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The Pioneer Valley region

Robert A. Nakosteen, *University of Massachusetts - Amherst*



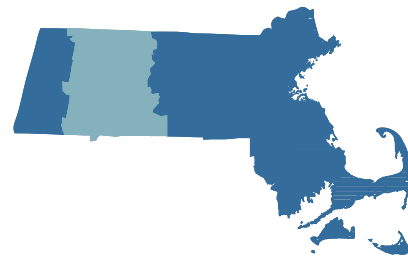
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From the Field



ILLUSTRATION: NAOMI SHEA

The Pioneer Valley Region



The map inside the back cover of this issue provides additional information about the Pioneer Valley region.

ROBERT NAKOSTEEN

The Pioneer Valley is a region with many attributes, one of which is great economic potential. Its mix of city, small-town, and rural flavor, combined with a significantly lower cost of living than in the eastern part of the state, makes it attractive from a quality-of-life perspective. In addition to these attributes, which can serve as a lure for a qualified labor force, new businesses, and job growth, the region has several other elements that can promote successful economic development. Among these are a well-developed transportation network and proximity to large East Coast markets, a unique capacity in telecommunications, and a strong presence in higher education.

Still, the promise of the region is not reflected in the economic data. Many of the industries comprising its economic base do not have good growth prospects for the national and global markets of the twenty-first century. The task at hand is to reorient the Valley's economic base from its roots in the industrial revolution toward one that can be expected to thrive in the next century.

The Pioneer Valley region¹ of Western Massachusetts is very much a child of the Industrial Revolution. Holyoke was one of the world's first planned industrial cities, built to take advantage of Connecticut River water power and the boom in textile manufacturing in the early 1800s. River traffic was mostly replaced by railroads in the mid-1800s, connecting the mill towns with Boston and New Haven. From this arose a formidable local economy that supplied the world with paper, cloth, and other manufactured goods, as well as manufacturing technology. This industrial legacy, heavily committed to a manufacturing economic base, tells us much about where the Pioneer Valley is today—and about the challenges it faces for the future.

The Valley's Industrial Past

In the nineteenth century, the Springfield Armory introduced to the world the use of interchangeable parts in manufacturing, resulting from a contract with the U.S. government for the production of armaments. The armory's success spawned the growth of machine tooling and precision metalworking from the Connecticut to the Vermont borders. These were the high-tech industries of the nineteenth century, and the Pioneer Valley was a leader around the world.

Holyoke's mills, completed after the decline in the New England textile industry had commenced, were able to diversify into machine tooling, precision metalworking, and—most important—paper manufacturing, while keeping some of their textile manufacturing capacity. By the 1880s, Holyoke was known as the Paper City. The relatively rapid transition from a planned textile mill city to this was due in large part to the quality of the Connecticut River's water, uniquely suited to the manufacture of paper. This resource gave the Holyoke mills an advantage, even over those with greater proximity to wood, the most basic raw material in paper production.

By the mid-twentieth century, however, the fortunes of the Valley's industrial giants began to wane. The 1970s saw both machine tooling and precision metalworking stagnating in the region, and the industries virtually collapsed over the following decade. Dozens of companies with thousands of employees closed or were seriously downsized.² Numerous factors contributed to the decline, not the least of which was an extremely strong dollar in international exchange markets. This made domestic firms fatally less price competitive than their international counterparts. Though the twentieth century took a toll on virtually all of

the region's industries, the relatively small specialty-paper sector remains a strong part of the Pioneer Valley's economic base.

Framing these developments is a pattern of overall growth and decline in manufacturing across the region and the state. At the beginning of the 1900s, state and regional employment bases were comprised of approximately 20 percent manufacturing jobs. This grew, throughout the Commonwealth, to more than 50 percent in the post-World War II years. Hampden County, comprised of the region's largest cities (Springfield, Chicopee, and Holyoke), had nearly 60 percent of its employment in manufacturing by the late 1940s. From this high-water mark, manufacturing as a percent of total employment has dropped continually. In its wake remains an infrastructure of mills and factories that have been and will continue to be very expensive to modernize. Equally important is a labor force in need of training that will make individuals more qualified for the knowledge-based economy of the twenty-first century.

