

JOBS AND PEOPLE:
A STRATEGIC ANALYSIS OF
THE GREATER BURLINGTON ECONOMY

COMMISSIONED BY:

COMMUNITY AND ECONOMIC DEVELOPMENT OFFICE
CITY OF BURLINGTON, VERMONT

PERFORMED BY:

INDUSTRIAL COOPERATIVE ASSOCIATION
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INTRODUCTION

i.

The following report has been commissioned by the Community and Economic Development Office of the City of Burlington, Vermont. The origins of this report can be traced to a concern of city government that the much publicized prosperity of the Chittenden County regional economy may have obscured the extent to which the residents of the City of Burlington participate in that prosperity and growth. In order to be able to understand what gaps and disparities might exist between the City and the County, and in order to be able to devise practical strategies for addressing those potential disparities, the Community and Economic Development Office of the City of Burlington contracted with the Industrial Cooperative Association of Somerville, Massachusetts to undertake the following study.

Before this study was initiated, the Community and Economic Development Office moved to form a broad based advisory board to guide the study's development and make use of its findings. This board, founded in July of 1984 and named the Burlington Local Ownership Advisory Board will, in the months ahead, work with the Community and Economic Development Office and ICA consultants to help implement the study's recommendations. A listing of the members of this Advisory Board is the first attachment to this report.

* * *

EXECUTIVE SUMMARY

It is difficult to dispute the fact that in late 1984 the City of Burlington, Vermont finds itself in an enviable social and economic position relative to similar sized metropolitan cities across the United States. Unemployment in the City is low, downtown core economic development is booming and plans are finally underway to develop one of the City's last obvious frontiers, the Burlington waterfront.

The findings of this study do not dispute these generally positive characteristics of the contemporary Burlington climate. What this study does do, however, is identify trends, both in the City's demographic character and its economic base, that should be cause for some concern for Burlington's long-range future.

Demographically, this study has uncovered that, over the course of close to twenty years, Burlington has been steadily losing the most essential unit of its culture, its family base. Housing costs and employment opportunities have driven these families to outlying sectors of Chittenden County, to be replaced by an increasing number of students single parents and older people.

Economically, we have found a region enjoying the benefits of a high tech manufacturing economy that, while very strong, is so concentrated as to pose a potential threat to the local economy and a city dominated by two relatively stable and secure service sector employers (The Medical Center and UVM). For Burlington residents the existence of healthy regional high tech and local service sector

employment has been good news. Still our study underscores that those same residents have far to go before they will have achieved significant employment equity with their neighbors in Chittenden County.

Finally, outside the mainstream of the Burlington economy, our study makes note of the fact that particular groups exist for whom the region's prosperity is merely someone else's good news. Foremost, among these are low income single female heads of households, a group in need of significant city and regional attention.

Overall, given the general balance of good news for the Burlington economy, it is important to formulate an appropriate grounding for policy initiatives which recognize conditions for what they are today. Because Burlington is in relatively good shape it is our recommendation that Burlington should initiate steps which other City's, lurching from crisis to crisis, do not have the luxury to undertake.

Those steps consist of what could be described as a drive for quality over quantity, that is, a deliberate preference for good jobs over any jobs at all and for a deliberate strategy of structuring Burlington's inevitable future economic growth to the benefit of all Burlington's citizens, not just a few.

The tools for this more ambitious drive into the future are not new ones. The first is education - the training of Burlington residents to be able to understand and take full advantage of the social and technological changes underway in the national and

worldwide economy. The second tool is opportunity - the support and promotion of new economic opportunities, that allow more Burlington residents to share in the ownership and control of their own economic futures.

The orientation of this report towards this theme of local economic control is a bias of the authors and the organization for which they work which should be understood from the start. The most specific and admittedly ambitious vehicle for achieving the goal of local economic control - introduced in various sections of this report - is the vehicle of employee ownership of business enterprises. This idea, which in recent years has won support from a range of political and economic actors from across the political spectrum, is recognized throughout the report as but one of the necessary ingredients to employ on the road to local economic control. Evidence in support of employee ownership elaborated elsewhere in this report justifies its use. In brief that evidence points to a) competitive, productivity and profitability advantages of employee owned firms compared to conventional firms; b) employee ownership as a "natural" form of local ownership placing control over the future of enterprises in a broad range of local hands; and c) the fundamental equity or fairness of employee ownership, which directs the rewards of successful business performance to those most responsible for it, the workers and managers within each enterprise.

While we admit to a bias in terms of structures for local and employee ownership of businesses, this report fully acknowledges that no economy can operate on the basis of one ownership form alone. Our analysis and recommendations, therefore, maintain a thoroughgoing pluralistic attitude, about the legitimate needs and constraints facing all forms of business enterprise in Chittenden County. It is our intention and philosophy that each business be recognized for the distinct contribution they make to the life of the region's economy.

Finally, we will list here the entire range of specific policy recommendations that follow from our analysis of the problems and opportunities of the regional economy. Chapter 4 of this report describes each of these recommendations in detail. In summary form they are as follows:

1. The Creation of a University "Incubator" Facility for new small businesses.
2. The Initiation of a Strategic Analysis of the region's Food and Printing Industries.
3. The Development of a "Buy Burlington" Marketing campaign for Local Small Businesses.
4. Participation in the creation of a State Venture Capital fund for Small Businesses.
5. The Creation of a Low Risk Burlington investment fund for Business and Housing Development
6. The Creation of a High Risk Small Business/Micro Business Lending pool from local banking institutions.
7. Recommendations relative to the possible introduction of interstate banking in the State of Vermont.
8. Amendments to the Vermont Job Start Legislation to promote Employee Ownership.

9. The Creation of a Targeted Employee Ownership Incentive within the Burlington Revolving Loan Fund.
10. The Review of the Use, Design and Implementation of the City Inventory Business Tax.
11. The Creation of a Local Entrepreneur Set Aside program for Future Downtown Development.
12. The Dissemination of new venture ideas derived from the ICA's economic analysis and the CEDO Summer, 1984 Survey of Local Manufacturers.
13. The Creation of a New, Independent Nonprofit Local Ownership Development Corporation (or LODC), to provide assistance to future Venture Development in the City of Burlington.
14. The Development of a First Source Employment Policy to accompany Future Economic Development Loans to Business Enterprises.
15. The Development of an Improved Regional Transportation Network for Burlington workers.
16. The Establishment of a Women's Enterprise Development Program
17. The Maintenance of Support for Programs Assisting Unemployed, Working Class Youth. (and finally)
18. Outreach to Underemployed Professional Workers.

City government can play only a limited role in the promulgation of programs such as these. However, given certain limited resources it can help create models of the kind of society and economy it wishes to see develop in Burlington over time. Beyond that, it will be left to the citizens of Burlington to affirm or deny those changes they find to be in their best interest.

RATIONALE

Certain assumptions, basic to the conduct of this study, should be understood from the start. The first of these assumptions concerns the definition of the concept of economic development from the point of view of a City government.

The traditional definition of economic development - let us call this Type A or "Core" economic development - aside from being concerned with the fundamentals of road, sewer and other basic infrastructure maintenance, takes as its starting point the need to maintain the City as the "hub" or core of commercial activity in a region. The driving forces behind this type of economic development strategy derive from the immediate, competitive, regional environment of surrounding cities and towns of which the City is a part. This is the battle of suburban malls versus downtown shopping districts, a battle necessary to preserve a city's existing tax base while also attempting to improve its quality of life.

A second and separable definition of economic development - let us call this Type B or "Base" economic development - (of which this study is an example) takes as its starting point the need to increase the long-term ability of a city through its business base to create economic value - in terms of a level of wages, salaries and profits - which can substantially benefit residents employed by those businesses.

The tools of Type A or "Core" economic development are primarily investment-oriented, relating to the activity of attracting necessary

private and public funds to support the commercial, retail or housing activity thought necessary for the City to maintain its competitive edge.

Type B or "Base" economic development planning requires a combination of more long-term analytical tools for understanding the behavior of a regional economy, with specific programs for acting upon that information. The analytic phase of base economic development planning proceeds with two objectives in mind: first, the achievement of a strategic understanding of the strengths and weaknesses of a regional economy; and second, a similarly strategic and linked understanding of how to develop a community's workforce or "human capital."

The first of these objectives is to support and strengthen existing "export"-oriented service and manufacturing businesses whose trading activity brings in new economic value to a community. It also identifies potentially problematic or vulnerable sectors of a City's economy of importance to the City's future and potentially in need of assistance. Finally, it attempts to uncover new, unexploited enterprise opportunities which can introduce new economic growth.

The second of these objectives - the development of human capital - focuses upon how, through appropriate training and other educational activities, to "match" local residents with promising and appropriate employment opportunities.

