DEVELOPMENTS
New England

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Special Report

The Creative Economy: Moving from Theory to Practice

By Beth Siegel and Beate Becker

Culture Wars

With the Bush administration's recent recommendation to increase the budgets of federal cultural agencies, it appears that Washington's longstanding war on culture is finally over. However, while the political fight over public funding of art may have subsided, a different battle over culture and creativity is being waged in economic development circles. At the center of the debate is Richard Florida, professor of regional economic development at Carnegie-Mellon University. Florida's theory on the creative class [1] is inspiring cities to adopt development strategies designed to attract the young, hip and skilled population that he claims is the engine of urban prosperity.

Dr. Florida is not the first one to link creativity with economic growth. For years, arts advocates have produced impact studies that demonstrate the economic contributions of nonprofit cultural organizations. The Americans for the Arts claims that the $134 billion in economic activity generated by the arts industry represents an eight-fold annual return on government investment in nonprofit arts. Similarly, proponents of the "if-we-build-it, they-will-come" theory maintain that investments in museums, theaters and other cultural facilities will attract cultural tourists who, according to the Travel Industry Association of America, stay longer and spend more than other visitors. From Providence to Worcester to Bangor, municipal planners are looking to arts districts and artist housing to bring back people, retail activity, nightlife and public safety to empty downtowns and blighted neighborhoods. Support for artist-led activities is consistent with the recommendations of University of Minnesota professor Anne Markusen [2] who argues that individual artists generate substantial, unrecognized economic dividends for their communities.

Added to all this is Dr. Florida's updated quality of life argument backed by his trademark creativity index. However, Dr. Florida's creative class theory is coming under increasing scrutiny. A recent *Wall Street Journal* article [3] examines a list of Florida's top creative cities to establish a veritable inverse correlation between their rank on his creativity index and their economic vitality. Similarly, Joel Kotkin of Pepperdine University criticizes "cool city" development for ignoring the "real" economy and creating urban environments hostile to the middle class on which cities depend.

So—are culture and creativity an urban economic elixir or a latte-laced fad that drains attention and resources from real economic growth? Are investments

continued on page 2

Regional Economic TRENDS

A TALE OF SEVEN CITIES:

Job Growth in New England's Urban Areas

By Daniel W. Kennedy

Dickens' classic tale was about the cities of London and Paris during some turbulent times. This article focuses on the story of New England's major cities (excluding Boston) during more recent turbulent times. The period of analysis begins in 1990 and runs through 2002. For some of these cities and their regional economies, it clearly was the best of times—at least until the downturn in manufacturing and the bursting of the stock market bubble in 2000. For some, especially Hartford, it was not the best of times.

What follows is a perspective that goes beyond the business-cycle horizon to capture some medium-term trends extending over a decade or more. It looks at how these regional economies have performed—particularly in job creation—and what may lie ahead for the remainder of this decade.

Table 1 on page 7 lists the seven small- to medium-sized labor market areas in New England (along with the U.S.). There is at least one LMA for each state, representing both northern and southern New England. The LMAs studied had a 2002 nonfarm employment

continued on page 7

CONTENTS

Northeast Utilities System

The Connecticut Light and Power Company ✦ Yankee Gas Services Company ✦ Western Massachusetts Electric Company ✦ Public Service Company of New Hampshire

Creative Economy, *cont'd. from page 1*

in arts and culture merely a means to another end? Or, are creative activities and industries an area of global economic growth in which the United States holds a significant competitive advantage?

Like the proverbial blind men who describe an elephant based on their individual experiences of it, the disputants are each correct in their characterizations of creativity's economic benefits and limitations—but unable to see the whole economic behemoth before them. The real economic development question is whether the creative sector can provide job stability and employment growth. If one looks at the whole elephant, as does the New England Creative Economy Initiative (CEI), one would have to conclude that the answer is yes.

