

North Shore Workforce Investment Board



North Shore Investment Snapshot

The North Shore Economic Development Community Speaks

A Study by the North Shore Alliance for Economic Development
by Bill Luster, Executive Director

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Executive Summary

This North Shore Investment Snapshot is a complementary piece to the North Shore Workforce Investment Board's (WIB) Labor Market Blueprint. The Blueprint gathers information from North Shore business leaders, educators and community leaders as well as from demographic research, to outline the North Shore labor market and its strengths, needs and challenges.

The Snapshot provides a glimpse into the attitude of the North Shore business community in the spring and summer of 2010 by asking their opinions on the levels of investment they are witnessing in the following eight (8) key business clusters on the North Shore.

- Bio-Tech
- Clean Energy
- Construction
- Creative Economy
- Financial Services
- Health Care
- Manufacturing
- Tourism

Using each of these clusters, the Alliance undertook a canvassing and interview process with area bankers, government officials, venture capitalists, real estate managers and general contractors.

It is important to remind the reader that the period of time in which these interviews occurred was during the transformation from a recessionary economy into the very early beginnings of a growth economy in the Commonwealth. Each of the interviews were completed when the Commonwealth experienced modest job gains and a number of early indicators of economic growth followed the previous twenty (20) months of job losses (between September of 2008 and April of 2010).

Throughout the interviews four dominant clusters emerged.

- Health Care (25 points)
- Life Sciences (19 points)
- Manufacturing—Advanced and Durable Goods (19 points)
- Financial Services (19 points)

Health Care dominated the interviews with positive indications from all sectors interviewed. Real estate professionals, builders, bankers and government officials all ranked Health Care as the lead sector. This finding reconciles comfortably with the leading occupation growth information which suggests that health care occupations will dominate the growth occupations in the coming ten year period.

A particular strength of this sector is the deep community roots of the area hospitals. Other strengths include:

- The very nature of the health care industry makes it likely that these health care jobs are here to stay and will not be exported.
- The well paid health sector employees are valuable to all other business clusters.
- Ancillary growth of the health care sector at area business parks is a substantial driver of the economy.

The Health Care concerns that were cited included the fear that hospitals are overbuilding in the area, impacts of possible mergers, the ability to keep up with the demand for well trained health care employees and, finally, the ancillary concern that increasing housing and transportation costs will impact the health care workforce on the North Shore.

Though Health Care was the most dominant sector, it was followed closely by the strong and favorable comments on Life Sciences, Manufacturing and Financial Services.

Growth in the Life Sciences sector was very favorably reviewed by the business park owners and operators and the construction sector. In one interview with a business park manager, it was noted that though only 8% of the park was populated by Life Science businesses, this represented 25% of the available space.

The North Shore's traditional banking community noted strong relationships with Life Science companies while the angel and venture capital (VC) communities noted "follow-on" investment in companies that were financed in earlier rounds, rather than in new start-ups.

Access to capital, keeping growing companies on the North Shore, employee readiness and protecting our access to the Cambridge and Boston research hospitals and universities were each mentioned as potential obstacles to growth in the North Shore Life Sciences sector.

The Manufacturing Sector of the North Shore economy consists of 850-900 establishments of which over 50% have fewer than 9 employees.

Consistent with the WIB's three preceding Labor Market Blueprints, the Manufacturing sector was seen as a strength of the North Shore region. The North Shore Vocational School soon to be constructed, the new focus on "advanced" manufacturing and the preponderance of smaller, family-owned manufacturing firms were all seen as factors that can lead to the growth of this sector.

The challenges identified as facing the Manufacturing sector included the paucity of engineering technology curricula to provide an entry level workforce for the oncoming growth in advanced manufacturing jobs and the evolution of many traditional manufacturing jobs into

advanced manufacturing jobs. Another challenge noted was the ever-increasing health care costs for Massachusetts businesses that compete globally with companies that have the advantages of far lower labor and benefits costs.

The final of the four dominant clusters was Financial Services. The strength of the North Shore banking community was a central theme of the Financial Services sector. Other strengths highlighted were the presence of significant in-house training programs at area banks, the opportunity to turn an entry level position into an upwardly mobile career path and the presence of a number of academic partners at Salem State University, Endicott College and North Shore Community College. Concerns cited in this sector included the need for strong entry level skill sets (high school level math) that can meet the needs of the banking and financial services establishments, the potential for mergers that would tend to make local banks less local and the concern for ancillary issues such as housing and transportation costs impacting the entry to mid-manager levels of the workforce.

The two sectors interviewees deemed as underperforming were Construction and Green Jobs.

Interviews within the Construction sector showed a clear message that the Construction sector has not rebounded to the pre-recession levels that were energized by a housing boom that lasted over five years, coupled with the presence of a strong commercial market and an abundance of health care facility growth.

The Construction community proved to be resistant to adding jobs, concerned about their future and acutely aware of the dearth of new housing construction. One interviewee mentioned that his current business philosophy regarding new work is to try and space that work out rather than hire additional trades people. This is indicative of many of the interviews in the Construction sector.

Though there has been significant fanfare around the premise that an explosion of green jobs will fuel our economic recovery, great confusion remains on the North Shore as to what constitutes a Green Job.