Neither type of economic development activity - "Core" or "Base" - is necessarily more important than the other. Type A or "Core"

economic development takes the 'internal', local/regional market as a given and strives to capture a greater market share - usually with a concentration on commercial, retail and service activity. Type B or "Base" economic development proceeds within an analytical framework that is more long-term and structural - of studying the connection of local knowledge based, service and manufacturing businesses to growing 'external' regional, national and international markets. In the end, however, the two types of economic development planning are interrelated; successful "Base" business development planning can lead to the achievement of a larger overall regional market share of business activity, which in turn promotes more potential for "Core" city economic development.

Without adequate attention to "Base" economic development strategy - the focus of our study - a city and its employable residents risk becoming passive, dependent clients of major economic actors within the surrounding regional economy. With a strategy and a plan of action in hand, a City and its residents can negotiate and plan intelligently and constructively with those actors and insure its own equitable participation in long-term regional economic growth.

Finally, before commencing with our analysis, we should underscore our perspective of the appropriate role of a City government in making use of an economic base analysis. This perspective itself proceeds from a certain set of assumptions about the proper role of government in relation to activity that affects the 'private sector' business enterprise economy. Those assumptions are as follows:

- . That government (or the public sector) is entitled under certain circumstances to exercise both direct and indirect influence with the private sector to realize goals of protecting and furthering the economic welfare of its citizens.
- . That wherever possible government should opt to focus its efforts on indirect and constructive measures to influence independent actors in the private sector to be responsive to public sector policy goals. Government should act as a 'catalyst' or broker of innovative economic ideas. (and lastly)
- . That among the legitimate claims a local government may have vis-a-vis its private sector, two examples of indirect control are:
 - . The promotion of numerical standards for local hiring and training of city residents for the full range of quality employment opportunities available within each firm.
 - . The encouragement, in new and existing businesses, of broad based, shared ownership structures (such as employee ownership) that afford the opportunity to individual local residents to both participate in the control of their company's futures and share more equitably in their economic growth.

As will become apparent in the review of our policy recommendations chapter, the recommendations of this Type B economic development "Base" analysis consist largely of practical programs which call for the City to respond to important general economic trends affecting the City's economy. These measures, which include employment and training programs for targeted populations of the under and unemployed, and new initiatives in collaboration with the City's private and nonprofit/institutional employers and others are essentially 'indirect' in nature, calling upon the City to attempt to influence decisions made in the private sector. It is intended that

our economic base analysis should serve as both a rationale and guide for those activities.

Certain other recommendations, particularly regarding the dissemination of information and technical advice pertaining to possible market opportunities for encouraging new, privately owned small business development, presume a potentially more direct and activist role for City government. In this context, we would voice a concern not so much about the propriety of the City engaging in this more direct 'entrepreneurial' role of advising the private sector economy, but more regarding the practicality of a city government's ability to manage the range of details and responsibilities required by small business venture development. In this arena, therefore, our recommendations call for the City to act primarily as a 'catalyst', leaving to others in the private or independent nonprofit sector the opportunity and responsibility to realize those particular economic development goals.

STRUCTURE OF THE REPORT

This report is structured in four chapters.

The first chapter, entitled The Social Context: Who's Ahead and Who's Behind in an Expanding Regional Economy, analyzes who the people of the City of Burlington, Vermont are and how the population has changed over time. It also describes how the citizens of Burlington are faring economically vis-a-vis their immediate neighbors in Chittenden County as well as their more remote contemporaries in the State of Vermont and in the United States. Finally, it identifies three target populations that are both the deserving and necessary beneficiaries of our economic development recommendations: 1) low-income female heads of households, 2) "working-class" youth and 3) "underemployed" professional workers.

The second chapter, entitled The Business Context: Economic Opportunity Within the Greater Burlington Area, analyzes the economic and business base of both the City of Burlington and Chittenden County. It describes the full range of business activity and growth within Greater Burlington over the past fourteen years, exploring the strengths and weaknesses of what is widely agreed to be a prosperous and healthy regional economy. Without disagreeing with that generally positive outlook, this chapter points out certain potentially problematic features of the contemporary regional economy and in addition uncovers a range of possible market opportunities to be explored for future business growth.

The third chapter, entitled Constraints and Resources for Future Development, explores the fundamental infrastructure and human capital resources available for targeting toward future economic development activity. These resources include existing city, state and Federal programs which could be targeted more effectively toward future, economic development activity within the City of Burlington.

The fourth and final chapter, entitled Policy Recommendations, points to specific policy initiatives, some of which are already underway, that can take advantage of the knowledge acquired from our analysis of the regional economy as a whole. The end goal of these recommendations, realized in partial ways by each particular initiative, is a net increase in the availability and the accessibility of quality employment opportunities for the residents of the City of Burlington.

ABOUT THE AUTHORS

The Industrial Cooperative Association (ICA) is a nonprofit technical assistance consulting organization based in Somerville, Massachusetts. The ICA provides financial, managerial, legal and educational assistance to a national market of workers and managers seeking assistance in the field of employee ownership. The ICA also provides strategic policy advice to City and State governments, labor unions, churches and community organizations that demonstrate an interest in the principle of local economic control.

Beth Siegel, co-author and Special Consultant to the ICA has undertaken comprehensive analyses of a number of state and local economies in addition to helping design and implement a wide range of policy programs nationwide. Past clients have included the states of Louisiana, Maine and Massachusetts. She holds a Master's degree in City and Regional Planning from Harvard University.

Christopher Mackin, co-author and Policy Director of the Industrial Cooperative Association, directs the ICA's professional work with City and State government clients. In addition to his role in writing this report, Chris has worked with the City of Burlington since May of 1984 in establishing a community-based Local Ownership Advisory Board. Chris holds a Doctorate in Education from Harvard University and was the Sidney Harman Fellow at the Kennedy School of Government at Harvard from 1978 to 1980. He is the author of Strategies for Local Ownership and Control: A Policy Analysis (1983).

Bryan Wyatt, Research Intern, has worked in the area of community economic development for the state of Maine. He is presently completing coursework for a Master's degree in Urban and Environmental Policy at Tufts University.

ACKNOWLEDGEMENTS

Valuable technical assistance in the gathering and analysis of data for this report was contracted from the Center for Rural Studies of the University of Vermont. Informal assistance was provided by state personnel from the Departments of Employment and Training and the Vermont Job Service. None of these groups share responsibility for the findings, analysis or conclusions reported herein.

Finally, professional typing and editing of several drafts of this report were ably performed by Lorraine Curry, Deborah Doran and Steven Dawson, all of the ICA. Their contribution to this report is greatly appreciated.

CHAPTER 1.

THE SOCIAL CONTEXT: WHO'S AHEAD AND WHO'S BEHIND IN AN EXPANDING REGIONAL ECONOMY.

1.1 Burlington's Changing Population Base

The character of the City of Burlington has changed significantly over the past fifteen years. As the population in the surrounding communities has boomed, the City has increasingly become the home of students, the elderly, and the poor.

Most of the residents of Burlington are not participating in the region's prosperity; those who do are likely to move out of the City. These trends have serious implications for economic development, education, and housing policy in the City of Burlington.

Between 1970 and 1980 Burlington and Winooski were the only two towns in Chittenden County which had negative growth rates. Most other towns in the County were experiencing rapid development (see Table 1). The population of the City of Burlington declined 2.4% as compared to a County-wide growth rate (excluding Burlington) of 28.6%. Since the City had a natural increase of 1,483, (births minus deaths), the loss in population between 1970 and 1980 was due to the out-migration of 2,404 individuals.

Between 1980 and 1983 Burlington actually experienced a slight population increase. But again, the increase is due to the natural increase in population - the City had about 1,450 births during this

CITIES AND TOWNS OF CHITTENDEN COUNTY
POPULATION CHANGE

City/Town	1970-1980 Popula- tion Change	Change due to Migration	1980 Population	1983 Population	1980-1983 Popula- tion Change	1980-1983 Popula- tion Change due to Migration
Bolton	47.4%	194	715	748	4.6%	(18.5)
Burlington	(2.40)	(2,404)	37,712	37,894	0.5%	(199)
Charlotte	42.1%	580	2,561	2,677	4.5%	28.5
Colchester	43.9%	2,338	12,629	13,492	6.8%	413.7
Essex	31.4%	2,136	14,392	14,992	4.2%	114.7
Minersburg	51.5%	578	2,490	2,834	5.4%	(3)
Hamilton	35.2%	275	1,161	1,260	8.5%	51.5
Jericho	32.6%	848	3,575	3,744	4.7%	33.7
Milton	51.9%	1,287	6,829	7,402	8.4%	211.25
Richmond	40.3%	518	3,159	3,305	4.6%	(25.5)
Shelburne	34.1%	1,001	5,888	5,514	3.1%	28.5
S. Burlington	6.4%	38	10,679	11,237	5.2%	356.5
St. George	41.9%	58	677	644	(1.9%)	(65.25)
Underhill	81.3%	734	2,172	2,280	5.0%	8.75
Westford	42.6%	274	1,413	1,470	4.0%	(19.5)
Williston	20.6%	221	3,843	3,971	3.3%	(8.5)
Winoski	(13.60)	(1,513)	6,318	6,511	3.1%	(27.25)
Beall's Gore	(18.00)	-1	9	9	0.0%	0
TOTAL	14.5%	7,378	115,534	119,646	3.6%	925

SOURCE: U. S. CENSUS
State of Vermont,
Department of Health

139 month period April 1980 to July 1983

() = decline

period and only about 1,068 deaths. Although Burlington's population increased between 1980 and 1983, it continued to witness an out-migration of 199 individuals (the population increased by only 182 even though there was a natural population increase of 381).