Reorienting the Economic Base

The Valley's economic decline during the second half of the twentieth century was primarily a result of its heavy dependence on manufacturing. In the late 1980s and into the '90s, the region shared in the severe statewide recession. The unemployment rate was near double digits, firms were closing, and the Pioneer Valley lost population to out-migration. The apparent improvement of the economic landscape in recent years masks an economy that has been unable to replace the many lost manufacturing

jobs. Worse still, the region has no strong engines of economic growth on the horizon.

At the same time, the Pioneer Valley has many attributes and great economic promise, if in a more general sense. As noted recently in *The Boston Globe Magazine*,³ "With its breathing room and lower cost of living, as well as its choice of small cities and college, farm, and hill towns, the region offers an appealing mix of the rural and the urbane that doesn't exist in many places." In addition to these quality-of-life attributes, which can serve as a lure for new businesses and a qualified labor force, the region has many other elements that can promote successful economic growth. Among these are a well-developed—and relatively uncongested—transportation network with proximity to large East Coast markets, a unique capacity in telecommunications, and a strong presence in higher education.

Still, the region's promise is not reflected in the economic data. Many of the industries comprising its economic

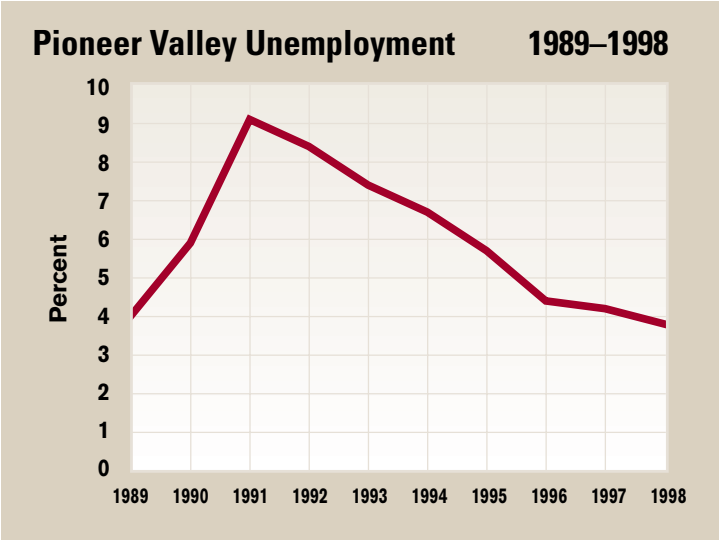
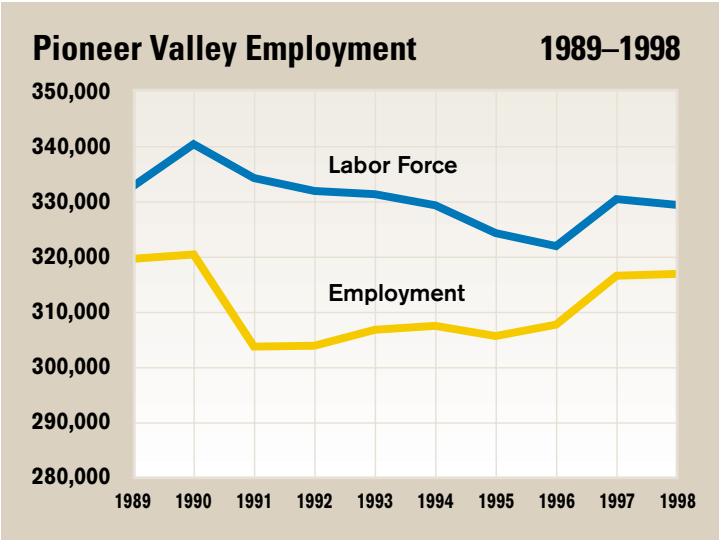
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Regional Profile

Employment. Peak regional employment during the previous expansion was reached in 1989, at 319,739.⁴ Not surprisingly, the regional unemployment rate was at its lowest (3.9 percent), one-tenth of a point below the state rate. From there, the state and the regional economies deteriorated rapidly, with unemployment reaching 9.5 percent in 1991. There was a parallel decline in regional employment from its highest level down to 303,823, a drop of nearly 5 percent of the employment base. The state lost nearly a quarter of a million jobs between 1989 and 1992.