This confusion is exacerbated when coupled with the phenomena of the “greening” of existing jobs. Also of note during the interviews was the happenstance whereby three separate interview subjects offered the same small North Andover energy efficiency establishment as their example of the strength of this new business cluster. This led the interviewer to surmise that the sector, while active, does not yet contain the depth of Life Sciences, a relatively new sector for the North Shore, or Manufacturing, which has fueled the North Shore economy for generations.

Note that this analysis reports a silence in the Creative Economy and Tourism clusters, two areas of the North Shore economy that have significant economic impact. Each of

these clusters suffers from the lack of a clearly defined industry classification. Moreover, there is not universal understanding of what specific businesses fall neatly into these two sectors.

The Creative Economy of the North Shore represents 10-12% of the North Shore’s total private sector employment with 2,200 establishments and approximately 18,500 jobs (Seidman, et al). Notwithstanding those impressive statistics, within the North Shore business community a palpable “haziness” about the nature and makeup of this economy still exists.

When surveyed recently by the Creative Economy Association of the North Shore, Creative Economy business owners asked for more networking opportunities, access to affordable health care and assistance with creating business opportunities with larger North Shore businesses. The analysis indicates a fourth priority which centers on marketing the depth of this economy to the traditional business community as a means of fostering a deeper awareness of the sector.

Similarly, Tourism on the North Shore has a far more positive impact than is recognized. One reason for this is that many businesses that benefit from tourism expenditures are not, strictly speaking, tourism businesses. Note an observation in the report made by a local Mayor who when asked directly about the link between the North Shore’s desirability as a tourist destination and our attractiveness to business development offered, “Business leaders speak more and more about the North Shore’s favorable quality of life. When they do this it is interesting that they often cite the area’s beaches, our waterfront and scenic landscapes, cultural history, museums ... the exact same attributes that make the region a desirable visitor destination. As it turns out, these amenities are as important in our pursuit of business retention as they are in attracting tourists”.

Enjoy these findings and observations. The value of this analysis is that it provides an understanding of just how significantly the North Shore investment and development community values the eight (8) leading North Shore business clusters at a critical, post-recession growth period. Though not a scientific analysis, the Snapshot provides insight into what each sector can expect for investment as we move out of 2010 and into 2011.

The North Shore Alliance thanks the interview subjects for their time and patience as this report was compiled.

This report includes excerpts from interviews, general findings and a number of recommendations on the lessons learned in each cluster.

A number of the recommendations contained herein outline the need for increased communication and marketing, which can be seamlessly included into the

day-to-day charge and messaging of the North Shore Workforce Investment Board, the North Shore Alliance for Economic Development and other North Shore organizations.

Other findings and recommendations will require funding and collaboration with Local, State and Federal government. Priorities and potential collaborators will be determined as the Blueprint is presented.

Background

The North Shore Workforce Investment Board (WIB) regularly studies the nineteen (19) communities in the southern Essex County labor market to determine the areas of need for workforce training. This report, known as the Labor Market Blueprint, is composed of information gathered from North Shore business leaders, educators and community leaders as well as from demographic research. It provides a snapshot of the North Shore labor market and its strengths, needs and challenges.

As the WIB embarked on a new Blueprint for 2010 (its fourth since 2000 with the most recent iteration completed in 2007), it was important to include a new perspective—an economic development analysis of the region. Adding this analysis would provide information regarding both the region's business sectors that are experiencing investment and those sectors that are either economically stagnant or experiencing disinvestment. If an indication of the relative levels of investment occurring in various sectors could be gleaned, it would provide a control point to the traditional Blueprint by indicating whether the capital, construction and real estate communities were experiencing growth and investment patterns in the same business sectors identified as needing workforce training in the 2010 Labor Market Blueprint.

To undertake this review the North Shore WIB turned to the North Shore Alliance for Economic Development, the North Shore's regional economic development council. The WIB is an active participant in the work of the Alliance (maintaining a Board seat) and the Alliance relies heavily on the WIB for regional workforce training expertise.

The Alliance, a private non-profit entity formed by business, institutional¹ and government to enhance economic opportunity in the 30 communities that comprise Boston's North Shore, has previously studied and identified six (6) existing North Shore business clusters: Bio-Tech, Creative Economy, Clean Energy, Health Care, Manufacturing and Tourism. Using each of these six (6) clusters and adding Construction and Financial Services (two clusters of importance to the North Shore WIB), the Alliance undertook a canvassing and interview process with area

bankers, government officials, venture capitalists, real estate managers and general contractors. From these interviews and information from regional and area periodicals, this paper was written. Following completion of the paper, a panel will be convened to present the trends that have emerged.

In a sense, this work simulates a focus group absent the group being interviewed collectively in a controlled environment. Rather, the interviews were done over a longer period of time in separate settings. The interviews loosely followed the interview guideline in Attachment A. Interview participants are listed below.

Note: Interviewees were promised anonymity in terms of their specific responses to ensure that the particular business strengths and weaknesses pointed out by each interviewee would be included in the findings, but not attributed to a particular entity.

