North Shore Communities
ECONOMIC CONTEXT

Five years ago, August 1997, Mt. Auburn Associates produced *The North Shore Economic Diversification Strategic Plan, Phase I.* At that time the region was facing declines in defense contracting and the plan focused on economic diversification to "improve employment opportunities for residents and strengthen the economic and tax base of North Shore communities." In addition, the plan identified ways business, government, communities and community-based organizations could cooperate to address challenges and achieve economic diversification.

The report identified challenges in the region that remain concerns today including:
- Diversity of interests
- Economic disparities within the region
- Lack of a cooperative history and regional governance structures
- Lack of a clear regional focal point and capacity for economic development
- Threats to the quality of life

Other challenges noted include:
- Segmentation, globalization and volatility of markets
- Change in existing products from standardized to tailor-made
- Development and diffusion of new, more productive and flexible manufacturing technologies
- Rise of agile enterprises
- Information revolution

The report suggested that the region's strengths include its "quality of life," "a diverse, skilled and flexible labor force," and "elements of a sustainable economic future." The latter is particularly predicated on the region's strong research and technology base.

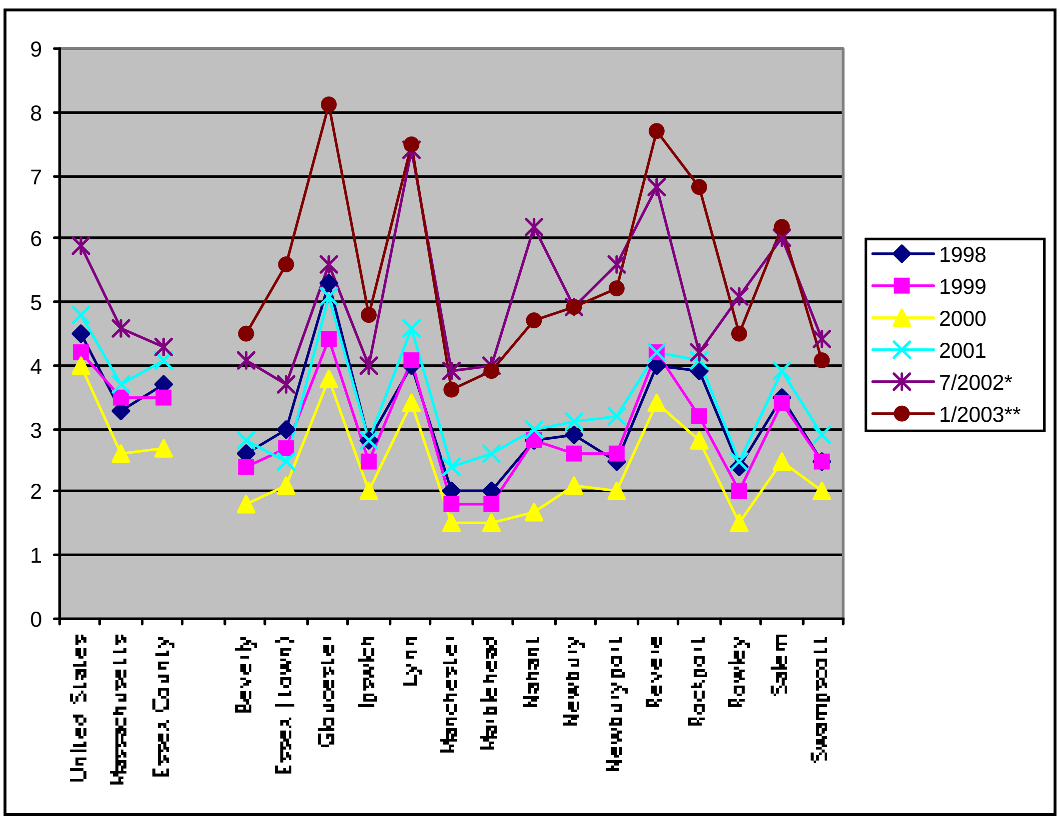
The report used key measures of economic well being in the region, i.e., labor force participation, income and unemployment, to compare the North Shore with Boston, Massachusetts and the United States.

Unemployment
Following earlier trends, from 1997 through 2001, unemployment in the 15 North Shore communities for this study was lower on average than the Commonwealth's average. The Commonwealth's average was lower than Essex County's average which was, in turn, lower than the United States' average level of unemployment. The 15 communities averaged levels of 3.6 in 1997, falling further to 3.08 in 1998, 2.87 in 1999 and 2.27 in 2000.

