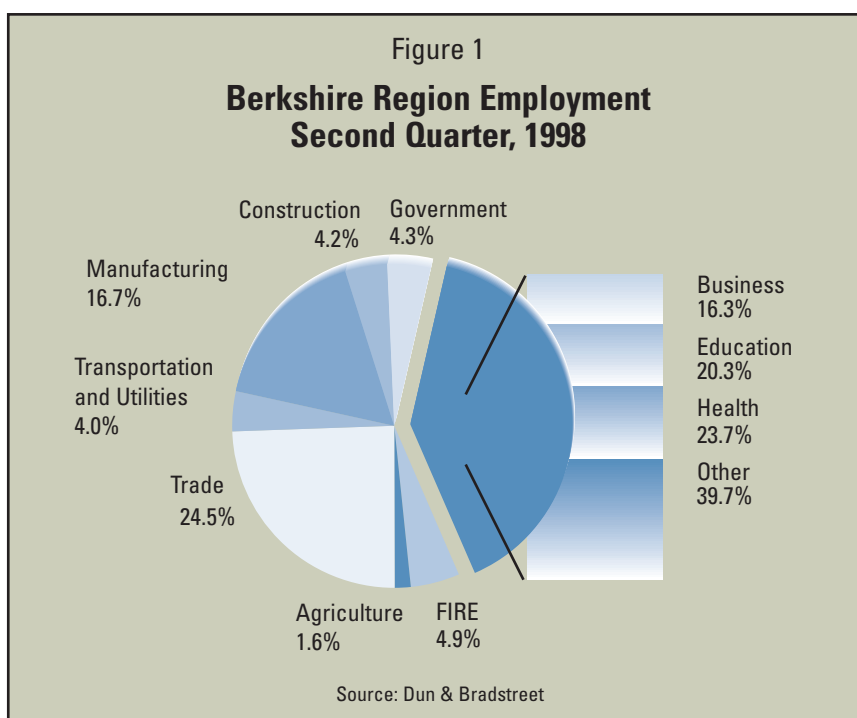
A closer look at the services sector shows that three key components: business services, education, and health services, comprise over 60 percent of the employment in the sector (see the breakout of service sector employment in Figure 1).

In the overall Berkshire economy, the health care and education sectors comprise 9.5 percent and 8 percent of total employment, respectively. In addition, eating and drinking employment accounts for nearly 6 percent of the total, and social services for 4 percent. The significant presence of eating and drinking employment reflects the strong tourism industry in the region.

Manufacturing is led by the plastics industry (22 firms and 2,016 workers) followed by paper products (1,193 workers) and a group of 13 firms that make various instruments and employ 2,042 people. The only significant negative figures in manufacturing were in electronics equipment, where three companies closed, leaving 399 workers unemployed, and the loss of 304 jobs in transportation equipment, where two firms folded.

While retailing boomed with the opening of the new discount mall in Lee, wholesale trade saw a loss of 134 jobs in non-durable goods. Most other categories experienced minor fluctuations. Overall, the economy, in spite of layoffs at General Dynamics in Pittsfield, continued to flourish, and new activities began to sprout.

Over the past thirty years there has been a continuing loss of manufacturing jobs. General Electric, Sprague Electric, and most recently, General Dynamics Defense



Systems have reduced employment. This is not unlike the national, regional and statewide pattern that saw almost half a million defense jobs lost in New England over the past decade. While the state lost almost 25,000 jobs in manufacturing between 1995 and 1998, it added about 81,000 in business services of various types (including F.I.R.E.). The same trend holds true for Berkshire County: defense-related manufacturing continues to decline (even in the face of recent increases in overall manufacturing employment), while business services, especially in the form of smaller firms, emerge across the region.

The recent agreement between General Electric, the City of Pittsfield, and various federal and state government agencies regarding the clean-up of PCB pollution may act as an important catalyst in this economic restructuring. The state legislature's newly formed Pittsfield Economic Development Authority (PEDA) will take possession of several buildings and property valued at \$40 to \$50 million. The availability of these properties will provide a ready location for companies that want to expand into business services and manufacturing.

#### **INFORMATION TECHNOLOGY AND OTHER "NEW-WAVE" INDUSTRIES**

In the Berkshires and across Massachusetts, information technology (IT) is the new basis for economic growth.<sup>2</sup> Berkshire County has a group of small, innovative companies in the animation and multimedia business that are struggling to expand in the face of expensive and inadequate telecommunications services. Large employers, such as Berkshire Health Systems, are likewise affected. This bottleneck in economic growth is being addressed by a project dubbed "Berkshire Connect," which is supported by a \$250,000 state grant to explore solutions to providing inexpensive high bandwidth telecommunications access to the entire county (see page 19).<sup>3</sup> The availability of IT infrastructure is vital to the continued development of software, health services, financial services and even tourism in the region.