Banks

- Federal Reserve Bank of Boston
- Eastern Bank
- Rockport National Bank
- Danvers Bank
- East Boston Savings Bank
- Salem Five

Venture Capital/Investment Managers

- Middle Street Investment
- Broad Street Capital
- C-Change Investments
- Boston Harbor Angels

Government and Non-Profits

- Mass Development
- MASS HEFA
- North Shore Small Business Development Center
- SBA Lenders (at various banks)
- Local Economic Development Officials

Business Parks/Real Estate Brokers and Leasing Agents

- Cummings Center Beverly
- Cummings Center Woburn
- Shetland Park
- Crowninshield Management
- Harbor Management
- Blackburn Industrial Park
- Various Commercial Brokers and Agents

Construction and Real Estate Development Industry

- James J. Welch
- Windover Construction
- Neshamkin French Architects
- Harbor Management

¹ Institutional is defined as non-profit health, academic and cultural organizations.

The Eight Clusters

The eight business clusters and their relative strengths, as indicated by the category of the person interviewed, are listed below. The scores for each cluster are identified in parenthesis. The scoring system was predicated upon High, Moderate and Minimal categories in which each received five (5) points for High, three (3) for Moderate and one (1) for Minimal.

Note: Interview subjects were not asked to grade clusters; rather, each interview was awarded a grade based on responses received. This control indicates that this is not a scientific survey but a compilation of responses that are grouped into trends.

	Banking Community	Non-Traditional Investors	Real Estate Community	Construction Community	Government/ Non-Profit	Total
Health Care	High	High	High	High	High	25
Life Sciences/Bio-Tech	Moderate	Moderate	High	High	Moderate	19
Manufacturing	High	Minimal	High	High	Moderate	19
Financial Services	High	Moderate	Moderate	High	Moderate	19
Creative Economy	High	Moderate	Moderate	Moderate	Moderate	17
Tourism	High	Minimal	Minimal	Minimal	High	13
Green/Clean	Minimal	Minimal	Moderate	Moderate	Minimal	9
Construction	Minimal	Minimal	Minimal	Minimal	Moderate	7

Top Clusters

Included in this section are some of the discussion topics and comments made by interview subjects regarding the four (4) top clusters.

As is obvious from the Eight Clusters Section, there were four dominant clusters.

- Health Care (25 points)
- Life Sciences (19 points)
- Manufacturing—Advanced and Durable Goods (19 points)
- Financial Services (19 points)

Health Care

Health Care was by far the most dominant cluster and elicited the highest number of positive comments from all interview sectors.

There is a particularly interesting health care story to tell on the North Shore. Investment in new facilities abounds with recent expansions by Mass General North Shore in both Salem and Danvers, by Beverly Hospital in Beverly and Danvers and by Lahey North Shore in Peabody. Further, plans exist for the repositioning and expansion of the former Hunt Hospital in Danvers, though progress is currently stalled.

A construction company executive mentioned that although his company had not participated in any of the health care building boom of the last few years, he believed

it was the single most important factor in his industry's viability. He noted that the expenditure of construction dollars at MGH/North Shore, Beverly Hospital and Lahey totaled well over a quarter of a billion dollars. This level of investment would suggest that more than 4,000 construction jobs were created by those three institutions over the past three years.

It is important to note that the North Shore health care cluster is in complete lockstep with every national and regional trend. It is the fastest growing sector of the economy. A fact that most everyone has heard or read over the past 12 months is that the 2008-2018 United States Bureau of Labor Statistics indicates that 15 of the top 20 growth occupations will be related to health care. (See Attachment B.)

A Salem banker identified two interesting health care business niches for the banking community. First, the preponderance of health care workers in the region is noticeable in his bank's customers. He cited well-paid health care workers' use of bank industry products and their need for bank services as an important part of the success of his bank. Second, the investment in health care in this region has a spin-off benefit that moves to Salem, Beverly, Danvers and Lynn restaurants, gas stations, service providers and the real estate sector. He pointed out that health care jobs are upwardly mobile with well-defined career paths. This leads to housing upgrades, auto purchases and increases in disposable income—all good things for the banking community.

Real Estate Managers/Owners provided an overwhelmingly positive assessment of the health care sector. Facility growth, record storage, medical offices, physical therapy and rehab centers are very strong components of the market.

The non-profit lenders, Massachusetts Educational Financing Authority (MEFA) and Massachusetts Housing Investment Corporation (MHIC), were optimistic that the growth of the Massachusetts health care system will continue. Although it is unlikely that the North Shore health care facility growth plans would rival the most recent two/three-year period, an aging population and the resultant growing health care needs are still trends that would drive continued health care investment in the years ahead. Small Business Administration lending in this sector was not active.

Some additional observations made about the health care sector are:

What keeps them here? The health care sector is bound to this area in a way that for-profit businesses are not. Though there will be shifts in this sector due to mergers, growth and investment will continue on the North Shore as we move ahead.

What are the perils? Overbuilding, mergers and, reduction of higher skilled workers to a lower-paying, less-skilled workforce are all potential perils that this sector of the economy could face. Two other significantly mentioned issues were transportation and housing costs and how they would affect the workforce in this industry.

Are we ready for health care growth? Of all the sectors, the one interview participants felt was most ready for growth was Health Care. A state university with an impressive nursing program and a community college with a wide range of degrees, certificates and continuing education courses provide the community with a near universal positive opinion.

Is competition too intense? Although no hospital executives were interviewed, there was a noticeable concern for the intense level of competition in the hospital sector of health care on the North Shore.