Even with a slight increase in population, only St. George in Chittenden County experienced a slower rate of growth between 1980 and 1983. Population in the County, as a whole, increased 3.6% from 115,534 to 119,646 during the same period.

The characteristics of the out-migrants and in-migrants to and from Burlington between 1970 and 1980 tell us a lot about the changing characteristics of the City's population. Three preliminary conclusions can be reached about these changes:

- . Many of the out-migrants moved to the towns surrounding the City of Burlington.

- . The population base of the City has been extremely unstable.
- . Many families moved out of Burlington.
- . Many students moved into Burlington.

Table 2 "Burlington Out-migration" provides evidence that a good number of the out-migrants are probably moving to the towns surrounding Burlington. At least 4,482 individuals living in other towns in Chittenden County in 1980 had lived in Burlington in 1975.

TABLE 2
Burlington Outmigration

1975-1980

Place of Residence 1980	Number who lived in Burlington, in 1975
Bolton	0
Charlotte	123
Colchester	1,180
Essex	637
Hinesburg	198
Huntington	NA
Jericho	140
Milton	291
Richmond	115
St. George	47
Shelburne	284
South Burlington	720
Underhill	NA
Westford	NA
Williston	238
Winooski	297
Georgia	120
South Hero	70
Total Burlington Residents Moving to Other County Towns	4,482

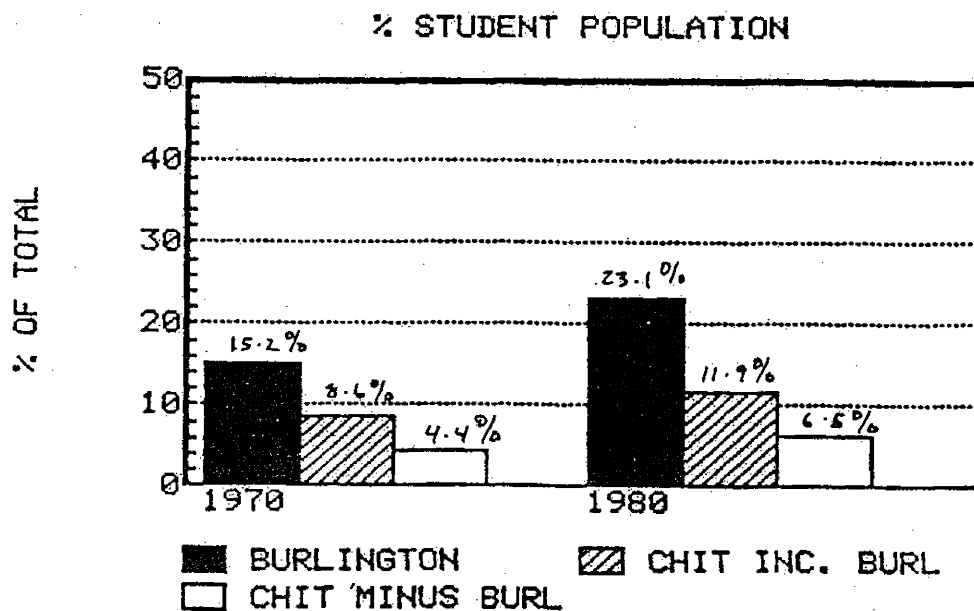
SOURCE: U. S. 1980 CENSUS

The evidence is also clear that Burlington's population base has been very unstable. In 1980, only 59%, or 21,172, Burlington residents over the age of five had actually lived in Burlington in 1975. Thus in the five-year period between 1975 and 1980, 14,694 residents, or 41% of the City's population, were new to the City.

Although we cannot determine specific characteristics of the in-migrants and out-migrants, it is clear from other statistical sources that families were moving out of and students were moving into the City of Burlington.

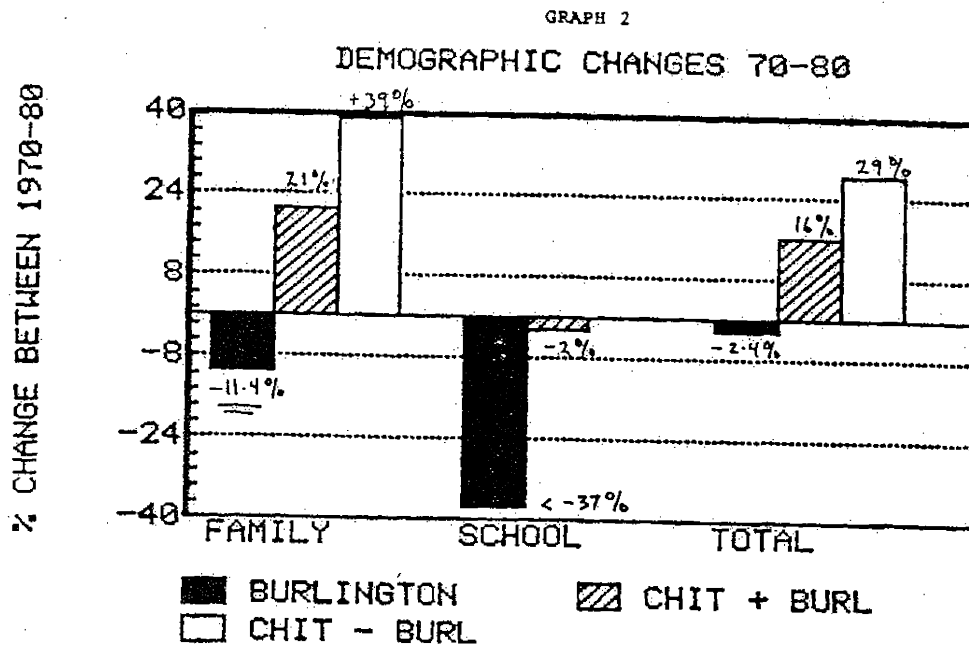
Between 1970 and 1980 the number of Burlington residents enrolled in college increased 48%. Students as a percentage of population increased from 15.2% to 23.1%. Similarly, the number of individuals living in college dorms increased by 34.5%. Clearly, the decade of the 1970's saw Burlington becoming a City populated by a growing student population (see Graph 1).

GRAPH 1



SOURCE: U.S. Bureau of Census

The loss of family population is a demographic change which stands out dramatically. Although overall population only declined 2.4%, the number of families declined by 11.4% from 8,114 in 1970 to 7,187 in 1980. During the same period Chittenden County - excluding Burlington population - witnessed a growth in its family composition of about 39% (see Graph 2).



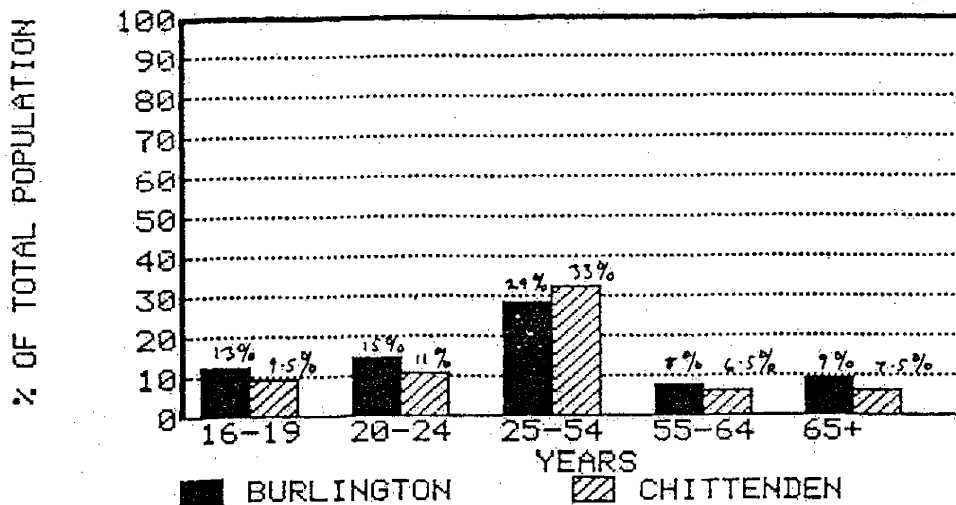
SOURCE: U.S. Bureau of Census

Another indication of the changing population is found in the public school enrollment statistics. Total public school enrollment in the City of Burlington declined 37% between 1970 and 1980 as compared to a decline of only .2% in Chittenden County. Between 1980 and 1983 school enrollment declined a further 12.6% in the City and only 7% in the County. These trends are again evidence of the loss of Burlington's core family population (see Appendix 1).