Figure 1: North Shore Unemployment

	1997	1998	1999	2000	2001	7/2002*	1/2003**
United States	4.9	4.5	4.2	4	4.8	5.9	
Massachusetts	4	3.3	3.5	2.6	3.7	4.6	
Essex County	4.3	3.7	3.5	2.7	4.1	4.3	
Beverly	3	2.6	2.4	1.8	2.8	4.1	4.5
Essex (town)	3.2	3	2.7	2.1	2.5	3.7	5.6
Gloucester	5.7	5.3	4.4	3.8	5.1	5.6	8.1
Ipswich	3.1	2.8	2.5	2	2.8	4	4.8
Lynn	4.8	4	4.1	3.4	4.6	7.4	7.5
Manchester	2.7	2	1.8	1.5	2.4	3.9	3.6
Marblehead	2.2	2	1.8	1.5	2.6	4	3.9
Nahant	3.5	2.8	2.8	1.7	3	6.2	4.7
Newbury	3	2.9	2.6	2.1	3.1	4.9	4.9
Newburyport	3.1	2.5	2.6	2	3.2	5.6	5.2
Revere	5	4	4.2	3.4	4.2	6.8	7.7
Rockport	4.3	3.9	3.2	2.8	4.1	4.2	6.8
Rowley	3.3	2.4	2	1.5	2.5	5.1	4.5
Salem	4	3.5	3.4	2.5	3.9	6	6.2
Swampscott	3.1	2.5	2.5	2	2.9	4.4	4.1

*DET Economic Analysis for Southern Essex LWIB (data not seasonally adjusted)
**DETMA Local Area Files



Individual communities did not fare as well. In 1997 Gloucester and Revere had averages well above the Commonwealth's and the US's (5.7 and 5, respectively compared to the US's 4.9 and Massachusetts' 4.0). Their averages finally fell below the US's in 2000 when their rates fell to 3.8 and 3.2 respectively, compared to a 4 average for the US, though the Commonwealth remained lower with 2.6. In 2001, unemployment again rose in Gloucester to 5.1, in Lynn to 4.6 and 4.2 in Revere and 4.1 in Rockport. Marblehead and Manchester consistently had the lowest level of unemployment among the fifteen communities, going from a high of 2.2 and 2.7 in 1997 to 1.5 for each in 2000. However, the levels rose to 2.6 and 2.4 respectively in 2001 and rose further to 4 and 3.9 in July of 2002. Rowley and Nahant improved their levels over the 4-year period from 1997 to 2000, dropping from 3.3 and 3.5 to 1.5 and 1.7, respectively. Unemployment started rising in 2001 to 2.5 for Rowley and 3 for Nahant. Nahant leaped again in 2002 to 6.2. As one of the study's smallest towns, the unemployment rate for Nahant's population of 2,810 (people over 25) must reflect relatively small changes in employment opportunities in the community.

Since 2000, unemployment rates have been rising all over. The US rates were 4.8 in 2001 and 5.9 in July 2002. Massachusetts remained lower at 3.7 (2001) and 4.6 (July 2002). Essex County jumped from 2.7 in 2000 to 4.1 in 2001. The 15 individual towns in January of 2003 show increases in unemployment. Nevertheless, the unemployment rates are considerably lower than in 1992 when the North Shore hit 8.8 percent and the US was at 7.4 percent.[1] Gloucester seems to be the hardest hit with a rate of 8.1 in January 2003, followed by Revere with a rate of 7.7, Lynn at 7.5 and Rockport at 6.8. The high rates in Gloucester and Rockport may in part be a reflection of the lack of fishing in the harsh weather of January.

Employment

Employment in the 15 communities of this study increased very modestly from 109,497 in 1997 to 114,491 jobs in 2001 (just under one percent), though no one sector apparently led the increase. Services accounted for 33% of the jobs in 1997 and 2001; trade was 24% in 1997, 23% in 2001; government was 13% in 1997, 14% in 2001; TCPU and construction were at 3% in both 1997 and 2000, though construction jumped to 4% in 2001. FIRE remained at 4 percent in both years and agriculture, forestry, fishing was about 1% in both years. Manufacturing was the only category to lose jobs in this period, slipping from 18% in 1997 to 16% in 2001 with 1,290 jobs lost from 2000 to 2001.