Health Care Recommendations

- Improve the existing dialogue between the North Shore's economic development, workforce development and health care communities to create a more universal understanding of the commanding role this cluster fills in our region.
- Improve the connection between academic and health care institutions to ensure that educational and training programs mirror more closely the needs found in the workplace.

- Continue to simplify the academic path from non-credit health care training to community college credit programs and four-year degree programs.
- Increase awareness of the "non-hospital" based health care workforce that exists on the North Shore.

Life Sciences/Bio-Tech

The Life Sciences business sector continues to be a strong sector of the North Shore economy. The strongest positive reactions came from business park managers and the construction community.

One North Shore property manager offered that 8% of the tenants and 25% of the space at his facility was leased by Life Sciences/Bio-Tech companies. The construction community spoke of lease hold build-outs more than new construction.

The North Shore's traditional banking community spoke of strong instances of commercial banking opportunities in the Life Sciences sector and good business opportunities in terms of bank services and products. They were less sanguine regarding hard investment in expansions or new buildings and workplaces.

Interviews indicated that Life Sciences, particularly the medical devices sector, tends to grow with angel and venture investment and the angel and venture investment community remains bullish in this sector. In 2009 their bullishness led more to funding second rounds of companies they had already funded, than funding of a large number of new Life Science start-ups. This could bode well for growth of existing companies, but it points to some concern about new Life Science start-ups.

Note: It was difficult to get North Shore regional information in this sector and the angel and venture capital comments above were directed as much toward the Boston market as specifically toward the North Shore.

What keeps them here? Generally it was believed that the North Shore Life Sciences sector was a function of North Shore people building their companies in the area where they live. However, when the interviewees were from outside of the North Shore, the conclusion was a bit different and centered on the following reasons for the presence of such a strong Life Sciences cluster in our region.

- Rental rates at North Shore office parks are \$15-\$20/square foot rather than the \$40-\$50/square foot in the Kendall Square area.
- Good access to Boston and Cambridge
- Quality of life on North Shore
- Ease of access to Logan
- No requirement in their VC agreement that they be located in Cambridge or Boston

Are we ready for Life Sciences growth? Although investment and growth in this sector was seen as favorable, there were a number of questions raised when the “Are we ready for growth?” question was asked.

- Government officials cited concern for the availability of capital to fund the growth of smaller Life Sciences companies.
- Real estate managers and property owners were skeptical of the ability to keep a growing or successful bio-tech or life sciences company on the North Shore.
- The need for vigilance on science, technology, engineering and math in our k-12 school systems.
- Continued easy access to Cambridge and Boston research hospitals.

Most Interesting Comment: “Over the past few months, I have met with a number of potential bio-tech start-ups about space. This was not the case in 2008 and 2009; it started to pick up about 6 months ago. We are expecting strong growth.” (A North Shore office park manager.)

Life Sciences and Bio-Tech Recommendations

- Introduce the Boston/Cambridge Life Science and Bio-Tech real estate community to the North Shore real estate opportunities; in particular, market the North Shore rental costs against the Boston/Cambridge market.
- Work with Mass Bio-Tech Council to improve the “Life Science readiness” of each of our 30 North Shore communities.
- Develop greater connections between economic development and workforce development entities and the Life Science start-ups to create greater job growth and workforce training opportunities.
- Connect the Boston/Cambridge Life Sciences venture and angel investment community to the North Shore Life Science cluster.
- Protect the asset of strong North Shore to Boston/Cambridge transportation and transit links.

Manufacturing

A surprising trend was the widespread optimism surrounding the North Shore’s Manufacturing Sector.

As this canvassing process began, strong optimism in Health Care and Life Sciences was expected. After all, expansions at Beverly Hospital, Lahey North and Massachusetts General Hospital North Shore Medical Center and a new Visiting Nurses facility in Lynn are visible reminders that strong investment continues, job growth will follow and workforce training will be needed.

That there would be a similar level of optimism regarding the manufacturing cluster was unexpected. Entering the interview process, the national trend was that we were losing manufacturing jobs. This led to an assumption that

the manufacturing sector on the North Shore would be sluggish or without appreciable investment.

Several interviewees mentioned that machine shops and small-sized companies that manufacture other durable goods were seen as active and viable. One North Shore banker mentioned a business niche they had developed in area machine shops. The specific comment pointed to a number of small to medium-sized machine shops along the Route 1 and Route 114 corridors as strong areas of investment in the last quarter of 2009 and the first two quarters of 2010.

In the Manufacturing Sector, General Electric’s (GE) long history in our region was cited during many interviews. GE was raised on two separate levels. First, the 3,500 manufacturing jobs at GE Riverworks remain the largest concentration of manufacturing jobs in our region. Second, GE is mentioned even today, as the cause for the growth of small, family-run manufacturing plants and machine shops across the breadth of the North Shore. These shops were created from GE Lynn -related business, in many cases by former GE employees. However, the area machine shops still have GE affiliations, but in many cases these are with GE facilities across the spectrum of GE nationally and internationally.

What keeps them here? Each of the 2000, 2002, and 2007 Labor Market Blueprints completed by the North Shore WIB identified durable goods manufacturing as a critical industry. Similarly, a 2009 North Shore Business Sector analysis completed by the Center for Economic Development and Sustainability (CEDS) at Salem State University (Krebs) identified 872 manufacturing establishments in the region. Finally, a recent DeLoitte study prepared for the New England Council has generated great regional interest by concluding that advanced manufacturing in the Commonwealth is a business sector that is “becoming a vibrant and growing sector ... with key sub-sectors of aerospace, medical devices, sophisticated electronic assemblies and advance materials” (DeLoitte).