The age composition of the population is the final demographic characteristic that illustrates the changing population base in the City of Burlington (see Graphs 3A and 3B). Since 1970 the proportion of the population that is under 25 and the proportion of the Burlington population over 65 have increased. By 1980 35% of Burlington's population was between 16 and 24 as compared to 18% of the County's population. Burlington is also the home of a disproportionate share of the County's elderly population. In 1980 Burlington accounted for only 35% of the County's population yet housed over 46% of the County's elderly.

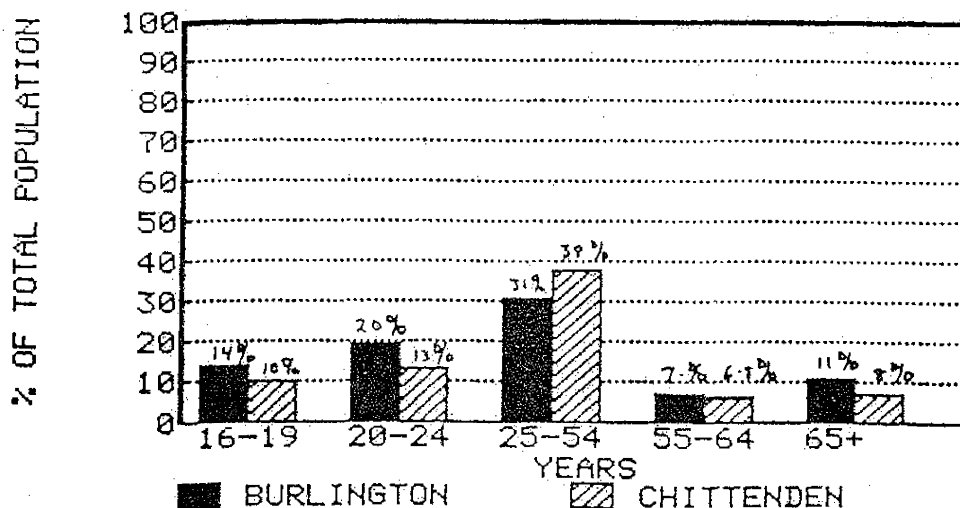
GRAPH 3A

% AGE DISTRIBUTION/1970



GRAPH 3B

% AGE DISTRIBUTION/1980



More recent 1983 statistics compiled by Sales & Marketing Management confirm these demographic trends. As of December 1983, 29.8% of Burlington residents were under the age of 25 as compared to 18.7% of the County's population, and 22.4% of the City's population was over the age of 50 as compared to only 18.6% of the County's.

In summary, Census Data shows that the profile of Burlington's population between 1970 and 1980 has changed significantly. The City is increasingly the home of young students and the elderly. Families, the population group which forms the core of any community's character and future prospects, have declined dramatically during this period of time.

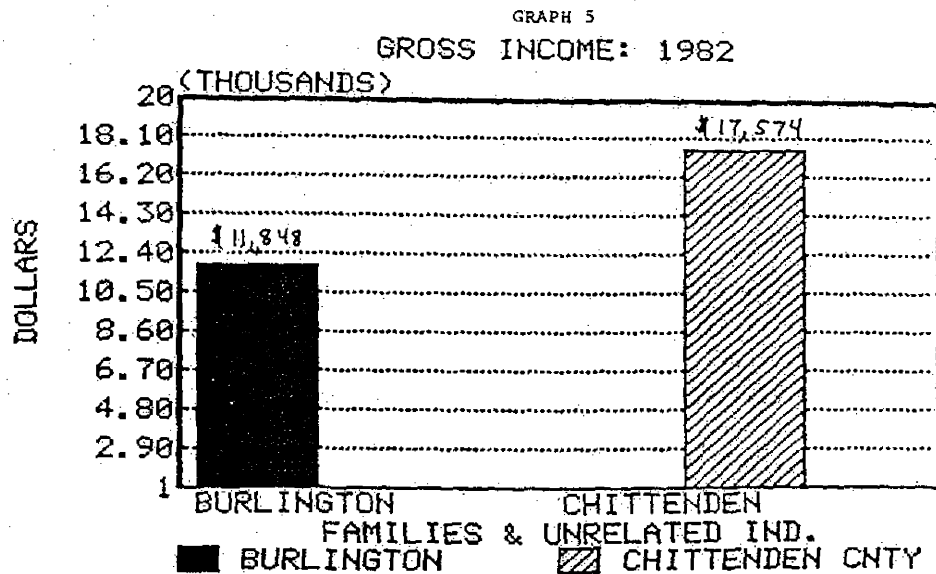
1.2 Income and Poverty Characteristics

The City of Burlington generally lags behind Chittenden County in most measures of economic well-being. However, the residents of the City of Burlington are by no means the poorest in the County and in fact are better off than the average resident of Vermont.

To compare the City of Burlington to the state or the County, it is important to use statistics based on the family. Because of the large number of students in Burlington, looking at per-capita income figures or household income statistics can lead to distortions. For census measurement purposes, many students are included in median household statistics and in per-capita income figures. Since students generally have low incomes, their dramatic presence in the City tend to bring down both household and per-capita figures.

Looking at economic characteristics of families, a more appropriate measure of well being in the City, shows that Burlington significantly lags behind the County in measures of family income. In fact, median family income in Burlington has actually declined relative to Chittenden County, the State of Vermont, and the United States. Whereas Burlington median family income in 1970 was 92.1% of the County's median income, by 1980 it was only 88.6% of the County (see Graphs 4A and 4B and Table 3 next page). Burlington also lost ground nationally - between 1970 and 1980 Burlington dropped to below the United States median family income from 103% of the United States median figure to 93%.

Even more recent data (see Graph 5, Table 4), which includes unrelated individuals (students) as well as families confirms this same City/County trend. In 1982 adjusted median gross income in Burlington was \$11,848 or only 67% of the average median income of the County's school districts.



SOURCE: State of Vermont, Department of Taxes

TABLE 4

1982 Median Adjusted Gross Income
School Districts

Bolton	14,530
Burlington	11,848
Charlotte	16,274
Colchester	17,978
Essex Junction	18,201
Essex Town	22,490
Hinesburg	14,812
Huntington	16,287
Jericho	20,918
Milton	16,496
Richmond	18,045
Shelburne	19,102
South Burlington	18,037
Saint George	17,247
Underhill/10	22,257
Underhill Town	20,533
Westford	17,139
Williston	18,687
Winooski	12,813

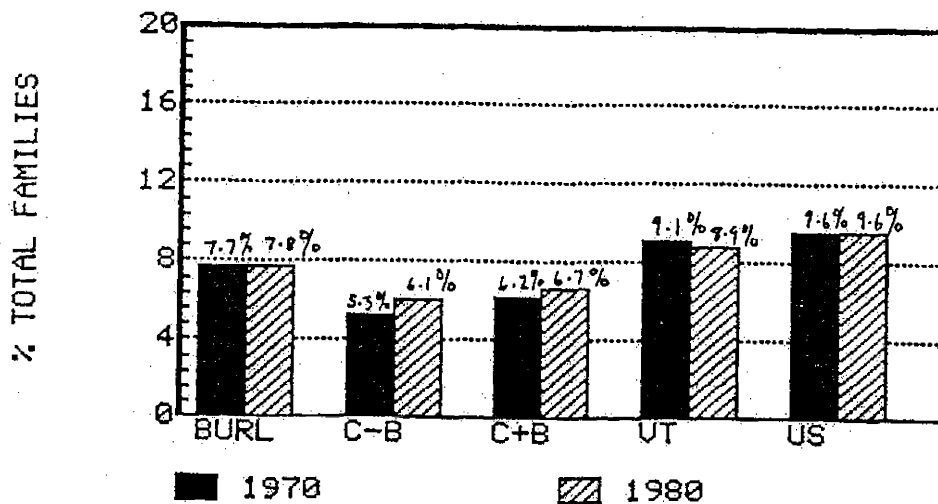
All Chittenden County School Districts Average Median Adjusted
Gross Income = \$17,574

City of Burlington School District Adjusted = \$11,848 =
67% of Median Gross Income

SOURCE: Vermont State Department of Taxes

The percentage of families living below the poverty level is also significantly higher in the City than in the County. However, while Burlington continues to hold a larger percentage of families living below the poverty level, the percentage of families falling below the poverty level showed a greater increase between 1970 and 1980 in Chittenden County than was the case in Burlington. In fact, while 46% of the families living below the poverty level resided in Burlington in 1970, by 1980 only 32% of poverty families lived in Burlington (see Graph 6, Table 5).