Health spas, such as Canyon Ranch; centers for meditation; and alternative approaches to personal care are in vogue across the country, and Berkshire County is finding a place in this niche industry.

The development of the Massachusetts Museum of Contemporary Art in North Adams will draw more activity in the visual arts, complementing the fine arts reputation of the Clark Art Institute in Williamstown. This development, along with the presence of Williams College and the new orientation of the Massachusetts College of Liberal Arts, forms a basis for growth in multimedia design and arts-based activities. This northern edge of the county is positioned for a very promising future, though

there is concern that the local retail community may not be prepared to respond effectively to the potential tourist market.

The plastics industry is in high gear across the state. In this region, it is organized into an effective network that not only expands customer opportunities but offers more productive and innovative interaction among its members. This exemplary collaboration has managed to fashion the kind of culture that some economists say gives places like Silicon Valley the edge, and it provides an excellent model of how companies can effectively work together.

Finally, there is a wave of new, small companies in consulting and business services. A recent survey in Lenox showed that there are many home-based companies and small offices providing a wide variety of services. This pattern is typical across all of Western Massachusetts and will play an increasingly important role in the region's developing economy.

#### **WHAT IS MISSING IN THE MIX?**

The key factor for continued economic prosperity in Berkshire County is the availability of human resources. It is difficult to attract and keep young professionals with the skills and talent to take the economy forward. While there is an exciting tourist-driven social scene during much of the year, the area lacks opportunities for young, single adults to meet other people and have access to many of the activities they find in a more urban setting.

The population has been declining over the past decade, but unlike the eastern part of the state, this area has not attracted foreign immigrants or people from other regions to take up the slack. The competition for people with technical skills and talent is keen, and the community needs to offer young individuals and families a quality of life and a social matrix that will bring them in and keep them. The newly formed Council for Growth is addressing both the workforce issue and a related one: the availability of land suitable for use in economic development. Finding solutions to these issues is essential to meeting the demands of the region's business growth.

The Berkshires is an exceptional venue that is underutilized by most of the Commonwealth's residents. Its considerable potential for substantial and sustainable growth can be realized only through focused energy and continued effort.

1. Based on second quarter 1995 to second quarter 1998 Dun & Bradstreet data. Dun and Bradstreet data are not produced for research purposes. Due to differences of definition, they will not necessarily agree with data from other sources.

2. See "Information Technology; The New Foundation" in *Massachusetts Benchmarks* Fall 1998 issue.

3. For details on this project, see "Berkshire Connect," published by Massachusetts Technology Collaborative, July 1998.

# Berkshire Connect. The Vital Signs Are Looking Good.

# A

fter two decades of steep recession that spurred the loss of thousands of manufacturing jobs, common wisdom around the Berkshires is that the region has turned an economic corner. There is wide-ranging consensus on one economic development issue: a sole reliance on market forces will guarantee that the region is saddled with an inadequate telecommunications infrastructure through the critical years to come.

Many rural regions across the nation lack sufficient electronic commerce to attract the private-sector investments that bring in electronic technology. Often, the cost of connecting to electronic super-highways is prohibitive. Ironically, the Berkshire region is crisscrossed with infrastructure upon which a modern electronic communications system could be built, but there is insufficient commerce for the owners to establish local access.

In June of 1997, a letter from the Berkshire legislative delegation to the Berkshire Regional Planning Commission (BRPC) requesting “leadership and support in providing a county-wide vision for the full implementation of a ‘world-class’ telecommunications infrastructure in our region,” set in motion an effort to jump-start the region’s telecommunications infrastructure. The Massachusetts Technology Collaborative, supported by the University of Massachusetts Donahue Institute, helped BRPC frame and manage a strategy in response to the delega-

tion’s challenge. One goal of the Berkshire Connect Project is to ensure that the Berkshires don’t become a telecommunications “have not” with respect to interconnectivity.

Berkshire Connect recently passed its first anniversary, and it became clear that its task force is successfully reshaping a predicament into a search for unique solutions. Early in 1998, a Critical Users committee — people for whom affordable access to an ultra-sophisticated telecommunication highway is “mission critical” — utilized consultants to inventory demand for telecommunications services, map the existing telecommunications infrastructure (e.g., buried fiber optic cable), and identify options for bypassing barriers to access. An explicit challenge was to overcome access barriers by melding public and private resources into comprehensive solutions. The task force is committed to serving the common good as well as private commerce.

Is an up-to-date telecommunications infrastructure a necessity or a luxury? Are there responsible solutions wherein public and private resources can be blended to upgrade and maintain a regional telecommunications infrastructure? The volunteers of Berkshire Connect are combining good old face-to-face meetings with technical electronics discussions in a search for answers. Check out [www.bconnect.org](http://www.bconnect.org) this spring for some innovative solutions from the Berkshires.



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# BERKSHIRE REGION