The Creative Economy Initiative

The Creative Economy Initiative was formed in 1998 as a partnership of New England business, state government, cultural and educational leaders led by the New England Council. CEI began by hiring the consulting firm Mt. Auburn Associates to fundamentally redefine the creative economy by applying a cluster analysis. Mt. Auburn constructed a three-part framework—creative cluster, creative workforce and creative communities—that integrates the disparate elements of the creative economy into an economically rational whole. *The Creative Economy Initiative: The Role of the Arts and Culture in New England's Economic Competitiveness* (2000) concluded that New England's creative people, institutions and businesses are not just supporting the region's main industries but are themselves lead economic players that generate jobs and economic well-being for a growing portion of the region's population. [4]

CEI both embraced a comprehensive view of the creative economy and tied it to an action-based agenda and leadership group. In 2001, CEI published a companion *Blueprint for Investment in New England's Creative Economy* that translated the theoretical framework into a concrete, 10-point investment plan. The *Blueprint's* four primary goals emphasize industry organizing, job creation, and workforce and community development. A regional approach to developing the creative economy makes particular sense for New England's creative sector because it is so integrally linked to the region's other leading industries of higher education, technology and tourism. New England's greatest potential may be in collaborations between creative sector and other industries both in developing advanced technologies such as that used in Bose and Avid products and in finding innovative applications for special effects and animation in the healthcare and education markets.

CEI's first action was to create a regional industry network, the Creative Economy Council, which functions like its counterparts in the medical devices, biotechnology and telecommunications industries. The challenge for the council is to address the industry-specific opportunities of design, media and music companies while also making the connection to other industries where creative inputs add significant value.

Realizing the Opportunity

While the work of the Creative Economy Initiative has attracted considerable interest, New England state and regional economic development players still do not fully grasp the implications of the findings. Although every state in New England has spent considerable time identifying its key economic clusters, few have highlighted the creative cluster. At best, our economic development leaders have included it in the tourism and entertainment cluster or discussed it in terms of its importance to other key clusters. Arts and culture is still viewed largely as a means to an end—promoting tourism or attracting and retaining talent for the region's software, financial, and biotech clusters. Maine stands as a welcome exception to that rule. Gov. John Baldacci of Maine has made the creative economy a focus of his economic development strategy for Maine. He has appointed a 20-member Creative Economy Steering Committee that will host a Blaine House Conference on the creative economy in May to generate a host of initiatives.

In short, economic development agencies have looked at the economy and missed what is one of the more vibrant and dynamic clusters in many regions. New England's special effects and documentary film companies, contemporary record labels and architectural and design firms are just a sampling of the entrepreneurial, global businesses that produce, export and distribute creative products all over the world.

Applying Cluster Strategies to the Creative Industries

Governments in Canada, Europe, Australia and Asia have developed serious economic development programs to support their indigenous creative industries often, ironically, in response to the dominance of the United States in the cultural arena. Overseas, the economic development and business community are leading the discussion, while in this country serious consideration of the issue is still largely confined to the

continued on page 4

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Douglas G. Fisher
Director, Economic & Business Development

Michael B. Levin
Chief Policy Specialist and Editor

*Comments about **New England Developments** or requests for copies are encouraged. Please contact the editor by e-mail at levinmb@nu.com, fax at 860-665-5755, or telephone at 860-665-5111. This newsletter paid for by NU System customers.*

Guest COLUMN

Maine Means Business

By Jack Cashman

As Commissioner of Maine's Department of Economic and Community Development, I feel extremely fortunate to be in this role in my home state. I'm proud of Maine and its hard-working people and want, more than anything, for this state to thrive.

Toward that end, Gov. John Baldacci and I have taken an aggressive approach to economic development since he took office in January 2003. We've stepped up defensive efforts to preserve and protect existing jobs, and are strengthening our offense to bring new, high-quality businesses into our great state.

Maine is already an excellent place to do business, thanks to an extensive network of economic development resources—some tried and true, some brand new. I'd like to discuss some of these initiatives with you by starting with an entrepreneur whose experiences illustrate how critical to success Maine's business resources can be.

Chris Frank heads up a new company called Intelligent Spatial Technologies. IST has developed an innovative, handheld mapping device that allows users to identify and get instant information about nearby objects—such as landmarks—by simply pointing the device toward a building, landform or other structure. This "SmartMap" is about the size of a small camera or Palm Pilot and will be ready for market this year.

