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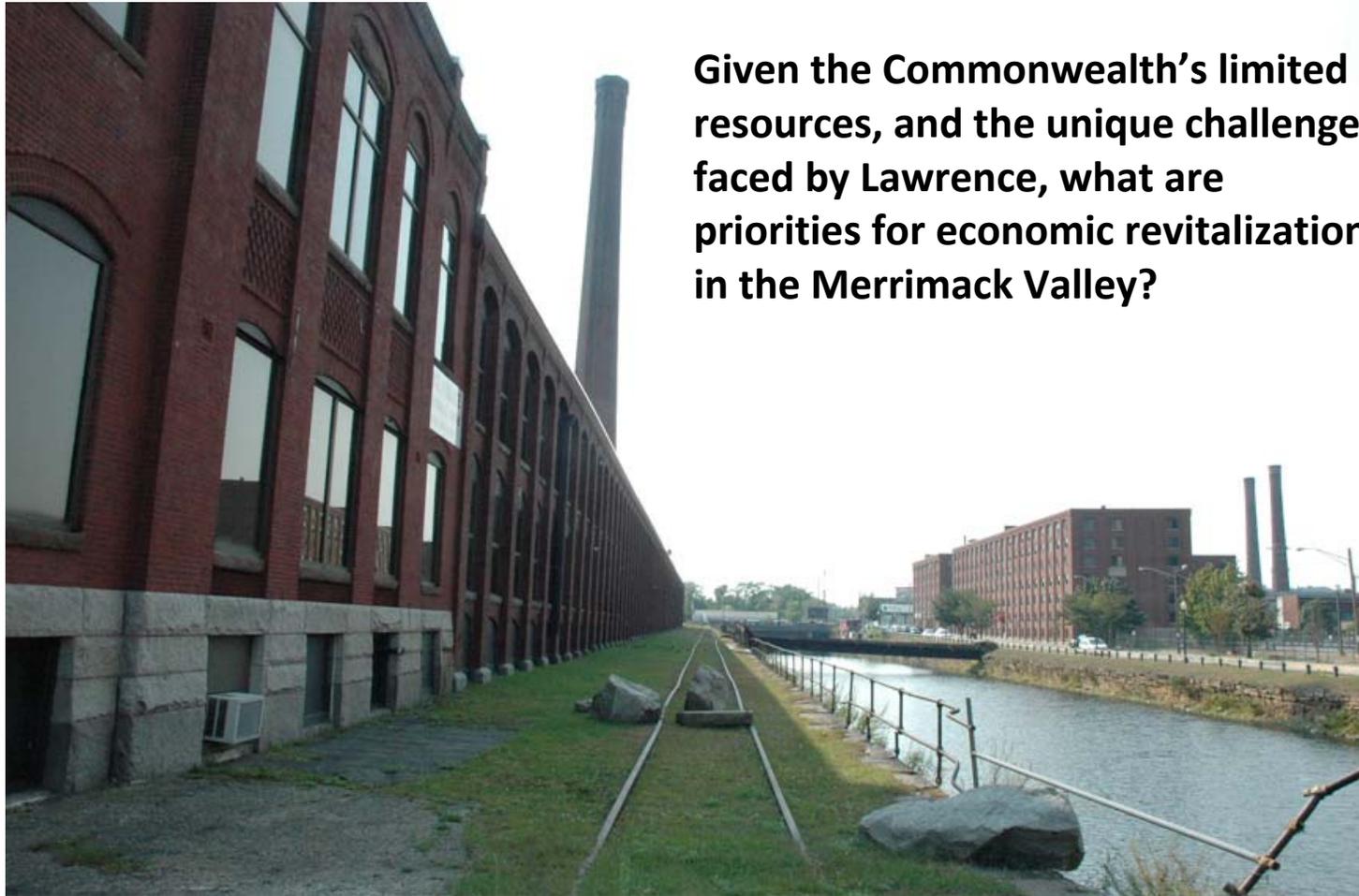
11.481J / 1.284J / ESD.192J Analyzing and Accounting for Regional Economic Growth
Spring 2009

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The Merrimack Valley: Challenges, Assets, and Potential for Growth