By some measures, Lynn, Beverly and Salem have been the most prosperous communities of the 15 North Shore communities considered by this study. In 1997, Lynn had the highest total annual payroll ($864,097,180), highest average annual wage ($33,055), largest number of establishments (1,188) and most jobs (26,141). In 1997 manufacturing and services each provided about 30 percent of the jobs in Lynn and trade and government each provided about 17%. About 4% of the jobs were categorized as FIRE.

Salem, Beverly and Lynn remain the most prosperous communities in this study by the same measures. In 2001, Lynn retained the highest total annual payroll of $1,020,744,210; largest number of establishments (1,301) and most jobs (25,271). Beverly, however, had the highest average annual wage ($42,659). Services (30%), trade (17%), manufacturing (24%) and government (19%) were the largest categories of employment in Lynn in 2001.

[1] Mt. Auburn Associates, 1997. North Shore Economic Diversification Strategic Plan Phase I.

Communities that had the largest percentage of "agriculture, forestry or fishing" jobs in 1997 were Rockport, Rowley and Ipswich, each with 3 percent of their total so categorized. Gloucester was at 2 percent and Beverly at 1 percent; however, Gloucester had 281 jobs and Beverly 107 jobs in this sector, compared to Rockport's 37, Rowley's 64 and Ipswich's 128. Salem and Lynn's percentage of jobs in this category was dwarfed by jobs in other sectors, but with 87 and 78 jobs, respectively, there was a "presence" of this sector among the employed.

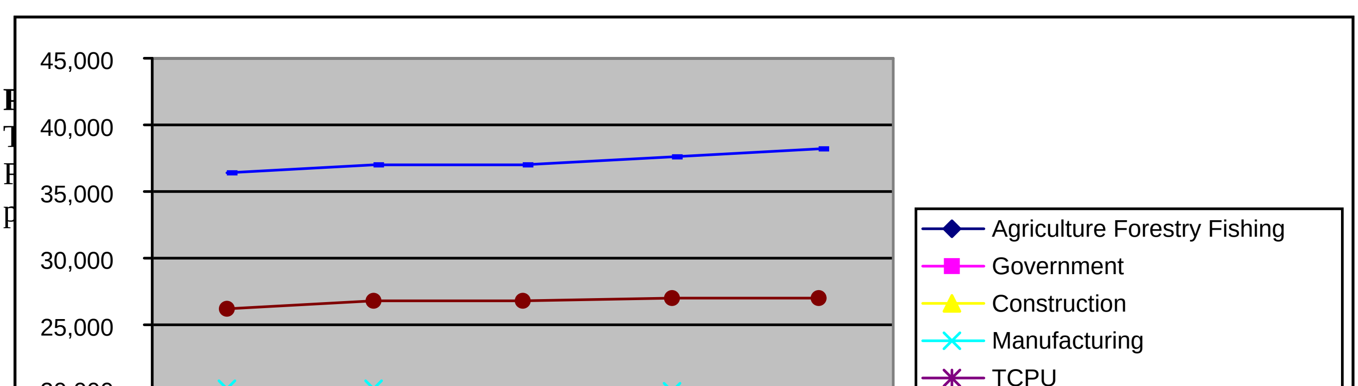
By 2001, Newbury with 43 jobs, Essex with 37, Manchester with 52, and Ipswich with 112 jobs categorized 3 percent of their employment as "agriculture, forestry or fishing." Gloucester remained at 2 percent with 254 jobs in this category while Beverly and Lynn's 136 and 135 jobs respectively provided 1 percent of their employment. Salem's 116 jobs in this category constituted 1% of its employment.

It should be noted, however, that these statistics are based on Massachusetts Division of Employment and Training (DET) statistics on 8,074 establishments in 1997 and 8,791 establishments in 2001. In contrast, ALMIS has a database of 14,080 firms in these 15 communities in 2002. Employment data is mainly derived from reports filed by all employers subject to unemployment compensation laws, both state and federal. Exceptions to the unemployment insurance requirements apparently apply to a large percentage of the businesses in the North Shore.

Sixty-six percent of the businesses (9242 companies) have fewer than 5 employees. Forty-three hundred, eighty six companies (31%) employ 5 to 49 people, 252 (1.8%) employ 50 to 99, 143 (1%) employ 100 to 249 and 57 (.04%) companies employ 250 and up.