The Salem State study of the North Shore manufacturing sector noted that “These (North Shore) establishments were spread across our entire 30 communities with every zip code being represented.” (Krebs)

It is also noteworthy that over 50% of the 872 establishments had 9 or fewer employees which points to a preponderance of small, family-run establishments. Since these smaller businesses tend to locate in close proximity to where their owners and workforce live, they will keep manufacturing growth in the region.

Are we ready for manufacturing growth? Manufacturers of durable goods and even higher-tech, advanced manufacturing companies are in need of continually increasing skill sets for their employees.

North Shore Community College has both educational and training programs directed toward engineering technology, but interviewees believed there is a greater need for programs beyond those currently available, specifically in the area of engineering technology. Several interviewees mentioned the elimination of the apprentice training program at GE Riverworks as a factor in the need for enhanced academic training.

Also, ever-increasing health insurance costs for Massachusetts manufacturers, particularly those manufacturers who compete globally, was cited as an important factor in how quickly small manufacturers will add jobs when work orders increase.

An Interesting Manufacturing Fact: A Center for Urban and Regional Policy (CURP) study found that factors responsible for keeping manufacturing firms in Massachusetts were the availability of an appropriately skilled workforce, the strong work ethic of the Massachusetts workforce, the inertia from having roots in the state, proximity to customers and the quality of life in Massachusetts. CURP went on to note that some of the biggest challenges to growth faced by manufacturers are recruitment of skilled labor, employees' health insurance costs and a need for a stronger business climate (Bluestone, et al).

An Interesting Manufacturing Comment: "When companies R&D budgets were slashed in 2007 and 2008 it was a clear indicator that the manufacturing sector was going to suffer. Some months ago, we noticed that a number of companies started funding their R&D budgets. This is when we knew that our manufacturing clients were going to start to pick up business." (A North Shore Banker)

Note: The new North Shore Vocational School was widely seen as an enormously positive step toward a higher skilled manufacturing workforce.

Manufacturing Recommendations

- Ease local zoning and permitting requirements for manufacturing and advanced manufacturing to be more accommodating to physical expansions.
- Encourage North Shore academic institutions to expand engineering technology education and training programs.
- Improve outreach of the workforce and economic development entities to smaller, family-run manufacturing establishments that make up the preponderance of North Shore manufacturing establishments.
- Convene economic and workforce development entities with manufacturing establishments to create a better understanding of the workforce, capital and physical growth needs of the North Shore manufacturing cluster.

- Maximize the marketing potential of the new North Shore Vocational School.
- Encourage GE Riverworks to increase contract manufacturing opportunities for North Shore manufacturing establishments.

Financial Services

Having a number of local and regional banks that continue to prosper has been a key to the Financial Services business sector's continued growth. Although there are many other components of the Financial Services cluster, banks were the center of attention in these interviews.

To a large degree, the North Shore banking community remained strong throughout the recent recession and remained a center of active investment and growth. Although the interviews showed a slow-down in job growth, there were still several comments that deserve to be mentioned, including:

- The presence of in-house training programs in banks is an important factor in creating careers, not just jobs.
- The Financial Services Sector on the North Shore has several academic partners including North Shore Community College, Salem State University, Endicott College and Marion Court. Each is very helpful in providing North Shore banks with a strong workforce.
- An entry-level position in banking offers a clearly defined, achievable and upwardly mobile career path.
- Bank employees have immediate entry into an occupation that includes health care, training, benefits and opportunity.
- Building and construction trade representatives mentioned bank build-outs, renovations, interior office enhancements, site work and drive-through construction as lucrative components of the North Shore construction portfolio.

What keeps Financial Services jobs here? With the exception of Tourism, the North Shore's Financial Services business sector is the most "rooted" of all sectors. Typically, this sector has strong community connections reliant on a presence in the community in which they do business.

Is the North Shore ready for Financial Services growth? There was general acknowledgement on several potential perils or obstacles to growth in the Financial Services sector. Some mentioned were:

- Basic skills of entry-level job seekers will always need attention.
- Math, writing and communication skill sets will always need improvement.
- Mergers that continually create larger, "less local" banks are seen as dangerous to the community.
- Ever-increasing transportation and housing costs for the workforce.

Most Interesting Comment on Financial Services Sector: “I have any number of examples in the building that we are sitting in right now of bank managers and administrators who began their career on the teller line, went through our in-house training programs and now have significant and well-paid careers in banking.” (A North Shore Banker.)

Financial Services Recommendations

- Highlight, communicate and market the success that area banks have had in creating clearly defined career paths for entry level employees.
- Continue dialogue between workforce, banking and academic communities to ensure academic curricula and necessary worker skill sets are aligned.

Slowest Growing Clusters

The two sectors of the North Shore economy that interviewees found to be particularly silent were:

- Construction
- Green Jobs/Clean Energy

Construction

Although there was some optimism in the government/non-profit interviews, there was widespread acknowledgement through the banking community, property managers, construction community and non-traditional investors that the construction trades are not rebounding with any level of energy or exuberance.