11.481 Final Report

Research Question



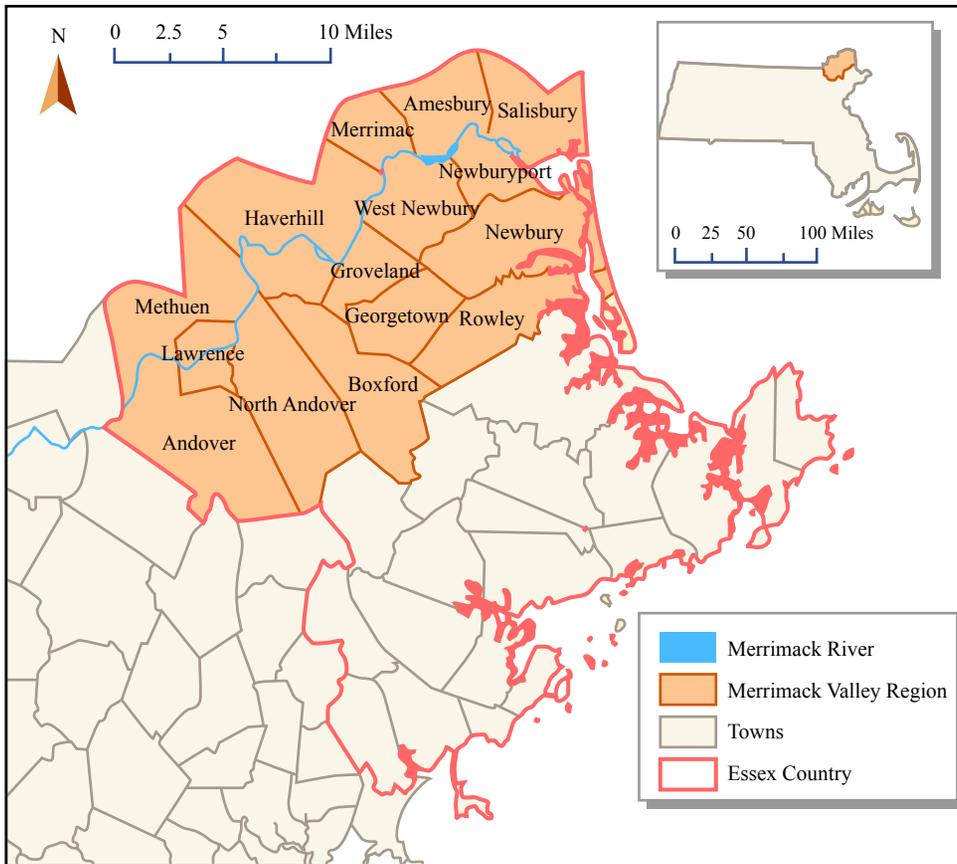
Given the Commonwealth's limited resources, and the unique challenges faced by Lawrence, what are priorities for economic revitalization in the Merrimack Valley?

Product Cycle

- Clustering beneficial in early stages of product development, typically around large urban areas
- Mature product less dependent on cluster, more dependent on economies of scale
- Standardized production enables relocation to lower cost locations

Sources: Dawkins, C. J. (2003). Regional Development Theory: Conceptual Foundations, Classic Works, and Recent Developments. *Journal of Planning Literature*, Vol. 18, No. 2 (November), pp. 131-153.

The Merrimack Valley Region



• A cluster of cities and towns around the Merrimack River, defined by the Merrimack Valley Planning Commission (MVPC) as:

- Amesbury, Andover, Boxford, Georgetown, Groveland, Haverhill, Lawrence, Merrimac, Methuen, Newburyport, North Andover, Rowley, Salisbury, West Newbury

• Assumptions:

- Jurisdictional differences between MA and NH
- MVPC boundaries are an agreed-upon grouping of places tied together by spatial proximity and common interests/activities/issues.

Figure by MIT OpenCourseWare.

History of the Region

Photograph of Lawrence removed due to copyright restrictions.

- Cities were built around the river to take advantage of water power
- Economic growth of the region coincided with 19th century's growth in the textile industry
- Decline of the region induced by lower cost locations and capital disinvestment, which continued through the 1970s



Between the 1980s and 1990s cities and towns in the region followed a similar and improving development trajectory; Lawrence was the exception.