Frank helped develop the concept as a graduate student at the University of Maine. The UMaine system puts an emphasis on seeking investment in new product ideas and promoting commercialization and business development. Its Department of Industrial Cooperation facilitates this process and serves as a liaison between higher education and Maine business and industry.

The department also operates a technology incubator at the Target Technology Center in Orono, one of Maine's seven strategically located Applied Technology Development Centers. Our state has invested heavily in seven targeted technology sectors, each of which is supported by an ATDC. These sectors include: Composites, Biotechnology, Information Technology, Environmental Technology, Precision Manufacturing, Aquaculture and Marine Technologies, and Advanced Technologies in Forestry and Agriculture.

Maine's ATDCs serve as incubators for start-up companies commercializing products and services, by providing cost-effective facilities, training and access to business, technical and financial resources and other services.

Chris Frank was one of the first to move into the Orono center in 2002. The incubator provided him with the expertise and resources necessary to transition his research and development into a successful commercial venture.

Along the way, Maine's Patent Program offered Frank assistance in intellectual property matters. Seed-grant funding from the Maine Technology Institute and commercialization assistance from a technology business counselor helped Frank move his project forward. (Since 1999, MTI and matching funds have supported more than $30 million of capital investment in more than 300 projects at Maine companies. It provides seed grants and development awards up to $500,000. As an example, it also administers a matching fund for renewable energy projects.)

Maine's Development Support System

Maine boasts a wealth of other impressive business tools, including generous tax incentives, workforce training and business and technical assistance. One of our newest and most potent economic development tools is the Pine Tree Development Zone program, which gives a significant tax advantage to new and expanding businesses locating in one of eight designated areas and operating in manufacturing, financial services or one our targeted technology sectors. The program offers income and sales tax exemptions and utility discounts to businesses setting up shop or expanding within these zones.

Among our other helpful tools:

- Maine's Business Development Specialists work directly with companies and economic development organizations to identify and respond to specific needs of Maine's business community.
- Emerging technology firms have strategic partners in the Finance Authority of Maine and the Maine Investment Exchange, among others.
- Small Business Development Centers provide comprehensive business management assistance, training and information services at no cost.
- The Maine Manufacturing Extension Partnership helps small and medium-sized manufacturers succeed in the marketplace by providing assistance with lean manufacturing, technology transfer and expanded business opportunities.
- The Maine International Trade Center provides assistance to businesses involved and interested in international trade. Coordinating trade missions, providing training programs, conferences and counseling and technical assistance are among the resources offered by MITC.
- Maine's Quality Centers Program, administered by the Maine community college system, provides 100 percent state-financed education and training for new employees, as well as customized recruitment, at no cost to companies or trainees, by the state's community colleges.

Maine people are known for their strong work ethic and commitment to quality performance. Labor disputes are rare here and employers consider their workers among their greatest assets.

continued on page 4

Creative Economy, *cont'd. from page 2*

nonprofit arts and cultural communities. There are many unrealized opportunities to support the creative economy with policies and programs that address its training, financing, export and business development needs.

- *Workforce development*: In workforce development, there is a need for lifelong learning that keeps creative workers abreast of the changing technologies and demands of creative industries. There are also opportunities for high quality jobs within the cluster that, with appropriate training and support, can provide career opportunities to our region's youth. For example, the innovative *Youth Design Boston* program placed Boston public high school students in internships with member firms of the American Institute of Graphic Arts. Similar programs developed in partnership with regional colleges and institutions would provide lifelong learning opportunities for mature industry workers, as well as our emerging workforce, and help retain the region's competitive advantage.
- *Small business development*: The creative sector, more so than other industry segments, is characterized by small businesses and a high degree of self-employment. U.S. Small Business Administration and other business support programs should be adapted to meet the unique needs of these entrepreneurial ventures. Urban and rural creative incubators such as *Techspace* in Boston and the *Center for Design and Business* in Providence can provide training and networking opportunities tailored to the demands of small creative businesses and entrepreneurs.
- *Technology transfer and commercialization*: Creative economy advocates need to take advantage of regional academic institutions, which are not only leading educators of creative workers, but are also the research and development side of the creative economy. We should be looking at the economic development spin-off from this activity the same way we do in the technology area or in biotech. For example, Yale University is not only a leader in bioscience; it also has a world-class drama school, school of architecture and fine arts department. The region also is home to such important institutions as the Berklee College of Music, the Rhode Island School of Design, the MIT Media Lab, and the Massachusetts College of Art, among many others throughout New England. Students and faculty at these schools could provide the region with a source of entrepreneurial talent, as well as technical assistance supporting the cluster.
- *Export Promotion*: If the creative cluster is recognized as a key regional industry, efforts should be made to promote our products and services overseas by developing trade missions, export financing and global partnership opportunities. Last year, *Design Ireland*, a broad-based industry coalition created to promote Irish design domestically and overseas, visited New England on a trade mission. It is time that we in New England consider a similar trade mission representing our creative products and services.