GRAPH 6
%FAMILIES/BELOW POVERTY



SOURCE: U.S. Bureau of Census

TABLE 5
Percent of Families Below the Poverty Level

	1970	1980
Burlington	7.7%	7.8%
Chittenden County	6.2%	6.5%
Vermont	9.1%	8.9%
United States	10.7%	9.6%
Burlington as % of Chittenden County	46.0%	32.0%
Burlington as % of Vermont	85%	88%

SOURCE: 1980 U. S. CENSUS

Table 6 provides more detailed data on all of the cities and towns in Chittenden County. Only on the measures of median household income and percent of people living below the poverty level does Burlington perform extremely poorly. Again, these measures most probably reflect the students living in Burlington who report low incomes (26% of all individuals living below the poverty level in Burlington are unrelated individuals below the age of 65). The existence of this student population, however, should not discount the high number of unrelated individuals living in poverty in Burlington. Many of these individuals are not enrolled in school and are working in low-wage jobs or are unemployed.

In measures of family income and poverty Bolton, Charlotte, Hinesburg, Huntington, Richmond, Milton, St. George, Westford and Winooski have either lower median incomes than Burlington families or a higher percentage of families living below the poverty level.

TABLE 6
INCOME CHARACTERISTICS IN CHITTENDEN COUNTY BY TOWN
1980

City/Town	Median Family Income	Median Household Income	% of Fam. Below Pov. Level	% of Fam. Below Pov. Level	Persons Below Poverty Level	% of Residents Below Pov. Level
Bolton	\$17,150	\$16,571	15	7.5%	68	9.4%
Burlington	\$18,560	\$13,048	563	7.8%	5,213	16.2%
Charlotte	\$23,262	\$21,521	57	8.6%	276	10.8%
Colchester	\$19,945	\$18,232	149	5.0%	708	6.2%
Essex	\$24,673	\$22,171	173	4.7%	862	6.1%
Hinesburg	\$17,295	\$16,312	65	9.1%	286	10.6%
Huntington	\$16,875	\$14,667	22	7.3%	135	11.7%
Jericho	\$24,009	\$22,576	55	6.3%	208	5.9%
Milton	\$18,021	\$16,996	114	6.6%	570	8.4%
Richmond	\$21,701	\$20,067	66	8.2%	279	8.8%
Shelburne	\$27,514	\$24,186	56	4.2%	306	6.2%
S. Burlington	\$25,070	\$21,715	85	3.1%	567	5.4%
St. George	\$17,768	\$17,279	15	7.9%	65	9.5%
Underhill	\$23,547	\$22,296	14	2.6%	136	6.1%
Westford	\$19,688	\$18,139	44	12.9%	199	14.3%
Williston	\$24,576	\$23,133	57	5.7%	274	7.2%
Winooski	\$16,206	\$12,629	204	13.5%	967	15.4%

SOURCE: U.S. CENSUS

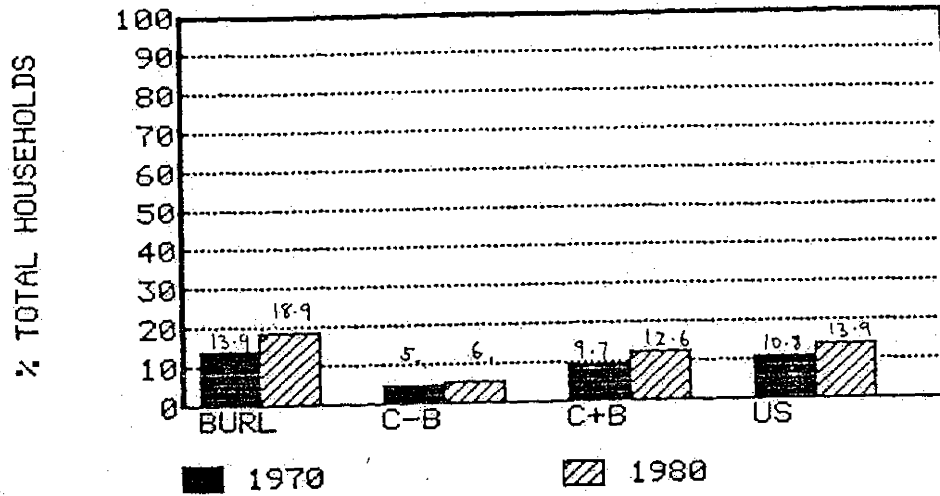
Census data confirms the growing "feminization" of poverty within Burlington. First, Burlington has a disproportionate percentage of families headed by women and this trend has been increasing. In Burlington in 1970, 13.9% of all families were headed by a female as compared to 9.7% in the County and 10.8% in the United States. By 1980 the percentage of female-headed households had increased to 18.9% of all families. The increase in the percentage of families headed by a female in Chittenden County (from 9.5% to 12.6%) was not nearly as great (see Graph 7).

Secondly, female-headed families are in general poorer than other types of family groups. The median income of a female-headed family was \$10,384 in 1980; or only 56% of the City's median family income. The median income of female-headed families with children under 18 years old is only \$7,500 or 40% of the City median. Female-headed households with children under the age of six are the most dramatically poor, receiving only \$5,181 or only 28% of the City's median income (see Graph 8).

Finally, female-headed families also make up an increasing proportion of the families living below the poverty level. In Burlington, the percentage of all families living below the poverty level which were headed by a female increased from 45% in 1970 to 59% in 1980. In both 1970 and 1980 female-headed families made up a disproportionate share of all families living below the poverty level. In 1980 in Burlington 59% of all families living below poverty were headed by females, in Chittenden County, this figure was 50% and in the United States, 43.5% (see Graph 9).

GRAPH 7

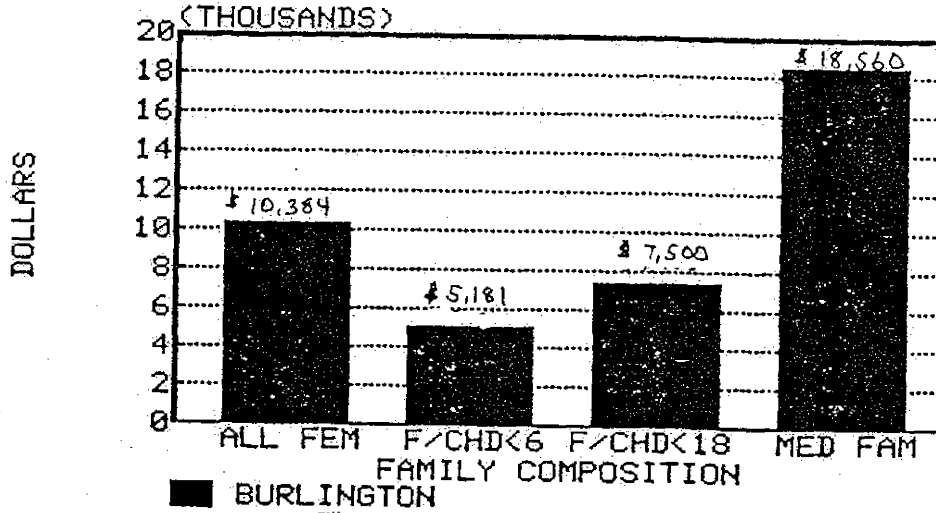
% FEMALES HOUSEHOLD HEADS



SOURCE: U.S. Bureau of Census

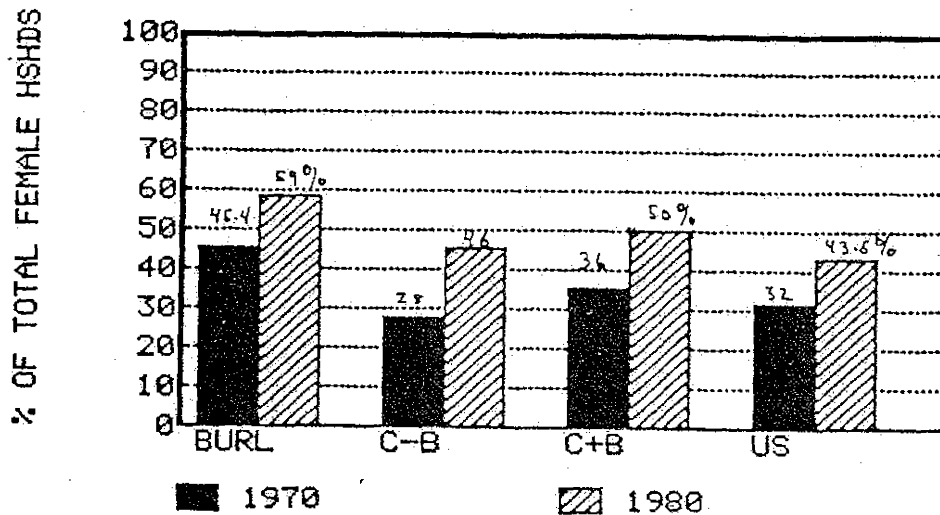
GRAPH 8

MEDIAN FAM. INCOME: 1980



GRAPH 9

FAMILIES BELOW POVERTY



SOURCE: U.S. Bureau of Census

The issues raised by the feminization of poverty on a national level have received much recent attention. These issues should be of particular concern in Burlington where the proportion of female-headed households is higher than the national average and where the largest percentage of families living below the poverty level within the City are headed by females.