Courtesy of Debmalya Guha. Used with permission.

Lawrence: The Immigrant City

- Founded in 1847 -- First planned industrial city in the nation.
 - Created by Essex Company as a company town to serve the manufacturing industry
- Similar to the rest of the region, the City's economy was built on the textile mills that surround the Merrimack River
- “Fueling the Factories”:
 - Huge influx of Irish in the mid-19th century, of Germans and French-Canadians in 1860s, of southern, eastern European, and Middle-Easterners in 1890s to early 20th century
 - Waves of Latino immigration begins in 1950s (Puerto Rican, Cuban, Dominican)
 - South East Asian and Central American immigrants begin arriving in 1970s

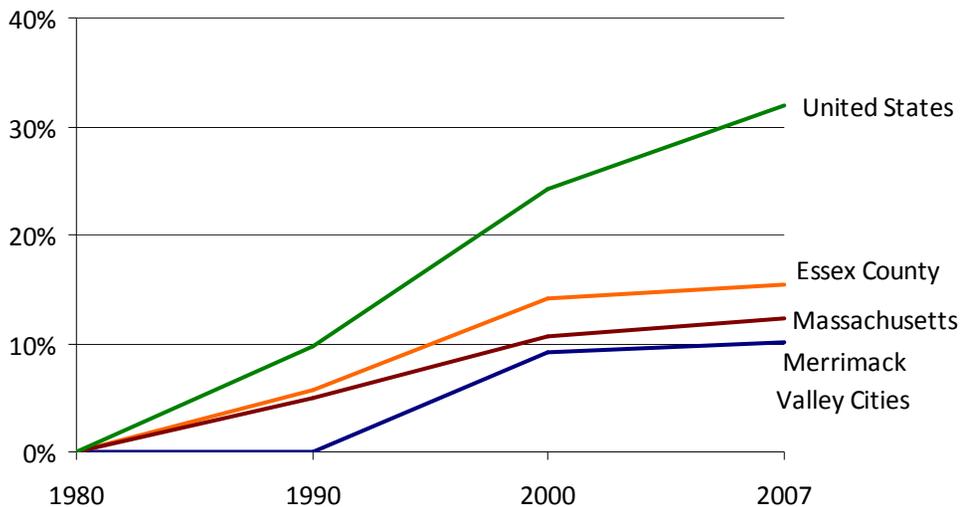
Socio-economic Indicators

The Region and Lawrence

Population

- As of 2000, population was about 320,000
 - 5% of Massachusetts population
 - Largest city is Lawrence (23% of region population)

Percent Change in Population Since 1980



Sources: Authors' calculations using data from the U.S. Census Bureau, 1980-2000 Censuses, 2005-2007 American Community Survey

- Region has experienced slower population growth (1980-2007)
- Latinos are the largest minority ethnic group
 - 4% in region, 60% in Lawrence

Population

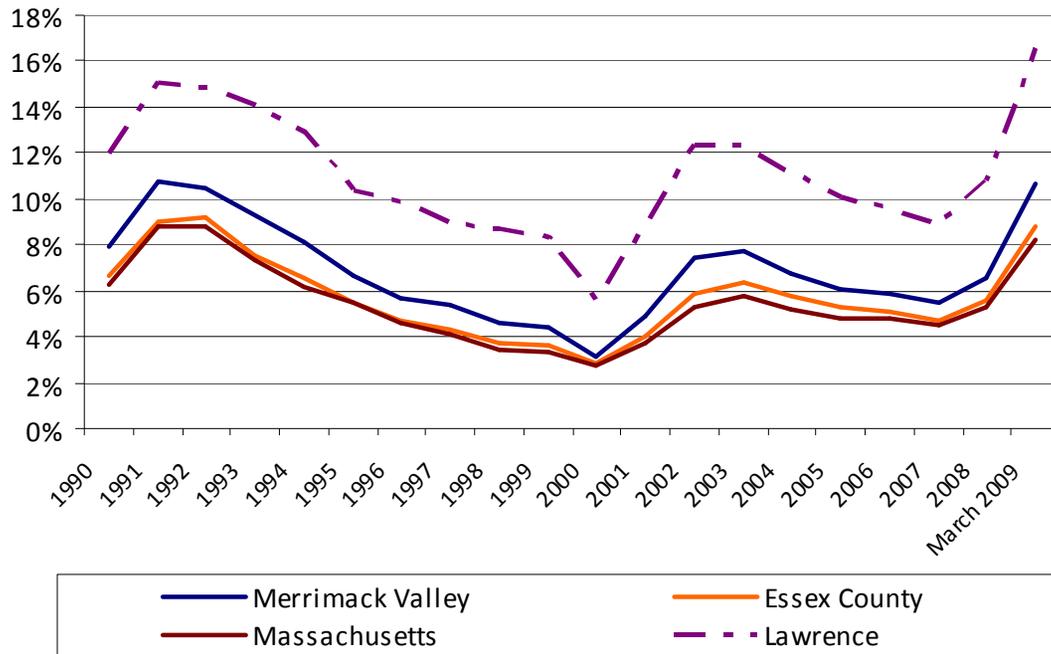
In Lawrence, as of 2007:

- 35% of residents were foreign born (Massachusetts: 14%)
- 22% of residents were not U.S. citizens (Massachusetts: 8%)
- 29% of households were linguistically isolated (Massachusetts: 6%)
 - Most of these spoke Spanish
- 37% of adults (aged 25+) lacked a high school education (Massachusetts: 12%)

Employment

- Consistently higher unemployment in Lawrence

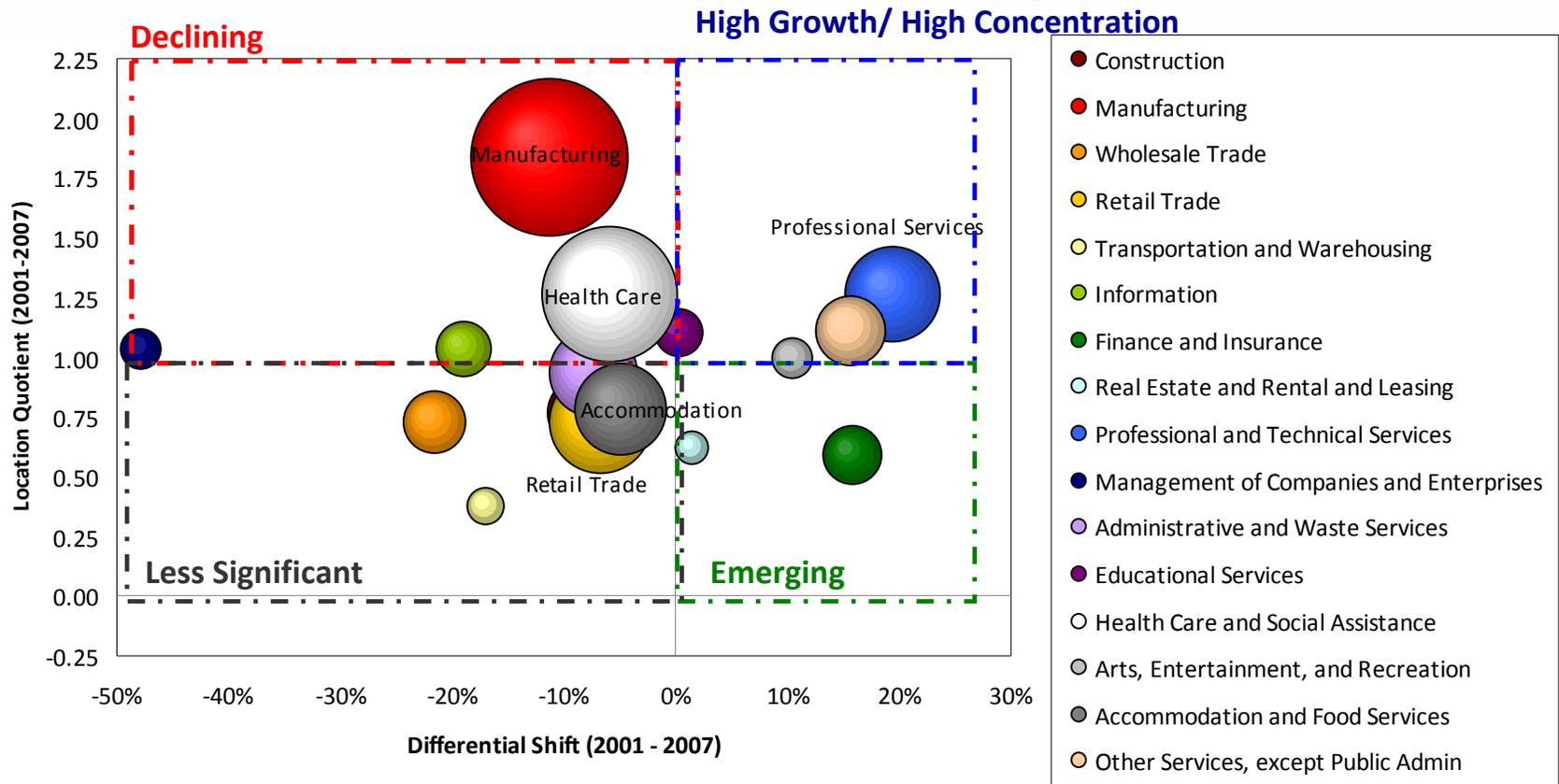
Unemployment Rates, 1990-March 2009



Source: Authors' calculations using data from the Bureau of Labor Statistics Local Area Unemployment Survey, accessed through Massachusetts Department of Labor and Workforce Development

Employment

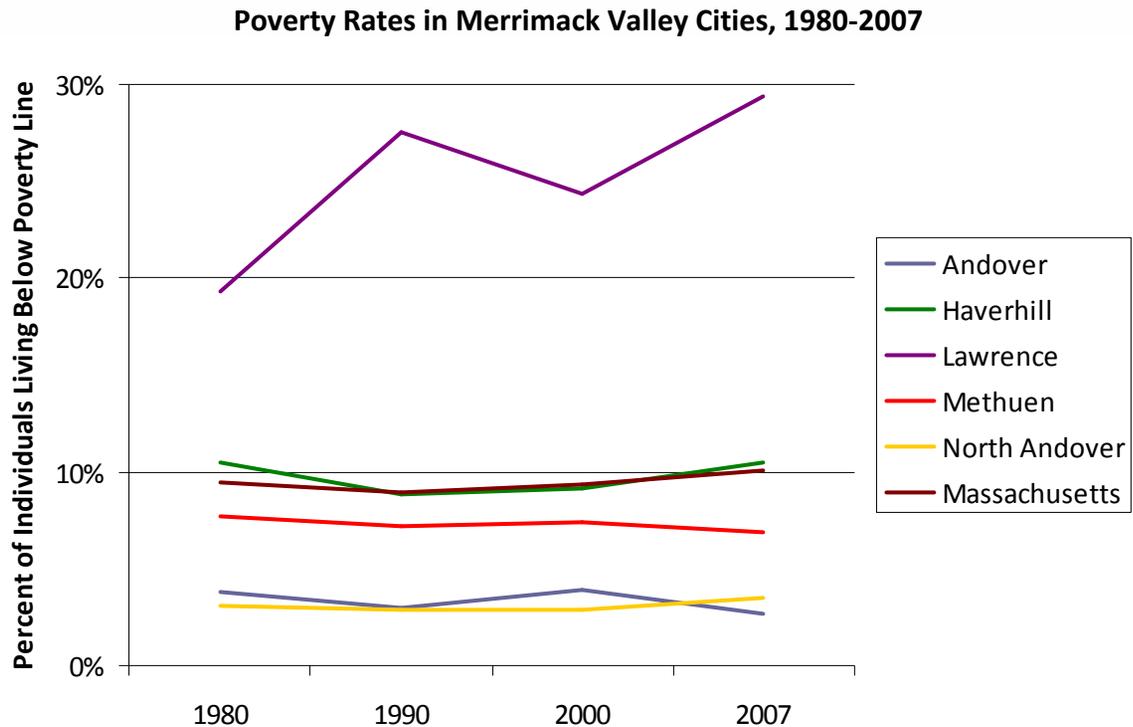
Relative Growth and Concentration of Merrimack Valley Industries, 2001-2007