If we accept the findings of the Creative Economy Initiative, we must approach the creative cluster much as we do other economic clusters. That means we need to apply the tools of economic development to grow this cluster in New England and ensure its competitive position in the global economy. This means ensuring that creative businesses have access to capital, technical assistance and other entrepreneurial and small business support services. ■

1 Richard Florida, *The Rise of the Creative Class*, Basic Books, 2002.

2 Anne Markusen and David King, *The Artistic Dividend: The Arts' Hidden Contribution to Regional Development*, July 2003.

3 *The Curse of the Creative Class*, Steven Malanga. Wall Street Journal, January 19, 2004.

4 Available at **www.creativeconomy.org**

Beth Siegel, president of Mt. Auburn Associates and Beate Becker, former special assistant for Creative Sector Development at the Boston Redevelopment Authority, are founding members of the Creative Economy Council. They are collaborators and authors of the Creative Economy Initiative reports.

Guest Column, *cont'd. from page 3*

We're continuing to gear our training initiatives and education system toward creating a work force ready for today's economy, and Maine is receiving national attention for its focused and effective investment in R&D. In addition to company-required workforce skill development, the Maine community college system is introducing student-focused entrepreneurship programs at several of its campuses.

Maine citizens have a history of supporting economic development initiatives—most recently seen in the overwhelming passage last June of a $60 million economic development bond package. That package included $45 million for research and development and R&D facilities.

Most people realize Maine is a world-class vacation destination where residents enjoy a quality of life second to none. The state's beauty and endless recreational amenities, a low crime rate, a first-class education system and recognition as the best state to raise children by the Children's Rights Council add to its appeal.

What isn't as well known, however, is that Maine is a superior place to do business. So the next time you think about Maine, don't picture just lobsters and lighthouses. Think about hard-working entrepreneurs like Chris Frank and the business-friendly environment thriving every day here in Maine. ■

Jack Cashman is commissioner of the Maine Department of Economic & Community Development. For more information about doing business in Maine visit ***www.mainebiz.org*** *or call 207-624-9804.*

Power POINTS

Community Colleges Rule

For a recent illustration of the importance of community colleges to economic growth, note President Bush's State of the Union speech, where he called for $250 million to fund partnerships between community colleges and companies in "high-demand job sectors." Also, in the Winter edition of *Connection* magazine (published by the New England Board of Higher Education), the president of Bristol (Mass.) Community College wrote that important measures of success for community colleges are the number of institutional collaborative activities in economic and workforce development with community partners (e.g., business-industry, public officials) and the number of actual business relocations to the college's region.

Wealth and Equity

In New England, median family income rankings parallel those for per capita income, indicating that income in the region is relatively equitably distributed, as well as being high. Connecticut ranks second nationally in median family income (2001 data) and first in per capita income (2002 data). Massachusetts is 4th and 3rd on these income measures, New Hampshire, 7th and 6th, Rhode Island, 9th and 16th, Vermont, 22nd and 24th, and Maine, 34th and 33rd. The consistency in income rankings seen in New England is generally the case around the country, but contrasts with states such as New York, Florida and California, which rank much higher in per capita than in median family income, indicating wider income disparities in their populations.