1.3 Employment Profile of Burlington Residents

Developing clear economic development objectives and effective development projects requires understanding the "needs" of the residents of Burlington. This issue asks not what jobs are available in the City or the region, but instead: what is the employment profile of Burlington residents? How prepared are those residents to take advantage of the job opportunities available? An economy could be growing and there could be an adequate number of quality job opportunities, but employers may be importing labor from outside the City and outside the County.

Because of the mobility of today's labor force, it is critical to distinguish where people live from where people work. This is clearly the case in Burlington where in 1979 only about 61% of working Burlington residents actually lived and worked in the City. In 1979, seven percent (7%) of Burlington's employed residents worked in Essex and over nine percent (9%) worked in South Burlington. By way of illustration, in 1984, the largest private employer of Burlington residents was IBM in Essex, not General Electric in Burlington.

Many more people from throughout Chittenden County commute to Burlington to work. The total number of jobs in Burlington far exceeds the number of individuals in the City's labor force. Thus, knowing where jobs are located tells us little about where or how Burlington residents are actually employed (see Table 7).

This section explores the issue of how Burlington residents are employed. Its purpose is to answer the question: Have the residents

TABLE 7

Residence By Work Destination
for
Selected Towns in Chittenden County

PLACE OF WORK:	Burlington	Colchester	Essex	Shelburne	South Burlington	Williston	Winooski
<hr/>							
RESIDENCE							
Bolton	27	4	41	0	21	26	12
Burlington	10,642	364	1,227	185	1,638	291	553
Charlotte	338	11	65	148	55	14	13
Colchester	2,155	741	826	37	460	75	428
Essex	1,721	202	3,506	23	489	217	305
Hinesburg	430	26	109	59	63	57	16
Huntington	123	0	55	14	38	16	12
Jericho	449	33	498	0	111	58	14
Milton	809	210	603	17	260	78	125
Richmond	476	4	240	7	75	49	0
St. George	126	11	50	31	20	56	20
Shelburne	714	22	265	412	296	63	26
So. Burlington	2,100	122	633	55	1,264	65	184
Underhill	215	16	241	NA	78	38	30
Westford	168	20	191	NA	52	24	29
Williston	498	71	336	0	279	428	26
Winooski	1,045	113	423	26	212	100	622

Live and Work in Burlington 10,642

 Burlington Civilian Labor Force 17,456 = $\frac{10,642}{17,456} = 61\%$

SOURCE: U.S. Census, 1980

of Burlington benefitted from the general changes in the regions's economy? From this perspective a number of key questions are raised:

- . In what industries do Burlington residents work ?
- . What are the occupations of Burlington residents?
- . What are the characteristics of the unemployed and the underemployed Burlington residents?

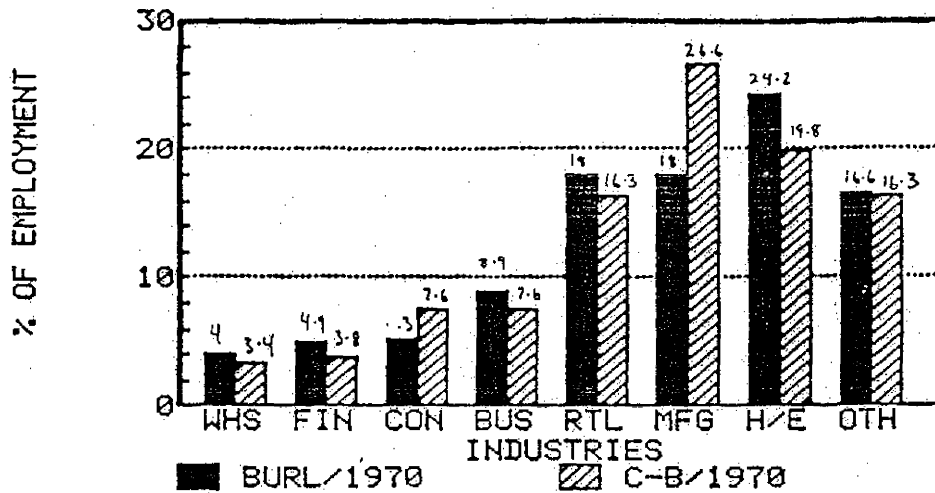
We will take these issues up in the order presented.

1.3.1 Employment by Industry: Burlington residents are heavily concentrated in service sectors of the economy, particularly retail trade, health and education. In 1980 only 17.3% of all Burlington residents were employed in manufacturing as compared to over 27.6% of Chittenden County residents, excluding Burlington population (see Graph 10 next page). Between 1970 and 1980 the gap between Burlington residents and the rest of the County increased (also see Graph 10). Whereas the percentage of Burlington residents employed in manufacturing declined from 18.1% in 1970 to 17.3% in 1980, the percentage of Chittenden County residents employed in manufacturing increased from 26.6% to 27.6% during this same period. Within the manufacturing sector Burlington residents are most heavily concentrated in armaments, electrical machinery, and printing (see Table 8).

As compared to Chittenden County, a greater percentage of Burlington residents work in service sectors such as wholesale trade, retail trade, health services and education (see Graph 10). Since 1970, the percentage of Burlington residents working in retail trade and education has increased, while the percentage working in wholesale trade, health services, and other services has actually declined.

Many of the trends affecting Burlington in general are even more extreme when one examines the female labor force in the City. Only 10.1% of the working women living in Burlington are employed in manufacturing industries. Women are concentrated in retail sales (22% of all working women in Burlington), education (23.6% of all working

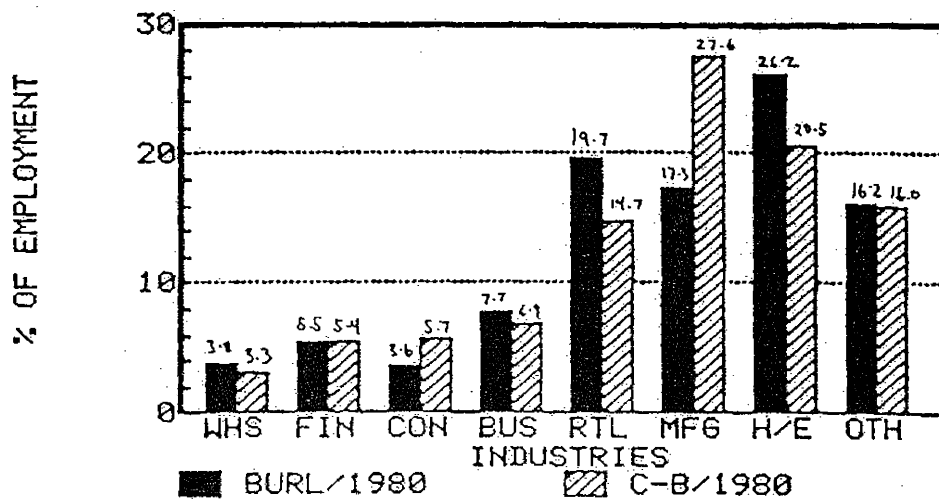
GRAPH 10A
EMPLOYMENT BY INDUSTRY



SOURCE: U.S. Bureau of Census

WHS - Wholesale, FIN - Financial Services, CON - Consumer Services, BUS - Business Services
RTL - Retail Services, MFG - Manufacturing, H/E - Health & Education OTH - Other

GRAPH 10B
EMPLOYMENT BY INDUSTRY



SOURCE: U.S. Bureau of Census

TABLE 8
MANUFACTURING EMPLOYMENT:
BURLINGTON BY RESIDENCE
1980

Industry	Number Employed	% of Total Mfg Employment
Food & Kindred Products	203	6.7%
Textiles	59	2.0%
Printing	426	14.1%
Chemicals	56	1.9%
Furniture, Lumber, & Wood	62	2.1%
Fabricated Metals (includes armaments)	580	19.2%
Machines (excluding electrical)	395	13.1%
Electrical Machines	808	26.8%
Transportation Equipment	95	3.1%

SOURCE: U.S. CENSUS

women in Burlington), and health services (12.9% of all working women in Burlington) (see Table 9 next page).