Figure 2: North Shore Employment 1997-2001

	Agriculture Forestry Fishing	Government	Construction	Manufacturing	TCPU	Trade	FIRE	Services
1997	894	14,784	3,099	20,155	3,118	26,183	4,468	36,305
1998	1,053	15,007	3,417	20,126	3,477	26,656	4,670	36,903
1999	1,056	15,688	3,769	19,319	3,542	26,642	4,880	36,989
2000	1,081	16,347	3,983	19,814	3,656	26,952	4,972	37,489
2001	1,172	16,684	4,138	18,624	3,482	26,974	5,168	38,128



lost 58 people (1.1%), the rest of the towns had increases ranging from Essex's .2% to Newbury's 16.3%. In numbers rather than percentages, Lynn with the highest population of the fifteen showed the greatest increase from 81,245 in 1990 to 89,050 in 2000.

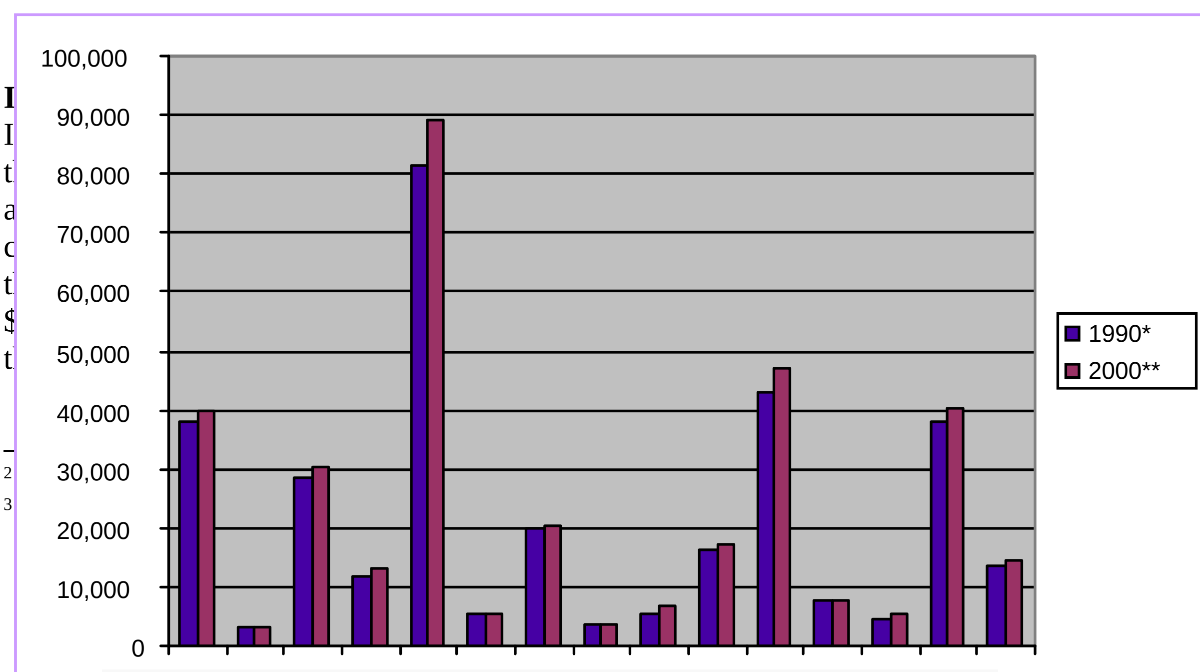
If low population growth indicates fewer job opportunities as suggested by the Mt. Auburn Associates study (p. 2-6), the fairly steady but modest rise in most of the towns suggests a relatively even supply of jobs. The towns also had a higher rate of increase than the Commonwealth. Massachusetts' population as a whole grew about 5.5% increasing by 332,680 (from 6,016,425 in 1990 to 6,349,097 in 2000).[2] The population of the U.S. increased by 13.1% in the same decade.[3]

Figure 3: Population of 15 North Shore towns

	1990*	2000**	Change	% Change
Beverly	38,195	39,862	1,667	4.18%
Essex	3,260	3,267	7	0.21%
Gloucester	28,716	30,273	1,557	5.14%
Ipswich	11,873	12,987	1,114	8.58%
Lynn	81,245	89,050	7,805	8.76%
Manchester	5,286	5,228	-58	-1.11%
Marblehead	19,971	20,377	406	1.99%
Nahant	3,828	3,632	-196	-5.40%
Newbury	5,623	6,717	1,094	16.29%
Newburyport	16,317	17,189	872	5.07%
Revere	42,786	47,283	4,497	9.51%
Rockport	7,482	7,767	285	3.67%
Rowley	4,452	5,500	1,048	19.05%
Salem	38,091	40,407	2,316	5.73%
Swampscott	13,650	14,412	762	5.29%
	320,775	**343,951**	**23,176**	**6.74%**