Business Starts ... Elsewhere

Except for Massachusetts, new business formation lags in the region. U.S. Small Business Administration data from 2002 (reported by Morgan Quitno) show that only Massachusetts ranked in the top half of states in the rate of new firms with paid employees. Massachusetts was tied for 16th in new employer firms, followed by New Hampshire at 27th, Maine, 29th, Vermont, 31st and Rhode Island, 32nd. Connecticut had one of the lowest rates of new business starts, tying for 46th. The fastest rates were in the West and South, led by Utah at 19.2 percent (new firms as a percent of the number of existing firms in the previous year). This compares with rates of 12.8 percent in Massachusetts and only 9.0 percent in Connecticut.

> **"Human capital" investment, sustained over many administrations, resulted in a highly-educated labor force that attracts world-class companies to the state.**

Flash! Some Incentives Work

An innovative study by economists Michael Greenstone of MIT and Enrico Moretti of UCLA (*Bidding for Industrial Plants: Does Winning a 'Million Dollar Plant' Increase Welfare?* NBER Working Paper, September 2003) found that areas that successfully use subsidies to attract large industrial plants do show measurable benefits in payroll (and job growth) and property values. Comparing the economic outcomes from 82 major openings highlighted in *Site Selection* magazine from 1982 to 1993, their findings show that winning counties had payroll growth $100 million more than runner-up counties in the six years after the opening of the plant. (There were also positive effects on labor earnings in neighboring counties to the winners.) In addition, average property values in winning counties increased 1.1% more per year than those in runner-up counties after the plant's opening. The authors also found that there was a substantial bump in expenditures for local schools in winning counties, which undermines the argument that using local incentives to attract plants necessarily reduces spending on other services.

So Does Investing in Education

In recent speeches in the region, Art Rolnick, senior vice president of the Minneapolis Federal Reserve Bank, promoted the benefits of investing in education, specifically early childhood education, as the most effective economic development strategy. Criticizing the incentive-laden bidding wars that typify state development efforts, Rolnick traced the evolution of Minnesota from a poor state to one with high per capita income that generally outperforms the national economy. The key was the decision by state policymakers in the late 1950s to pour money into the education system and create a superior workforce. This "human capital" investment, sustained over many administrations, resulted in a highly-educated labor force that attracts world-class companies to the state, he said.

Universities as Economic Catalysts

The Economic Development Administration (EDA) of the U.S. Department of Commerce is touting the role of universities as "accelerators for economic growth" through partnerships with industries, and promoting technology transfer and entrepreneurship. In the first issue of its new magazine, EDA highlights several university initiatives that significantly impact economic growth, including the technology park at Springfield (Mass.) Technical Community College. The STCC park, on the site of a former Digital Equipment Co. facility, became the first park connected to a community college in 1996. By 2003, the park was home to 860 employees in 18 companies, a business incubator and a number of community-based entrepreneurial training programs. ■

From the New England Council

Regional Aviation Planning Underway

Planning for the future with a regional perspective is the main goal of a regional aviation study initiated by the Federal Aviation Administration, in collaboration with Massport, the six New England state departments of transportation, 10 of the region's airports and the New England Council.

The FAA's recent Terminal Area Forecast predicts that New England could see 28 million additional passengers annually by the year 2020, reflecting a 70 percent increase over current totals.

The first phase of the study, expected to be completed by the end of 2004, will estimate future aviation demand for the entire region and identify initiatives to accommodate this demand. The study focuses on 11 key regional airports including: Bangor International; Boston-Logan International; Bradley International (Hartford/Springfield); Burlington International; Hanscom Field; Manchester; Pease International Tradeport; Portland International Jetport; T.F. Green (Providence); Tweed-New Haven Regional; and Worcester Regional.

In Phase II, the regional planning initiative will create a set of strategies to use the regional facilities to handle this growth as efficiently as possible.

These strategies may include new transportation-related policies, modifications to federal or state regulations affecting airports, air service or aviation, changes to administrative or infrastructure investment procedures and other programs that would support enhanced air service.

This new initiative builds upon the past success of regional aviation planning.

