

**Associated Industries of Massachusetts
Remarks by Cathy E. Minehan
Thursday, April 27, 1995**

Massachusetts continues to recover from the recession of the early 90's, but the pace of that recovery has slowed recently. Since December 1991, Massachusetts has added about 5.7 percent to its job base, as compared with about 7 percent for the nation as a whole. However, more recently, jobs declined in January rose a bit in February but the overall job count remained below the December 1994 level. This compares with continued increases for the nation as a whole. Unemployment levels, however, declined to 4.6 in March, nicely below the national rate. The fact that reconciles the seeming inconsistency between less than par job growth, and better unemployment rate, is relatively slow labor force growth. Census estimates show net out-migration from the state over the last five years, but some moderation in that trend lately.

Other signs also point to slower, but still solid growth in Massachusetts. Residential construction as measured by housing

permits is actually quite a bit stronger than that for the nation as a whole, while on the commercial side vacancy rates are moving down and there is even some talk of new office construction in the Boston metro area. Consumer confidence, retail sales, and personal income all have trended up, but at rates that are slightly slower than the nation as a whole.

Two interrelated issues continue to temper our enthusiasm about this recovery. First, the nature of job growth. It's mostly in services, while manufacturing continues its decade long decline. One slightly encouraging sign here. The pace of recent manufacturing job losses has been much less precipitous than earlier, and if you take out high-tech manufacturing, other types leveled out in 1992 and have begun to show modest gains. So what we've been seeing may represent some of the normal cyclical recovery in traditional manufacturing, offset by defense cuts and by ongoing restructuring in the computer industry. Now I mention this area as a note of concern not because service job

growth is necessarily bad--service jobs can be very high end--but because we know more about the multipliers of a manufacturing led recovery.

This leads me to my second issue. How long will growth in Massachusetts continue, given what will likely be a national slowdown? Are we just riding the wave of national economic growth here in New England, or do we have a real local industry led base for this recovery? It's hard to answer that question given the diffuse nature of the services industries which have accounted for the largest share of job growth. Intuitively, and perhaps optimistically, I tend to believe that our base of knowledge-intensive small and medium-sized service industries are a real engine of growth and imply we could hold our own even given a national slowdown. Undoubtedly, however, our rate of job growth will continue to be slower than the nation's.