The fact that from 2001 to 2007 the housing market played an important role in keeping small- to medium-sized contractors in business was frequently mentioned when discussing investment in the construction trades. With the housing market currently selling existing inventory rather than calling for new product, a number of small construction companies have downsized to remain in business. North Shore property managers mentioned that commercial build-outs remain slow. Even new tenants are not willing to spend to refurbish; rather, they tend to use whatever already built-out space is available.

Interviews with government officials led to some optimism around road construction and public buildings, but this was seen as unnaturally high right now due to the dormitory at Salem State, the new courthouse and the new building at North Shore Community College.

Most Interesting Comment on Construction Sector: “Before 2007, when my company got more work, I hired more trades people. Now? When I get new work, I do everything I can to schedule it so that I can get it done without hiring.”

Green Jobs/Clean Energy

The interviews proved that the North Shore business community is unclear as to the current status and make-up of the green economy.

In the green economy nationally, there is a growing distinction between the creation of a “green” job and the “greening” of an existing job. This distinction was not evident during these interviews.

For example, a principal in a 15-person, Charlestown-based architectural firm that does a substantial amount of business on the North Shore mentioned that his firm has “never had a contract with a company that produces a green product or provides a green service.” However, he offered that “in every residential, commercial and industrial design contract that our firm works on, we employ green design practices. Lighting specifications, sustainable building products, green roofs, LEED certification and energy efficiency are standard operating procedures that now create green investment. Two recent buildings in Peabody, one an industrial building on Jubilee Drive and the second a mid-rise residential building proposed for downtown Peabody, will each be significantly green.”

A follow-up interview with the North Shore real estate developer who retained the architect and will be hiring a North Shore contractor to install a green roof elicited the following. “We are proposing to install a green roof in a 32-unit apartment building that we are beginning to permit in Peabody because we believe it will help us get the building permitted.” He continued, “Our real estate management company has 30-35 property managers. In the past two years they have all had sustainability training. Same for our maintenance staff who have a long running joke about purchasing ‘green’ green paint.”

Juxtapose those comments with the fact that three separate interviewees (2 bankers and a business park manager) cited the same relatively small North Andover green company (Nexamp Inc.) as their example of the growing green jobs cluster on the North Shore. The fact that three separate interviewees cited this small, successful North Andover company leads to the conclusion that visible green product manufacturers and service providers are still relatively few.

The interviews with bankers did not identify any significant investment in green companies. Similarly, business parks were not noticing green companies looking for space to lease and municipal officials were not able to point to green product manufacturers who were in their business parks. But while bankers, real estate managers and government officials did not identify direct investment in the green economy, when pressed, they each admitted that they had somewhat unwittingly created green jobs, but that they had done so without any large or noticeable investment. Property managers admitted to expenditures to

install more efficient light fixtures; bankers identified energy efficient retrofits in their branches and government officials pointed to several examples in which they expended municipal resources on energy efficiency. Green jobs exist across the board, but this investment was not mentioned by any interviewee until brought up by the interviewer as an example.

A positive trend is the creation of the Cleantech InnoVenture Center in Lynn. A North Shore economic development official pointed to the Cleantech InnoVenture Center in the JB Blood Building in Lynn as an indication that the North Shore is providing opportunity for growth in the Green Economy and Life Sciences. Citing Lynn's clean-tech space with 10-20 opportunities for lab/workshop space for start-ups, the official offered, "As these small companies populate the space and begin to grow, we will better understand their needs so that we can put them in larger spaces and create jobs in the community."

To illustrate some of the confusion surrounding job growth in this sector, consider a number of specific comments from the interviews.

- What is a green job? (this question came up at every interview)
- Should my company (contractor) hire someone to go out and find a piece of the green economy?
- When do we start to train our people?
- I own and manage several thousand residential apartments and my company gets energy audit marketing information every day. Some are offering free energy audits, some are charging; it is very confusing.

Though there is not yet any perceptible trend of investment in companies that manufacture green products, there is in fact, a significant amount of green job growth due to the steadily increasing attention being paid to sustainability in the workplace. We need to rethink this sector to try and increase our understanding of how sustainability will lead to economic growth on the North Shore.

What keeps Green Jobs on the North Shore? The interviews exposed significant confusion across all sectors except construction as to what a green job is, whether there were appreciable numbers of green jobs on the North Shore, and if not, when they would begin to emerge. As pointed out previously, there was no true acknowledgement of the distinction between creating a green job and existing jobs becoming increasingly green.

Most Interesting Comment on Green Business Sector: A North Shore property manager whose real estate management company employs close to 100 people out of its downtown Peabody office offered, "I don't really know what a green job is, but my company manages over 3,000

residential apartments and condominiums and we have gone from not knowing what sustainability was two years ago to talking about sustainable management practices with every one of our clients."

Construction and Green Job Recommendations

- Economic and workforce development entities should work jointly to inform the business community about the emergence of the green economy and the career opportunities that exist.
- Economic and workforce development entities should provide continued guidance to the business community on the distinction between creation of a green job and the "greening" of an existing job.
- Request assistance from the Massachusetts Clean Energy Center and the New England Clean Energy Council in identifying the North Shore green product manufacturers and green service providers as a first step toward marketing this sector.
- Convene North Shore green establishments for the purpose of creating a vibrant green business cluster to assist in expediting the expansion of the green economy on the North Shore.
- Assist eligible green start-ups in accessing public and private capital for business growth.
- Assist the Lynn Cleantech InnoVenture Center.
- Create a dialogue between the green economy cluster and the North Shore construction industry to expedite green training in the construction industry.
- Identify green and sustainability training opportunities for members of the North Shore construction sector.