About 10 years ago, the New England Council worked on an aviation initiative to increase the utilization of New England's regional airports, both to take some of the burden off of Logan Airport as well as to stimulate the economies of the areas around those facilities.

In the past five years, airports in Manchester, N.H., Providence, R.I., and Hartford-Springfield, have attracted seven million new passengers.

From 1995 to 2000, passenger growth at regional airports increased by nearly 12 percent per year—a rate faster than Boston's Logan Airport and the rest of the nation.

According to Massport, from 1990 to 1996, 2.9 million additional passengers flew in and out of New England. Most of these passengers—about 77 percent—used Boston-Logan. From 1996 to 2000, the total number of new passengers increased to 9.5 million. But 76 percent of them used regional airports, compared to 24 percent that used Boston-Logan. The largest increases in passengers occurred at Manchester, with an increase of 29 percent; followed by T.F. Green, with an increase of 20 percent; while Bradley increased 7 percent and Portland by 4 percent.

The study also takes into consideration the significant impact of events of September 11, 2001 on the aviation system. The expectation is that, as airport security processing is improved and the economy recovers, air travel activity will resume its historic rates of growth. ■

Several Pending Bills Important to New England

Transportation

On Feb. 12, the Senate passed its version of the Safe, Accountable, Flexible, and Efficient Transportation Equity Act (SAFETEA), a six-year $318 billion bill that reauthorizes the nation's surface transportation programs. (At this writing the president issued a veto threat over the bill's price tag.) President Bush has introduced his own $256 billion version of SAFETEA. The Senate bill would allocate $262 billion for highways and about $56 billion for transit in significantly growing the total pot of funds over TEA-21. Every state would see an increase in funding, however, two New England states (Connecticut and New Hampshire), while seeing overall increases in highway funding over TEA-21, would see a significant drop in their percentage share of total highway funds under this bill.

While the Senate passed its version of a full six-year reauthorization, the House voted 421-0 on Feb. 11 to pass a four month extension of TEA-21. (A previous, five-month extension expired at the end of February.) U.S. House Transportation and Infrastructure Chairman Don Young (R-AK) has proposed a $375 billion, six-year reauthorization. As this goes to print, negotiations continue over the size and structure of the House bill.

Asbestos Litigation Reform

Another issue which has an impact on the cost of doing business is asbestos litigation. Proposals to reform the system are expected to be introduced for debate in Congress this March.

A RAND Institute study released in 2002 found that more than 600,000 people filed claims for compensation for asbestos-related injuries, costing businesses more than $54 billion by the end of 2000. The number of cases continues to grow at a rapid rate, creating large backlogs in the court system. Today there are an estimated 300,000 such cases pending in state and federal courts. Some 70 companies have gone bankrupt due to asbestos-related claims.

Congress has considered several solutions over the past year. It is important that Congress act on this issue to mitigate the impact of this litigation on the overall economy and to ensure that those who are truly sick due to asbestos exposure receive their just compensation.

Workforce Investment Act

The reauthorization of the Workforce Investment Act (WIA) is also important to future economic development in New England. Its goal is to prepare workers with the skills they need to meet the needs of employers. The legislation sets the structure and authorizes appropriations through FY 2009 for federal job training, adult education and vocational rehabilitation programs. It includes a variety of provisions designed to better coordinate and deliver these programs.

