

Defense an economic driver AS I SEE IT

By Richard Lord and Jack Healy

Manufacturing is vital to the Massachusetts economy. This statement may come as a surprise to some who are accustomed to hearing how many manufacturing jobs the state has lost. We might get the impression that manufacturing has all but disappeared in Massachusetts. While it is true that Massachusetts manufacturers face intense global competition, manufacturing still accounts for approximately 13 percent of the state's GDP and nearly 10 percent of its jobs.

Here is something else that may surprise you: One of the most important sectors sustaining the manufacturing base in Massachusetts is defense. A recent report by the UMass Donahue Institute finds that the defense sector is one of Massachusetts' leading generators of economic growth and jobs, dwarfing some of the industries we think of as most exemplary of the state's strong position in high technology.

Even as the overall economy has struggled in the face of two recessions and fundamental industry shifts, defense has surged ahead. Total defense-related economic activity in Massachusetts has increased 146 percent in less than a decade, from \$10.6 billion in 2001 to \$26 billion in 2009. During that same period, the number of employees supported by the defense sector has grown by nearly 50,000 jobs —an increase of more than 70 percent.

In Central Massachusetts alone, 273 companies received \$289.1 million in contracts from the Department of Defense and the Department of Homeland Security. Companies that are manufacturing components for the defense industry are growing and expanding even in the face of the current economic downturn. For example, Quabaug Corporation of North Brookfield has increased its production workforce by more than 10 percent since January 2010, and is hiring additional process and development chemists, and human resources and supervisory staff.

Also, Adhesive Applications, headquartered in Easthampton, has plans to revise its production processes and expand capacity during 2011 in order to meet the new demands of its Department of Defense clients.

Beyond the numbers, three dimensions of the defense industry are vital to understanding the full measure of its impact. First, defense contracts support very technical, high value-added sectors of the economy, which employ large numbers of highly educated, trained and paid workers.

Second, what is distinctive in our defense sector is a long-established manufacturing base, including both prime contractors and a network of second- and third-tier subcontractors, such as Quabaug Corporation and Adhesive Applications. These companies provide jobs to a large number of well-paid employees who do not necessarily have college or graduate degrees. This is precisely the kind of balanced opportunity we seek to achieve in other sectors by moving from R&D to manufacturing.

At a time when we are witnessing an ever-widening income gap, defense is helping counter the loss of advanced manufacturing jobs and sustaining middle class jobs for a diverse group of workers.

Third, although defense-related contracts support some of the state's largest manufacturers and employers, they also contribute to the growth of small businesses and minority-owned companies. Massachusetts has also seen a 63 percent increase in contract values awarded to small businesses, and contract awards to minority-owned businesses have tripled since 2005.

The commonwealth's unique qualities — technology innovation, density of high-tech companies, world class firms and research institutions, a skilled workforce, and access to capital — make it a uniquely strategic location for federal defense contracting. To ensure that the state is well positioned in the future to attract corporate investments that will enable us to retain and create a full range of well-paid employment opportunities, the defense sector, like other sectors of the economy, needs:

- Predictable, responsible long-term state fiscal and regulatory policies that provide a uniformly favorable environment for business development across the state.
- Continued efforts to lessen the high cost of doing business in the state. (One recent study ranked Massachusetts 39th in the cost of doing business metric that measures tax burden, energy costs, and non-wage employment costs.)

{Zcifr}Care to maintain and enhance the "quality of life" and human capital advantages that contribute to our attractiveness as a place to live and work.

The future of the defense industry in our state is essential to maintaining an advanced manufacturing base and sustaining balanced and equitable growth that creates opportunities for all workers in Central Massachusetts and throughout the state.

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