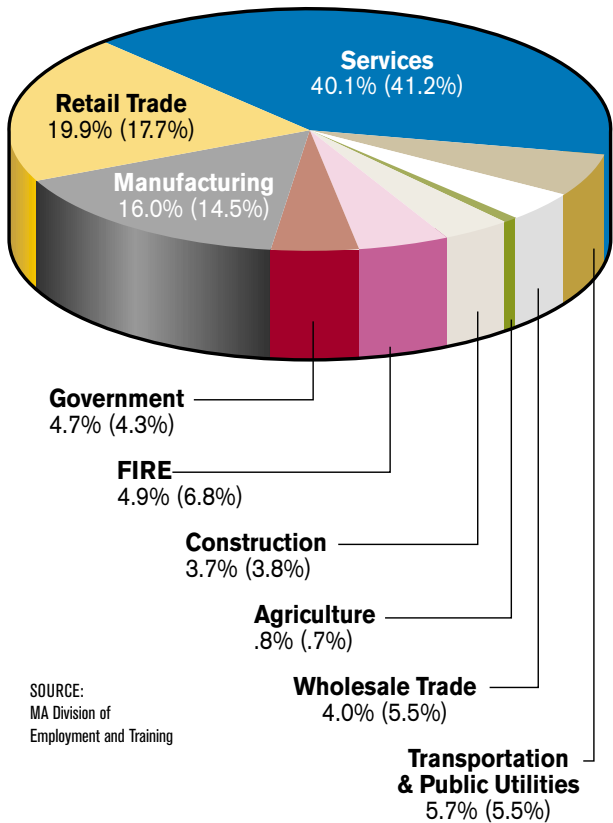
From its high point, the regional unemployment rate fell monotonically for six years, to 3.8 percent in 1998. The Commonwealth's rate reached 3.3 percent. What has



SOURCE: MA Division of Employment and Training

Pioneer Valley Employment 1997

State numbers in parentheses



SOURCE:
MA Division of
Employment and Training

At the division level, regional employment percentages are similar to those of the state.

distinguished the regional pattern of unemployment is the extent to which it has masked a degree of economic weakness. In fact, the regional employment number has not yet returned to its 1990 peak level on an annual-average basis, standing at 317,036 in 1998. And while the state has experienced a 12.6 percent increase in employment since a low point in 1992, regional growth has been only 4.3 percent.

The drop in regional unemployment has virtually matched that of the state, not because of employment growth, but rather because of labor-force stagnation. The labor force has not returned to its 1990 high. In 1998, it stood at 329,485, a loss of 3.2 percent. This is due to net out-migration of the population, a phenomenon the Pioneer Valley has faced during most of this decade. The pattern suggests a lack of economic opportunity in the region that is not obvious when considering only the low rates of unemployment.

Industry mix. At the major-industry level of detail, the region's economy closely resembles that of the state: the services sector is the largest, at 40.1 percent of total employment. Manufacturing, which represents 16 percent of regional employment, accounts for 14.5 percent at the

Fine Arts in the Valley

An Underrated Economy

In 1998, travel writer John Villani ranked Northampton, Massachusetts, “Number One” in his book *The 100 Best Small Art Towns in America*. *The Boston Globe* proclaimed, “This small city offers more restaurants and shops, certainly more galleries, theaters, and performance venues than most urban centers dozens of times its size.” In this thriving mini-metropolis, galleries gleam, potters prosper, and musicians from every genre enjoy packed houses night after night. One wouldn’t expect this from a town of 30,000, but that’s part of Northampton’s appeal.