The sectors in which most Burlington residents work (retail trade and services) have the lowest annual and hourly wages of all sectors. Annual wages in retail trade are over 50% less than the annual wage in manufacturing (see Table 10). Wages in the service sector are also significantly below the manufacturing sector.

To summarize, Burlington residents, particularly the female labor force, work primarily in the service sector. The heavy concentration in health and education is due to the location of the University of Vermont, the Burlington School System, and the University Hospital in the City. Clearly, Burlington residents are heavily concentrated in the lower-skilled, lower-paid sectors of the economy. However, this tells only part of the story. A person could be employed at a hospital as a doctor or an orderly; at a bank as a vice president or a teller; at a university as a professor or a janitor. What occupations Burlington residents hold within the different industries provides a fuller picture of the employment profile of City residents.

TABLE 9
EMPLOYMENT BY SECTOR: MALE/
FEMALE- BURLINGTON 1980

	Male	Female	Total
Total Employed Age 16+	8,864	8,592	17,456
Construction	6.2%	.9%	3.6%
Manufacturing	24.3%	10.1%	17.3%
Retail Trade	17.7%	21.7%	19.7%
Wholesale Trade	6.0%	2.0%	4.0%
SERVICES	28.0%	51.8%	39.8%
Education	(10.4%)	23.6%	17.5%
Health	(4.2%)	12.9%	8.7%
Other Services	(5.4%)	(15.3%)	(13.6%)
Finance, Ins & Real Estate	4.4%	6.7%	5.5%
Other	13.4%	6.8%	10.1%

SOURCE: U.S. CENSUS

TABLE 10

CHITTENDEN COUNTY:
Annual Wages, 1982

Mining & Quarrying	\$22,977
Construction	\$17,099
- Manufacturing	\$23,495
Transportation, Communi- cations & Utilities	\$20,064
Retail & Wholesale Trade	\$10,103
Finance, Insurance & Real Estate	\$15,779
Services	\$11,176

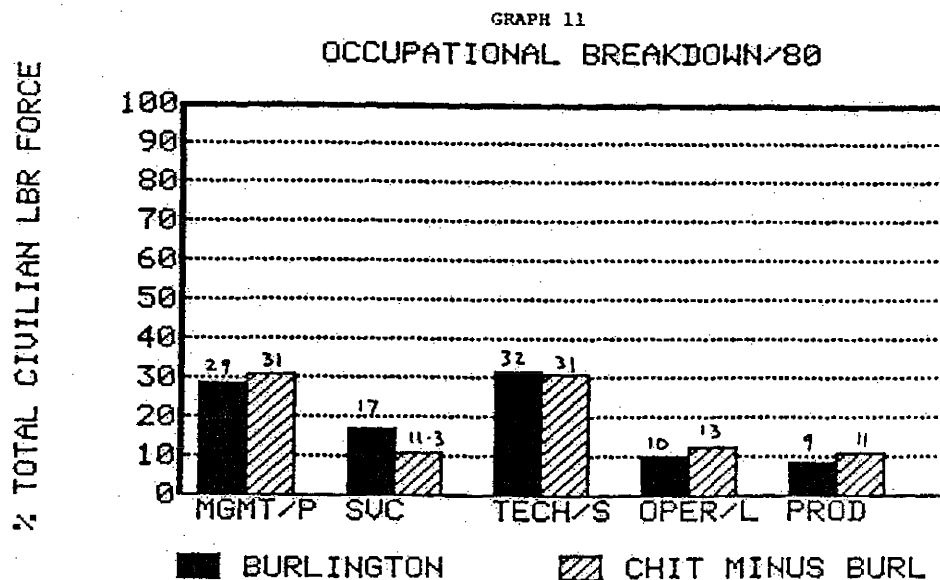
UNITED STATES: Average Hourly Wage of
Production Workers, 1982

Mining	\$10.78
Construction	\$11.62
Manufacturing	\$ 8.50
Transportation, Communi- cation & Utilities	\$10.30
Wholesale Trade	\$ 8.02
Retail Trade	\$ 5.47
Finance, Insurance & Real Estate	\$ 7.25
Services	\$ 7.19

SOURCE: U. S. BUREAU OF LABOR &
VERMONT DEPARTMENT OF EMPLOYMENT & TRAINING

1.3.2 Occupational Profile of Burlington Residents: Evidence suggests that Burlington residents not only are overly concentrated in service industries, but they are more likely to hold the lower skilled, lower paid service occupations.

Although a higher proportion of Burlington residents are employed in professional service industries, such as health and education, than is true of Chittenden County, a smaller percentage of residents are employed in managerial and professional occupations (see Attachment 2 for definitions of occupational categories and also see Graph 11). Burlington does have marginally more doctors, dentists, and teachers among its residents, though not as many as one would expect given the number of residents employed in health and education.



SOURCE: U.S. Bureau of Census

Burlington residents are highly concentrated in service and administrative occupations (see Table 11). Within these categories over 8% of the Burlington labor force worked in food service occupations and 18% in clerical occupations. The proportion of the labor force in these occupations is higher than in Chittenden County. If Burlington residents were excluded from County statistics, only 4.3% work in food services and 16.9% in clerical occupations.

Again, as in the case of industry employment, these trends are even more extreme if one examines the female labor force. Of the female labor force in Burlington, 21% work in service occupations and 41.6% work in sales and clerical occupations. Over 14% of the female labor force in Burlington works in food service and cleaning service occupations.

In general the occupational breakdowns in both Chittenden County and Burlington are skewed toward the highly skilled, professional occupations and low-skilled service occupations. Both the County and the City have a relatively small proportion of skilled craft and production workers.

TABLE 11
BURLINGTON OCCUPATIONAL BREAKDOWN BY SEX
1980

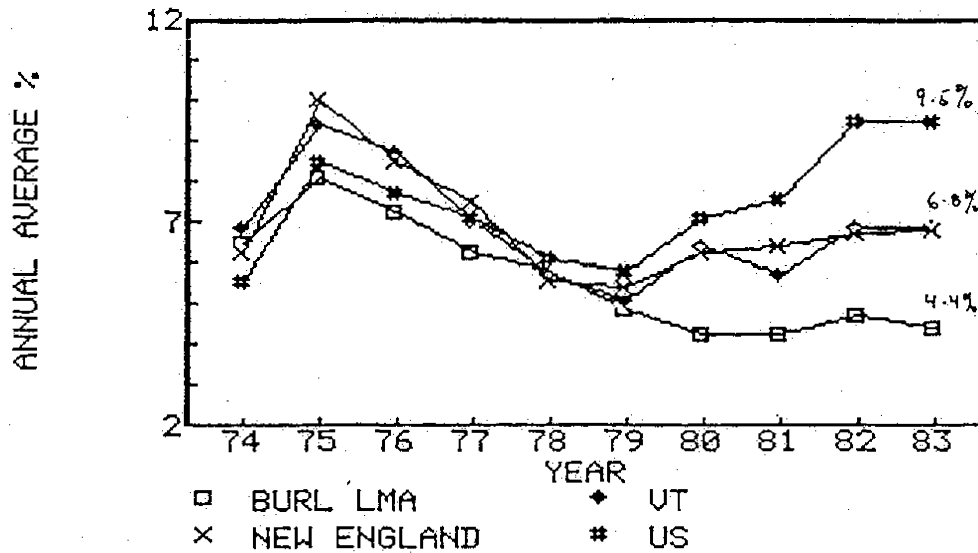
	Women	Men	All
Total Civilian Labor Force	8,592	8,864	17,456
1. Managerial & Professional	26.5%	29.9%	28.2%
Executive & Managerial	7.9%	14.0%	11.0%
Engineers & Scientists	1.0%	4.2%	2.6%
Physicians & Dentists	0.2%	2.2%	1.2%
Nurses & Therapists	4.1%	.39%	2.2%
Teach, Libr, & Counselors	10.1%	4.7%	7.4%
2. Svc Occupations	22.0%	13.3%	17.5%
Food Svc	11.6%	5.4%	8.5%
Clean & Building Svc	2.8%	3.7%	3.2%
3. Technical, Sales & Admin. Support	43.9%	22.3%	32.9%
Health Tech.	2.1%	.8%	1.4%
Sales	10.1%	9.9%	10.0%
Clerical	29.4%	7.2%	18.1%
4. Precision Production, Craft & Repair	1.9%	15.1%	8.6%
5. Operators, Fabricators, Laborers	4.958%	17.8%	11.5%

SOURCE: 1980 U. S. CENSUS

1.3.3 Unemployment in Burlington: During the past five years, unemployment has not been a serious problem in the Burlington regional economy*. Even during the 1981-1983 recession, the Burlington regional economy did not experience high unemployment rates. In fact, the unemployment rate in Chittenden County has been maintained consistently below the United States' rate since 1975, with the difference between the two rates consistently widening. In 1975 the unemployment rate was 8.1% in the regional labor market area as compared to the United States rate of 8.5%; during the recent recession Chittenden County was experiencing unemployment rates of around 5% while unemployment in the United States reached post-war highs of close to 10% (see Graph 12). By October 1984 unemployment in the Burlington region had dipped to 2.9%, or 2,050 people.