*www.ctps.org/bostonmpo/data/pop40_90.pdf

**http://www.state.ma.us/cc/ (Commonwealth Communities)



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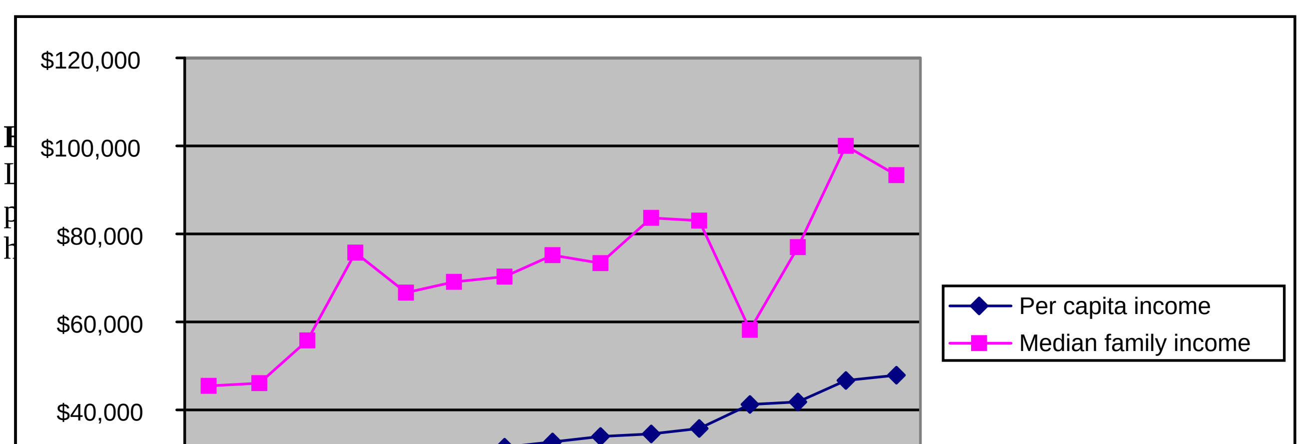
The highest per capita in the Commonwealth was found in Manchester ($47,910) and Marblehead ($46,738) during the 2000 Census. Median family income ranges from $45,295 in Lynn and $45,865 in Revere to $93,609 in Manchester and $99,892 in Marblehead.

Persons below the poverty level in Massachusetts in 1999 was 9.3% compared to 12.4% in the U.S. Lynn at 16.5% and Revere at 14.6% have a much larger percentage of individuals below the poverty line than the average for the U.S. and Massachusetts. At 9.7% Salem has more persons in poverty than the average for the Commonwealth. The other 12 towns range from a high of 8.8% in Gloucester to a low of 2.6% in Nahant with an average of 6.7%.

Figure 4: North Shore Incomes

1999	Per capita income	Median family income	Individuals below poverty
Lynn	$17,492	$45,295	5.7%
Revere	$19,698	$45,865	6.6%
Salem	$23,857	$55,635	8.8%
Rowley	$27,413	$75,527	7.1%
Beverly	$28,626	$66,486	16.5%
Rockport	$29,294	$69,263	4.8%
Essex	$31,613	$70,152	4.3%
Ipswich	$32,516	$74,931	2.6%
Newburyport	$34,187	$73,306	3.1%
Newbury	$34,640	$83,428	5.2%
Swampscott	$35,487	$82,795	14.6%
Gloucester	$41,465	$58,459	3.7%
Nahant	$41,807	$76,926	4.1%
Marblehead	$46,738	$99,892	9.7%
Manchester	$47,910	$93,609	3.7%
			6.7%



Seasonal housing ranges from a high of 13.1% in Rockport, 7.2% in Newbury, 6.9% in Gloucester and 6.2% in Essex to a low of .2% in Salem and .4% in both Lynn and Revere.