A burgeoning cultural industry has been growing impressively in the Pioneer Valley for more than 25 years. The reputation brings successful artists from around the country, encouraging local artists outward from Northampton to the surrounding towns, where lower rents and more available space have energized the growth of arts communities throughout the region.

But while we generally look to numbers to spell out economic impact of any industry—and oftentimes, they do—there are things the numbers don’t catch. Why don’t the arts register on the Dun & Bradstreet or Division of Employment and Training data screens? Because many artists aren’t employed in the traditional sense. They don’t work for firms that pay wages, taxes, and unemployment insurance—but they are working artists nonetheless. The numbers that do show up, measuring the direct impact of the cultural industry, may not seem impressive by comparison to leading industries. As a result, the significance of the arts to local economies is often underrated.

Ask any resident or regular visitor about the importance of the arts to the Pioneer Valley, and they will tell you: There is allure in the region’s cultural community, even if the numbers can’t prove it.

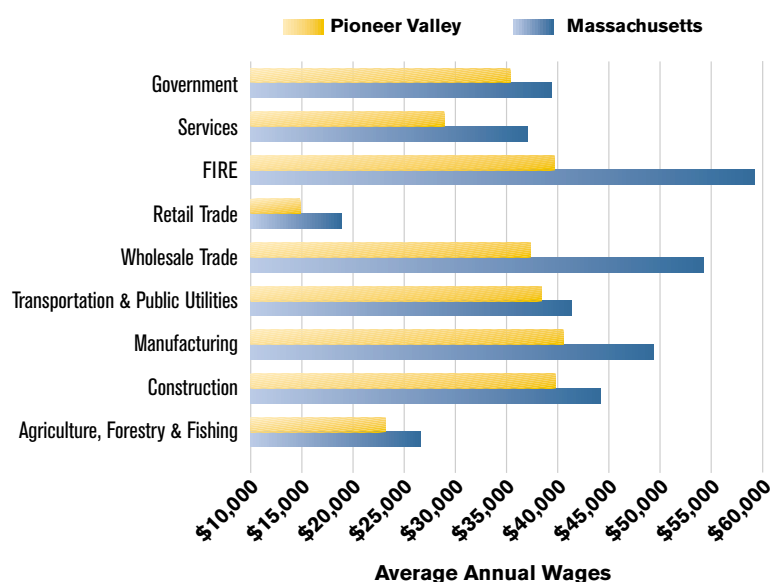
state level. In other sectors as well, the region and the state are well aligned in percentage representation.

The wage differential. There is considerable disparity between the region and the state when it comes to wages. In every major industry sector, the average regional wage⁵ is lower than the state average. In some cases, the differences are dramatic. For example, the state average wage in finance, insurance, and real estate is nearly \$60,000, while the regional average is less than \$40,000.

The Boston metropolitan area, where the cost of living is significantly higher than it is in Western Massachusetts, dominates the state averages in nearly every sector. The reported wages do not take into account cost-of-living differences and therefore must be interpreted with caution. Still, wage data suggest that the Pioneer Valley lags considerably behind the state as a whole when it comes to wage and income levels.⁶

Employment in key industries. This analysis again makes it clear that the Pioneer Valley has not fully benefited from the economic recovery and expansion of the 1990s. While the regional unemployment rate is considerably lower now than it was early in the decade, job growth and wage levels have lagged behind the rest of the state. In a recent study of the state economy, the Massachusetts