Two Quiet Clusters

Two clusters, the Creative Economy and Tourism, were largely unmentioned by the investment community.

Creative Economy

Identified and quantified as a business cluster on the North Shore only in the past several years, the North Shore's Creative Economy has a considerable positive impact on the region. Consider the following information which was provided by a North Shore Creative Economy business leader. The Creative Economy:

- Contains over 2,200 enterprises.
- Employs between 17,000 and 20,000 North Shore residents.
- Contributes over \$3 billion in annual sales.
- Represents 10-12% of the North Shore's total private sector employment. (ConsultEcon, et al).

A 2008 Market Analysis and Action Plan prepared by ConsultEcon for the Creative Economy Association of the North Shore identified the following five creative clusters as accounting for 56% of North Shore creative economy enterprises (ConsultEcon, et al).

- Design
- Business Consulting
- Engineering
- Artists
- Advertising

As is evident from the impact numbers and occupations listed above, the Creative Economy is a bona fide and vibrant sector of the economy. In fact, in its broadest definition, the Creative Economy includes far more jobs than bio-tech and manufacturing on the North Shore.

Because the Creative Economy did not show up in any of the broader investment trend discussions, one might ask, “Where did the Creative Economy evidence itself as an appreciable segment of our economy?” To wit:

- Each business park representative interviewed identified a trend of smaller spaces and a greater number of tenants replacing larger space users.
- Each business park offers their own version of small space with services. In fact, the one park that did not offer shared services directly cited the presence of a number of shared administrative service providers who rent space in their facility as the reason they did not offer the services directly.
- Names and terms such as Entrepreneur Alley, Mini-Offices and Virtual Offices are being used to attract the smaller Creative Economy businesses.
- One business park manager was even more specific and identified advertising and marketing as the overwhelming trend in leasing the small office component of his facility.
- These new office modules average 200-300 square feet per user with shared conference space available.
- A local business incubator that has historically offered training services to Creative Economy businesses has begun a new business training model responsive to an increasing number of growing creative economy companies clamoring for business training in growing their companies.

Are we ready for Creative Economy growth? The Creative Economy Association of the North Shore has over 4,000 participants in their database. A recent survey of that base identified their overwhelming needs as access to health care, increased networking and access to larger North Shore businesses for contract opportunities.

An Interesting Creative Economy Comment: One Creative Economy expert on the North Shore pointed out, “Our thinking on the North Shore needs to change. We need to accept that if we add 100 small, creative economy firms of 3 or 4 employees, it is every bit as beneficial to the North Shore as attracting a three or four hundred employee company”.

An Interesting Creative Economy Fact: A survey of over 200 Creative Economy enterprises revealed that, on average, almost half of the customers of these small businesses are located outside of the North Shore with over one quarter of the customers located outside of the Commonwealth (ConsultEcon, et al).

Creative Economy Recommendations

- Assist in creating business networking opportunities between Creative Economy businesses and larger North Shore businesses for the purpose of developing contract and vending opportunities for the Creative Economy.
- Continue to market the North Shore as a competitive center of the Massachusetts Creative Economy.
- Assist the Creative Economy Association of the North Shore, the Enterprise Center at Salem State University and the North Shore Alliance for Economic Development with advocacy efforts for health insurance relief for the merged market (individual and small businesses).
- Continue to support the creation of “small-space” rentals at area business parks.

Tourism

Like the Creative Economy, the North Shore’s Tourism economy is an unheralded but vibrant business sector. Acknowledgement and appreciation for the depth of the tourism sector is hampered by the lack of a clearly defined industry classification making the investment and the economic impact less noticeable to the investment community.

Area tourism officials estimate that over 2.7 million tourists visit our region each year. These visitors offer great economic benefit to many sectors that are not solely and completely within the tourism sector. Restaurants, marinas, area arts and recreation facilities, gas stations, theaters and many other related venues all benefit from the 2.7 million visitors, but they are not classified as tourism businesses as they derive their revenue from many of the sectors included in this analysis. Thus, it is easy to surmise how interviews with commercial property managers, bankers, contractors and design professionals would not uncover significant mention of investment in the tourism sector.

Some indicators of the depth of the tourism factor can be seen by comparing the North Shore's tourism businesses with the balance of the Commonwealth. For example:

- The Location Quotient (LQ), a measure that indicates the relative concentration of industry employment in a particular area relative to another larger area, for the North Shore Leisure and Hospitality Sector is 1.16, indicating a strong concentration of North Shore jobs in this sector. (EOLWD)
- The LQ for Arts Entertainment and Recreation is 1.32, an even more significant concentration when compared to the Commonwealth.
- The Accommodations and Food Services sector's LQ is 1.13, continuing the trend identified above.

These strong concentrations of jobs are indicative of the strength of Tourism in our region. However, even with these impressive Location Quotients, no business park or construction/design services interviewees mentioned tourism as a component of their business. This indicates that despite the number of jobs and economic impact of tourism to the region, the indistinct industry classification makes it difficult for the community to acknowledge the significance of the sector.