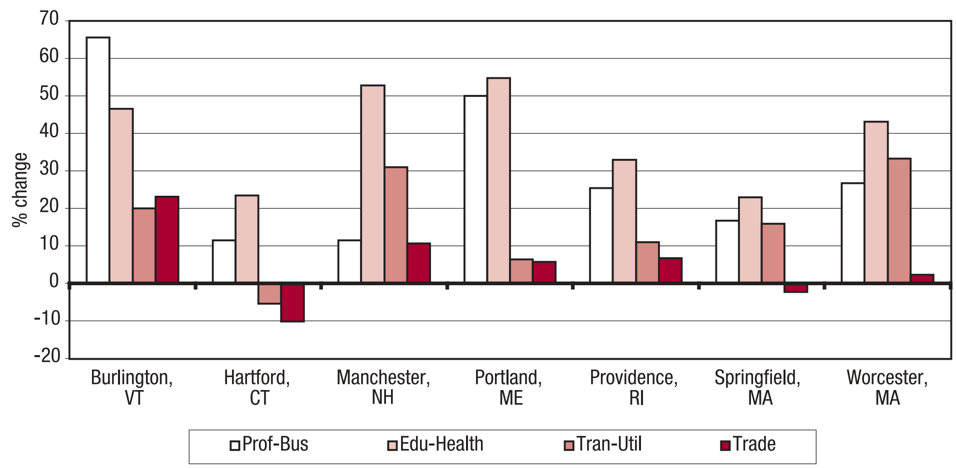
Versions of the WIA reauthorization passed the U.S. Senate and House in 2003. The council is urging that a conference committee for the bill be appointed soon so differences between the two versions can be worked out, enabling the reauthorization to be signed into law. ■

The New England Council is the nation's oldest regional business organization, dedicated to promoting economic development and a high quality of life in the six-state region.

Regional Economic Trends, cont'd. from page 1

level of at least 100,000, but less than 1 million. This, of course, excludes Boston. The smallest LMA is Burlington, which had a nonfarm employment level of 107,800 in 2002. The largest LMA is Hartford, which had a nonfarm employment level of 608,400 in 2002. The mean level of employment for the seven LMAs in 2002 was 285,786. Reflecting New England's population distribution, the northern New England LMAs are smaller than the southern New England LMAs. The table also displays the employment levels of the goods-producing and service-providing sectors for the seven LMAs and the U.S. for 1990 and 2002. The change in employment between 1990 and 2002, and the percent change, are also provided.

Graph 1: Employment growth rate of service-providing supersectors, 1990-2002



Trends in the Job Base in the 1990s

The Hartford region was the only region to suffer a net decline in nonfarm employment between 1990 and 2002. Hartford had a net loss of 31,500 jobs, representing just under a 5 percent decline. This contrasts with an average gain of 13,200 jobs for the seven LMAs, representing an average growth rate of nearly 5 percent. It should be noted that, in general, and reflecting population growth and migration patterns, there is a stark contrast between the performances of the northern and southern LMAs. The average gain for the northern LMAs was 22,533 net new jobs, representing an average 22 percent growth rate. This exceeds the 19 percent growth rate in U.S. nonfarm employment over the 1990-2002 period. The southern New England medium-sized LMAs could only add, on average, 6,200 net new jobs, or an anemic 1.5 percent growth rate over the 12-year period.

The most obvious culprit in slow growth is the loss in goods-producing jobs, especially those in manufacturing. The Hartford region lost 33,500 goods-producing jobs, or 25 percent of its base between 1990 and 2002. Burlington and Manchester both gained goods-producing jobs, and had net increases in their nonfarm job base between 1990 and 2002. Portland's decline in goods-producing jobs was slight, and it too, had a net increase in nonfarm jobs over the 1990-2002 period. However, to blame the decline largely on goods-producing (especially manufacturing) jobs may miss something important. A case in point: the Providence region suffered a worse decline in goods-producing jobs than Hartford—both absolutely and relatively. The region lost 37,800 jobs, or 27 percent of its goods-producing job base. Nevertheless, Providence gained more than 30,000 net new nonfarm jobs between 1990 and 2002. To some extent, being a satellite of Boston's economy allowed it to benefit from a "coattail" effect.

Springfield, like Hartford, is also too far from Boston to have benefited from the city's late-1990s boom. Yet, though Springfield's relative decline in goods-producing jobs was close to that of Hartford's, it still managed to eke out a net gain of 6,400 jobs over the 12-year period. Significantly, the Hartford region was the only economy of the seven studied to create *virtually no net, new service-providing jobs* between 1990 and 2002!