Wage Comparison: Pioneer Valley vs. Massachusetts 1997



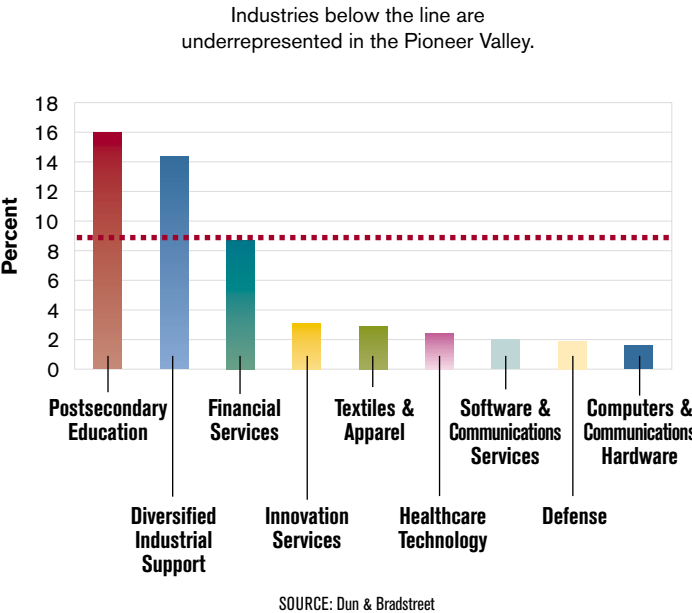
State wages exceed those of the region in every sector.

SOURCE: MA Division of Employment and Training

Technology Collaborative observed, “The Massachusetts economy is fundamentally different than it was a decade ago. Not only has the economy grown in jobs and output, but its character has changed. A ‘boom-and-bust’ economy once dependent on a few cyclical industries, especially defense and computer hardware, is now more diverse with a much broader range of industries.... This diversity means that as Massachusetts enters a period of global economic uncertainty, our economy is better positioned to promote long-term growth and respond to the coming challenges.”⁷

The MTC study identified nine key industry clusters that are critical to the state’s economy and its future. These include innovation services, postsecondary education, textiles and apparel, diversified industrial support, computers and communications hardware, financial services, healthcare technology, software and communications services, and defense.⁸ These clusters account for more than one-third of the state’s private-sector payroll and pay wages nearly 50 percent higher than the rest of the industries comprising

Pioneer Valley Share of State Employment in Key Clusters 1998



Valley-Wide Initiatives Aim to Secure Economic Future

In attempts to reverse the economic meltdown of the late 1980s and early 1990s, the Pioneer Valley’s economic development planners and practitioners have launched multiple initiatives in recent years. These are helping the Valley harness its public- and private-sector resources to develop and administer industrial parks, clean up brownfields, press forward with infrastructure for new technology-based industries, leverage public schools and higher education resources to full advantage, and inspire other benefits for the region.

At the core of economic development efforts is the Pioneer Valley Plan for Progress, which is anchored by the Pioneer Valley Planning Commission (PVPC). The plan brings together mayors, state and town officials, nonprofit organizations, regional entities and the private sector in a collaboration that reaches beyond the traditional mandate of a regional planning agency. Though the PVPC service area does not extend to the Franklin County region, the Plan for Progress embraces this northern neighbor as an important player in the Pioneer Valley’s economic arena.

The Economic Development Council (EDC) of Western Massachusetts serves in many ways as an implementation arm of the Plan for Progress. Through its own strategic plan, it addresses many of the business-related issues raised by the Plan for Progress and offers support for others. Created in 1996 by prominent private-sector companies in the three counties, the council is governed by seven mayors, three selectman, and 70 private-sector chief executives. Its main purpose is to turn the plan’s initiatives into private-sector-driven progress throughout the Valley and increase private-sector payroll and direct investment in the three counties.

The Franklin Regional Council of Governments (FRCOG) maintains its own economic development planning capacity to complement its participation in the Plan for Progress and to ensure that local needs do not get subsumed by the much larger Hampden and Hampshire counties. FRCOG’s overall economic development program focuses on brownfields reclamation, tourism expansion, equitable investment in telecommunications infrastructure and agriculture as an economic sector. FRCOG has included the Hampshire County town of Amherst in its economic development planning, because UMass Amherst is the largest employer of Franklin County’s citizens.