The interviews in which the Tourism sector was widely acknowledged included elected officials and local and regional economic development officials who understand the value of the tourism sector as a generator of economic activity.

Interesting Tourism Sector Comment: When asked directly about the link between the North Shore's desirability as a tourist destination and our attractiveness to business development, a North Shore Mayor offered, "Business leaders speak more and more about the North Shore's favorable quality of life. When they do this it is interesting that they often cite the area's beaches, our waterfront and scenic landscapes, cultural history, museums ... the exact same attributes that make the region a desirable visitor destination. As it turns out, these amenities are as important in our pursuit of business retention as they are in attracting tourists."

Tourism Cluster Recommendations

- Work with economic development officials to create enhanced understanding of the economic value of Tourism as a North Shore job creator.
- Identify occupations in the Tourism Cluster that have more clearly defined career paths.
- Monitor the prospective gaming expansion in the Commonwealth to ensure participation in identifying training to pinpoint hospitality and entertainment positions with clearly defined career paths.

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Attachment A | Premise and Interview Framework

North Shore/Northeast Investment Trends Is Investment and Bank Activity Mirroring Workforce Training Needs?

Premise

Every two years, The North Shore Workforce Investment Board completes a “Blueprint” that outlines the workforce training needs of the North Shore as defined by demographic analysis and interaction with the business community.

There are times when training needs are identified as necessary for the growth of a particular job cluster while actual job growth in that Cluster lags behind the perceived training needs. Two examples include the life sciences business cluster in the early-to-mid 1990s and green jobs/clean energy training in our current economic paradigm.

The North Shore Workforce Investment Board has asked the North Shore Alliance to complete an economic analysis of the area (North Shore and State). This analysis will focus on questions regarding the amount of investment and banking activity in the clusters of importance to our region. These clusters include the six (6) that have been defined as active by the North Shore Alliance, as well as Construction and Financial Services which have been defined as significant by the North Shore WIB. This will play a small role in determining if jobs will be available in the clusters that are clamoring for job training. The eight (8) active North Shore Business Clusters include:

- Clean Energy
- Construction
- Creative Economy
- Financial Services
- Health Care
- Life Sciences
- Manufacturing (Durable Goods)
- Tourism

Framework of the Interview

Thank you for your willingness to meet to discuss this analysis. The framework of our conversation is as follows:

1. If you had to rank the top two or three Business Clusters in terms of current commercial banking (or leasing) activity, how would you rank them?
2. If you had to rank the bottom two or three Business Clusters in terms of current commercial banking (or leasing) activity, how would you rank them?
3. If you had to rank the top two or three Business Clusters in terms of current lending activity, how would you rank them?
4. If you had to rank the bottom two or three Business Clusters in terms of current lending activity, how would you rank them?
5. Are there any clusters that are particularly silent at this time?
6. Are there any clusters that are particularly active at this time?
7. Clean Energy gets a lot of attention. Is this evident in the amount of banking (or leasing) activity around this cluster?
8. What do you find to be the single most active cluster?
9. What do you find to be the single least active cluster?
10. Other observations on the regional (North Shore) and State economy as it relates to job growth?
11. Other observations on the national economy as it relates to job growth?
12. Is there someone you might suggest that I speak with to further delve into this analysis?
13. Is there a piece of information that you have access to that would be helpful in this analysis? (An example would be massbenchmarks.org or a similar publication of regional economic activity.)

Attachment B | Occupations with the Fastest Growth

Occupations	Percent Change	Number of New Jobs (in thousands)	Wages (May 2008 median)	Education/Training Category
Biomedical engineers	72	11.6	\$77,400	Bachelor's degree
Network systems and data communications analysts	53	155.8	\$71,100	Bachelor's degree
Home health aides	50	460.9	\$20,460	Short-term on-the-job training
Personal and home care aides	46	375.8	\$19,180	Short-term on-the-job training
Financial examiners	41	11.1	\$70,930	Bachelor's degree
Medical scientists, except epidemiologists	40	44.2	\$72,590	Doctoral degree
Physician assistants	39	29.2	\$81,230	Master's degree
Skin care specialists	38	14.7	\$28,730	Postsecondary vocational award
Biochemists and biophysicists	37	8.7	\$82,840	Doctoral degree
Athletic trainers	37	6.0	\$39,640	Bachelor's degree
Physical therapist aides	36	16.7	\$23,760	Short-term on-the-job training
Dental hygienists	36	62.9	\$66,570	Associate degree
Veterinary technologists and technicians	36	28.5	\$28,900	Associate degree
Dental assistants	36	105.6	\$32,380	Moderate-term on-the-job training
Computer software engineers, applications	34	175.1	\$85,430	Bachelor's degree
Medical assistants	34	163.9	\$28,300	Moderate-term on-the-job training
Physical therapist assistants	33	21.2	\$46,140	Associate degree
Veterinarians	33	19.7	\$79,050	First professional degree
Self-enrichment education teachers	32	81.3	\$35,720	Work experience in a related occupation
Compliance officers, except agriculture, construction, health and safety, and transportation	31	80.8	\$48,890	Long-term on-the-job training

Source: BLS Occupational Employment Statistics and Division of Occupational Outlook.



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