The Importance of the Service Sector

Clearly, the perception of service jobs as low paid with little, if anything, in the way of benefits or longevity is a legitimate

continued on back page

TABLE 1: Change in nonfarm, goods-producing, and service-providing employment, 1990-2002

LMA	NONFARM EMPLOYMENT				GOODS-PRODUCING EMPLOYMENT				SERVICE-PROVIDING EMPLOYMENT			
	1990	2002	Change	% Chg	1990	2002	Change	% Chg	1990	2002	Change	% Chg
Burlington, VT	86,300	107,800	21,500	24.9	20,200	21,800	1,600	7.9	66,000	86,000	20,000	30.3
Hartford, CT	639,900	608,400	-31,500	-4.9	134,400	100,900	-33,500	-24.9	505,400	507,500	2,100	0.4
Manchester, NH	87,500	107,600	20,100	23.0	15,700	18,100	2,400	15.3	71,800	89,600	17,800	24.8
Portland, ME	130,100	156,100	26,000	20.0	20,200	19,100	-1,100	-5.4	109,900	137,000	27,100	24.7
Providence, RI	499,600	529,900	30,300	6.1	137,900	100,100	-37,800	-27.4	361,600	429,800	68,200	18.9
Springfield, MA	253,100	259,500	6,400	2.5	52,400	40,300	-12,100	-23.1	200,600	219,300	18,700	9.3
Worcester, MA	211,600	231,200	19,600	9.3	49,300	40,100	-9,200	-18.7	162,300	191,100	28,800	17.7
Average	272,586	285,786	13,200	4.8	61,443	48,629	-12,814	-20.9	211,086	237,186	26,100	12.4
U.S.	109,487,000	130,376,000	20,889,000	19.1	23,723,000	22,619,000	-1,104,000	-4.7	85,764,000	107,757,000	21,993,000	25.6
Northern N.E.	101,300	123,833	22,533	22.2	18,700	19,667	967	5.2	82,567	104,200	21,633	26.2
Southern N.E.	401,050	407,250	6,200	1.5	93,500	70,350	-23,150	-24.8	307,475	336,925	29,450	9.6

Regional Economic Trends, *cont'd. from page 7*

concern in many, though not all, of the service industries. Nevertheless, for the most part, it is the most likely segment of the economy to generate new jobs. Scratching a bit below the surface provides some clues as to where Hartford's job growth was deficient. The graph on page 7 shows the percent growth in four major, private-sector supersectors of the service-providing segment of the seven regional economies over the 1990-2002 period.

What stands out is that Hartford's region was the only one to suffer declines in two of the service-providing sectors. Hartford's region lost almost 10,000 jobs in the trade sector (a 10 percent decline), the worst performance of the seven regions. Springfield, with the next poorest performance, had a 2 percent decline. The Hartford region also had a decline in transportation and utilities employment, while the other six regions added jobs in this sector between 1990 and 2002. Finally, though Hartford's employment in professional and business services and education and health care grew over the 12-year period, its growth rate ranked it in sixth place in both sectors among the seven regions considered.

It could be argued that the Hartford region's 1990 nonfarm employment was still at artificially inflated levels due to the real estate and construction bubble of the 1980s, and that comparing that level to the 2002 level presents a misleading picture of Greater Hartford's job-creation performance over that 12-year period. However, some of that distortion was reflected in the construction sector. Manufacturing, with the end of the Cold War, also could not sustain its 1990 employment levels. Both construction and manufacturing are part of the goods-producing segment of the economy. In fact, between 1990 and 1992, on an annualized basis, 52 percent of the decline in the Hartford region's nonfarm employment was in goods-producing jobs.

Thus, as suggested by the above discussion, more critical than the loss of goods-producing jobs has been the inability of Greater Hartford's economy to generate new jobs in the service-providing segment. With no offsetting growth in service-providing jobs, the Hartford region's losses in goods-producing jobs were more readily translated directly into a net decline in nonfarm employment over the 1990-2002 period. This suggests that the future health of the Greater Hartford region lies in part with its ability to create jobs in the service-providing segment of its economy. ■

Daniel W. Kennedy, Ph.D., is senior economist at the Connecticut Department of Labor. This article is an edited version of one that appeared in the Connecticut Economic Digest for February 2004.

Northeast Utilities System

P.O. Box 270
Hartford, CT 06141-0270

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