Source: Authors' calculations using data from the Massachusetts Executive Office of Labor and Workforce Development and the Bureau of Labor Statistics Quarterly Census of Employment and Wages

Income and Poverty

- 2007 median household income for region is comparable to Massachusetts
 - Range: \$31,718 in Lawrence to \$102,762 in Andover.
- Generally lower poverty rates than Massachusetts



Source: Authors' calculations using data from the U.S. Census Bureau, 1980-2000 Censuses, 2005-2007 American Community Survey

Summary of Data Findings

- Cities in the region, other than Lawrence, meet the state and national averages for socio-economic indicators.
- Emerging industries within the region demand high-skilled labor while manufacturing is declining.
- Large immigrant population uniquely positions Lawrence.

Liabilities and Challenges

Spatial mismatch of jobs and residences

Skills mismatch between labor supply and demand

Location between high-amenity Boston and low-cost Southern New Hampshire

Difficulty maintaining manufacturing and high-tech anchor industries

Assets and Opportunities

Low cost of housing and office space

Good transportation access

Riverfront redevelopment

Proximity to medical, university and
high-tech clusters

Back to the Product Cycle...

- Given these challenges, Lawrence lacks a natural place in the product cycle of high growth and emerging industries
- So how can the Commonwealth use its resources to draw Lawrence into the region's development trajectory?

Assumptions

- Fiscal crisis limits the Commonwealth's ability to fund new initiatives.
- Public investment in life sciences, education, and technology will be politically palatable, indicated by existing resource commitments.
- Regional inequality challenges statewide prospects for long-term economic growth

Recommendations

- Integrate infrastructure investment programs with regional economic development
 - Massachusetts Life Sciences Initiative
 - Massachusetts State Transportation Improvement Plan/
Federal Transportation Reauthorization
- Align business incentives to promote small business incubation in targeted areas.

MA Life Sciences Initiative

- 10-Year, \$1 billion State funding initiative¹
 - \$500 capital investment
 - \$500 million in grants and tax credits
 - Infrastructure, R&D, workforce, and public-private partnerships
 - MA life sciences employment multiplier effect: **3.6 – 5.0**
- Incorporate regional development criteria
 - Location in renovated industrial buildings
 - Location near underutilized commuter rail stops
 - Partnerships/scholarships target disadvantaged high schools

¹Governor Deval L Patrick and Lt. Governor Timothy P. Murray. (2009). *FY2010 Budget Recommendation*. Boston, MA: Prepared by the State of Massachusetts, Executive Office for Administration and Finance.

Transportation Reauthorization

- Federal Transportation Reauthorization in 2009²
 - Primary federal funding program for highways/transit
 - Eligible projects must be included in State Transportation Improvement Plan (STIP)
- Integrate transport investment with economic development
 - Coordinate with congressional delegation and cities
 - Target accessibility with spatial redevelopment programs

²U.S. Department of Transportation. (2007). *The Transportation Planning Process Key Issues: A Briefing Book for Transportation Decisionmakers, Officials, and Staff*. Washington, DC: Federal Highway Administration and Federal Transit Administration, U.S. Department of Transportation.

Support Small Business Incubation in Targeted Areas

- Provide State supplements to SBA programs to incentivize small business growth in town centers, transit stops and redeveloped mills
- Prioritize State supplements to SBA programs in cities/towns experiencing loss of manufacturing jobs

Expanded References for MVPC and MassINC Reports

- Merrimack Valley Planning Commission (MVPC) (2000). “Economic Development Strategy for the Merrimack Valley,” prepared by Economic Development Research Group. <http://www.edrgroup.com/pdf/mvpc-econ-devel-strategy.pdf>.
- Merrimack Valley Planning Commission (MVPC) (2008). “Merrimack Valley Comprehensive Economic Development Strategy.” <http://www.portsidetechologies.com/mvpc/cia/presDisplayFrame.asp?vid=20802&fid=989>.
- MassINC/Brookings Institute (2007). “Reconnecting Massachusetts Gateway Cities: Lessons Learned and an Agenda for Renewal.” http://www.brookings.edu/reports/2007/02regionsandstates_muro.aspx.