Figure 5: Occupied and seasonal housing

2000	Seasonal housing	Occupied housing	Owner-occupied
Lynn	0.2%	33,511	45.6%
Salem	0.4%	17,492	49.1%
Revere	0.4%	19,463	50.0%
Beverly	0.8%	15,750	60.0%
Rowley	0.9%	1,958	77.0%
Nahant	1.6%	1,629	68.0%
Marblehead	1.8%	8,541	75.3%
Swampscott	2.1%	5,719	76.5%
Newburyport	2.3%	7,519	66.6%
Ipswich	3.3%	5,290	72.9%
Manchester	4.6%	2,168	70.8%
Essex	6.2%	1,313	69.8%
Gloucester	6.9%	12,592	59.7%
Newbury	7.2%	2,514	80.5%
Rockport	13.1%	3,490	64.2%

Immigration

Lynn has the largest percentage of foreign born persons in their population (22.8%), followed closely by Revere at 21% and Salem at 11.9%. Slightly more than 10% of Lynn's foreign born entered in the last decade, as did slightly fewer than 10% of Revere's foreign-born population. Rowley had the fewest foreign born persons at 2.5% and Ipswich had only a few more at 3.6%.

Figure 6: Immigration

1999	Foreign born	Entered 1990-00	Immigrants 1990-00
Rowley	2.5%	0.6%	31
Manchester	5.0%	1.3%	69
Nahant	7.1%	2.3%	82
Essex	5.8%	2.8%	90
Newbury	4.3%	1.5%	103
Rockport	5.9%	1.4%	110
Ipswich	3.6%	0.9%	111
Newburyport	4.1%	1.0%	180
Gloucester	5.3%	1.1%	320
Marblehead	6.7%	1.9%	391

Swampscott	8.1%	3.4%	494
Beverly	5.3%	2.2%	874
Salem	11.9%	4.5%	1812
Revere	21.0%	9.6%	4536
Lynn	22.8%	10.8%	9624

Education

Marblehead has the largest percentage (82.4%) of persons who continued their education beyond high school graduation (or equivalency, i.e. GED). Revere has the smallest percentage at 36.3%. The average percentage in the 15 towns of those who hold a high school diploma or less is 35.3%, but Revere, Lynn, Gloucester, Salem, Beverly and Rowley all have a greater percentage than this average. Revere, Lynn and Gloucester also have less than 30% of the population over 25 with a Bachelor's or higher degree. Only in Swampscott, Manchester and Marblehead does more than 50% of the population over 25 have a Bachelor's degree or higher.

Figure 7: Education of population over 25 years

1999	Population over 25 years	Bachelors or higher	Less than high school
Revere	**33,723**	13.5%	23.3%
Lynn	**57,093**	16.4%	25.9%
Gloucester	**21,598**	27.5%	14.4%
Salem	**28,169**	31.1%	14.8%
Rowley	**3,619**	36.1%	10.3%
Essex	**2,280**	36.3%	9.1%
Beverly	**27,633**	36.5%	9.3%
Ipswich	**9,311**	41.4%	7.8%
Newburyport	**12,844**	42.3%	9.7%
Newbury	**4,633**	43.9%	4.4%
Rockport	**5,716**	44.4%	4.9%
Nahant	**2,810**	47.5%	5.4%
Swampscott	**10,214**	50.2%	5.2%
Manchester	**3,704**	56.0%	4.0%
Marblehead	**14,724**	61.5%	3.6%

Summary

As Mt. Auburn Associates found in 1997, the North Shore remains a diverse region. Though generally prosperous, there are pockets of poverty and unemployment, particularly in the larger cities, that contrast sharply with the wealthy communities scattered through the area.

The educational level of the towns' population over 25 roughly parallels the average income of the towns' residents. A notable exception is Gloucester that has a higher per capita income than the educational ranking would suggest and Rockport that has a lower per capita income than its population's educational level would predict. (See Figures 4 and 7.)

Until the last few months of 2002 and early 2003, population growth, employment rates were relatively steady. The vast majority of employees work for small and very small companies. Services, trade, manufacturing and government dominate in the region. Percentages of seasonal housing suggest that Rockport, Newbury, Gloucester and Essex have a tourist trade. Only Lynn, Revere and Salem have immigrant populations of over 10 percent.

The large numbers of small and very small companies in the area continue to pose a challenge to economic development. An increase in communication or networking opportunities might facilitate improvements in strategic planning and development of the area.

Note

For an overview of the state of New England's economy as of October 2002, see a speech by Cathy E. Minehan, President, Federal Reserve Bank of Boston
http://www.bos.frb.org/news/html/speeches/2002/101802.htm