In spite of the ongoing efforts of these and innumerable other organizations, economic development activities centered on the Plan for Progress have not yet solved the region’s structural economic problems. Formidable obstacles remain, including workforce readiness concerns, reinvigorating the region’s older urban core cities, fostering quality public schools, and how best to develop and boost export industries. The efforts to date, however, are generating confidence that a better economy is at hand for the Pioneer Valley region as a new century unfolds.

the Commonwealth's economy. For the most part, these clusters are also export industries rather than local support industries; most of their production is destined for areas outside of Massachusetts. One of the key elements of a dynamic regional economy is a strong set of export industries.

To what extent is the Pioneer Valley linked to this important set of industries? As a benchmark, the region accounts for 9 percent of the state's employment. Regional shares of state employment in an industrial cluster that fall above 9 percent can be thought of as overrepresented in the region; those below are underrepresented. Postsecondary education is a key sector in the Pioneer Valley, with a 16 percent share, and diversified industrial support⁹ also has 14.4 percent of its state share located in the Pioneer Valley. Financial services falls just short of its "share," with 8.7 percent of its state employment in the region. All other key sectors are underrepresented in the region.

One way to think of the relative stagnation of the Pioneer Valley economy during this decade is that the "wrong" industries make up the region's economic base. That is, the region has a high proportion of industries that have been growing only slowly, if at all, in recent years. And, as the small regional shares in most of the key industrial clusters illustrate, the area does not yet have an economic base populated with the companies and industries that have provided job and income growth for the eastern part of the state. While the Pioneer Valley cannot be expected to have an industry mix on par with the Greater Boston region, the key to healthy economic growth is its ability to attract an economic base that has dynamic employment and earnings prospects for the future.

Whither the Valley: What's Next?

There is a considerable effort under way to revive and re-make the economy of the Pioneer Valley. Local officials are pushing a number of projects related to the tourism industry. These include a renovation of the Springfield Civic Center, as well as a new convention center, a \$103 million expansion of the Basketball Hall of Fame along the Connecticut River, and a new tourism center in Greenfield. Springfield Technical Community College is developing a capacity to train telecommunications workers, with the hope that this effort will strengthen the industry for which well-trained labor is the most pressing need.

The University of Massachusetts is becoming increasingly involved in supporting economic development through outreach efforts and commercial spin-offs of faculty research, and other collaborations are initiating ways to strengthen the regional economy. Still, the effectiveness of these efforts remains to be seen, at least in terms of the aggregate economic data. Regions grow and decline for a variety of reasons, many of which are market-driven. While economic development efforts can make markets work more

efficiently, largely by providing information to key players and by seeking out and securing government subsidies for specific efforts, market forces are going to prevail. At the moment, those forces have resulted in a flat or slightly growing regional economy. The difficult task of spawning genuine economic development lies ahead. ▮

ROBERT NAKOSTEEN is a member of the faculty at UMass Amherst's Isenberg School of Management. He is also the executive editor of this journal.

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ENDNOTES

1. The Pioneer Valley Planning Commission excludes Franklin County from its definition. For the sake of convenience, this article will use the larger regional definition, which encompasses Hampden, Hampshire, and Franklin counties.

2. Forrant, Robert and Erin Flynn, "Seizing Agglomeration's Potential: The Greater Springfield Massachusetts Metalworking Sector in Transition, 1986-1996," *Regional Studies*, Volume 32, number 3, 1998, pp. 209-222.

3. Roche, B.J., "Paradise at a Price," *The Boston Globe Magazine*, November 22, 1998, pp. 12-38.

4. The employment, labor force, and unemployment data reported in this section are all household-based data.

5. These data are for the fourth quarter 1997, the most recently available regional and state wage data by industry.

6. For a further analysis of regional income differences within the Commonwealth, see Andrew Sum, et al., *The Road Ahead*, www.massinc.org/pages/Reports/RoadAhead/The_Road_Ahead.htm, 1998.

7. Massachusetts Technology Collaborative, *Index of the Massachusetts Innovation Economy*, 1998.

8. For definitions of these clusters, see *ibid.*, appendix B.

9. This cluster consists mostly of durable manufacturing inputs to other industrial processes. Most important to the regional economy are the metalworking and machine tooling industries.