*Statistics on unemployment are from two sources, the 1970 and 1980 United States Census, which uses City and County geographical boundaries, and the Vermont Department of Employment and Training which defines the Burlington Labor Market area, (BLMA), as all of Chittenden County and the towns of Grand Isle and South Hero. Population differences between the Burlington Labor Market area and Chittenden County are so negligible that this report uses Chittenden County and Burlington Labor Market area or Burlington regional economy synonymously. Finally, state data on the characteristics of the unemployed is based only upon those unemployed individuals receiving unemployment insurance (the so-called insured unemployed). There is no data available beyond the 1980 census which is able to describe the characteristics of all unemployed (insured and non-insured populations).

GRAPH 12
UNEMPLOYMENT RATES



SOURCE: Bureau of Labor Statistics
VT. DEPT. OF EMPLOYMENT
AND TRAINING

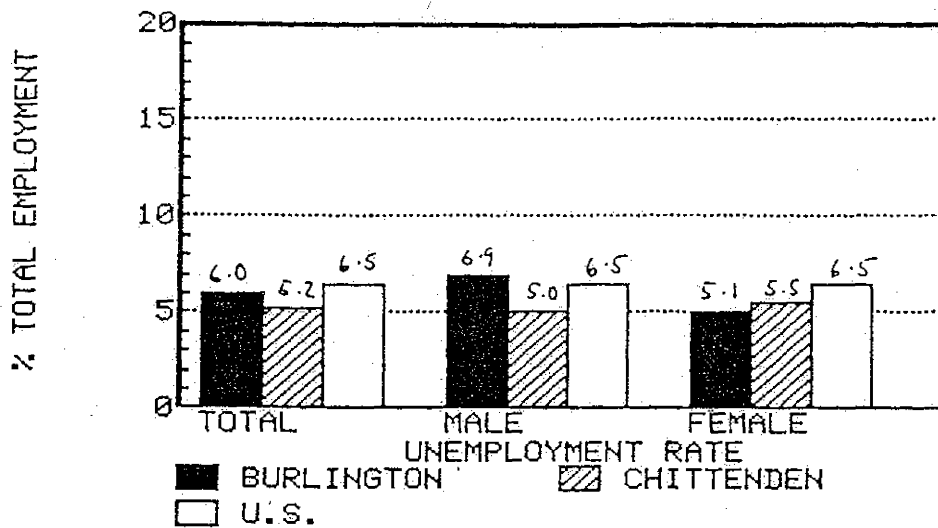
The 1980 Census provides a picture of the age and sex characteristics of the unemployed residents of the City of Burlington and Chittenden County. The total unemployment rate of 6.0% in Burlington was above the Chittenden County figure of 5.2% and below the United States' figure of 6.5%. However, the unemployment rate of males (6.9%) was higher in the City than both the County and the United States while the female rate was lower (see Graph 13).

In terms of age characteristics, in 1980 the highest unemployment rate in the City was among those residents between the ages of 20 and 24. In fact, in Burlington close to 63% of all unemployed residents were under 24 years old. Although this figure is higher in Burlington than in Chittenden County, it is unclear how it is distorted by the student population (see Graph 14).

September, 1984 statistics provided by the Vermont Department of Employment and Training of the region's "insured unemployed" provide a more up-to-date picture of some of the region's unemployed. Again, insured unemployed includes only those individuals who are unemployed and receiving unemployment insurance. Individuals who are looking for their first job (such as youth), or who are re-entering the job market after a long absence are excluded from these figures.

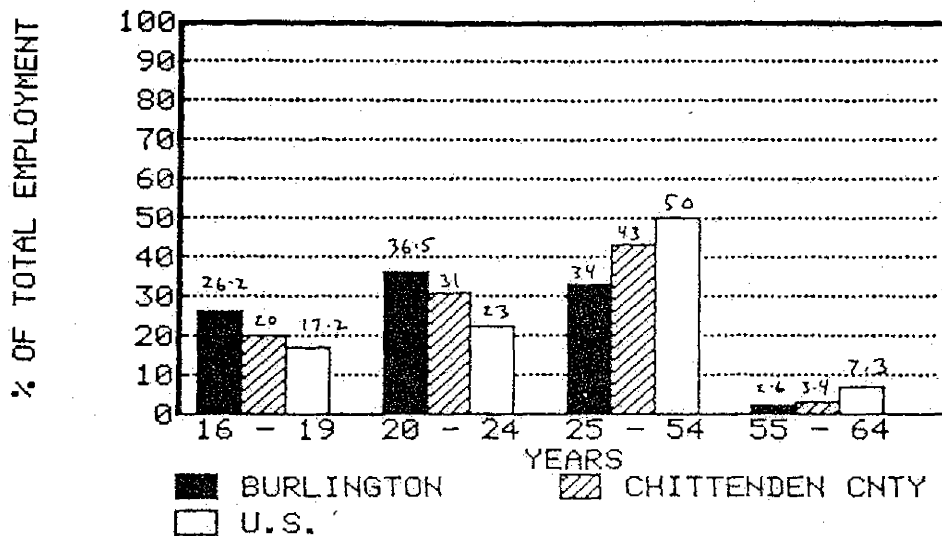
1982 United States government statistics on the reasons for unemployment found that 31.5% of unemployed women in the United States were re-entering the work force while only 12% of unemployed men were. In that same year, 3.8% of women as opposed to 1.9% of men were looking for their first jobs. Thus, insured unemployment statistics

GRAPH 13
% UNEMPLOYED BY SEX: 1980



SOURCE: U.S. Bureau of Census

GRAPH 14
% UNEMPLOYED BY AGE: 1980



SOURCE: U.S. Bureau of Census

are clearly distorted in that they do not account for approximately 35% of unemployed women. Since a much higher proportion of individuals under the age of 25 are looking for their first jobs, insured unemployed figures are also distorted by age.

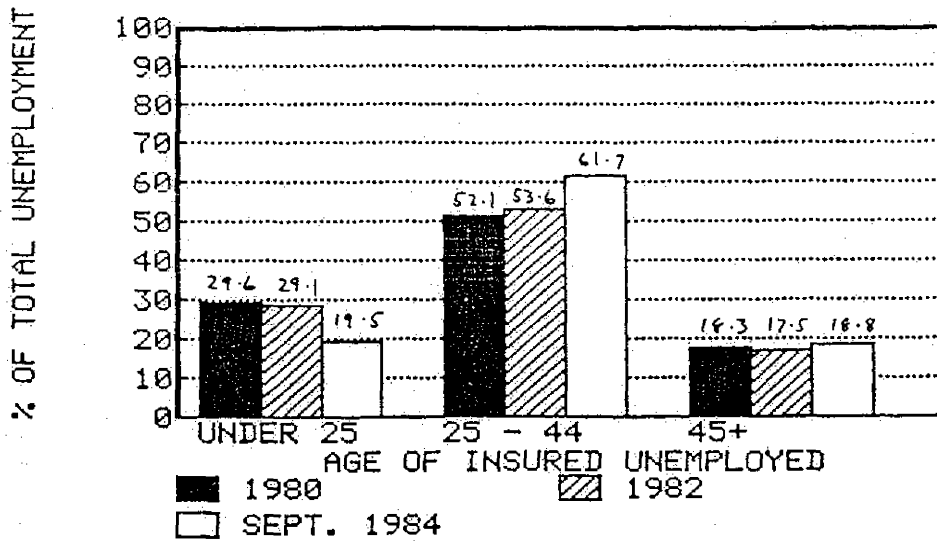
Given these limitations, data on characteristics of the insured unemployed do tell us something about a significant proportion of the regions unemployed residents. Analysis of this data between 1980 and September 1984 reveals the following:

- . The age distribution of the insured unemployed within the Burlington labor market area has shifted between 1980 and 1984. A lower proportion of this group is below the age of 25 and a higher proportion is between 25 and 44 and over 45 (see Graph 15). Again this does not account for those under the age of 25 who are looking for their first job and are therefore not counted in official employment statistics.
- . As of September 1984, there was a total of 575 insured unemployed residents in the labor market area of which 226 or 39% lived in either Burlington or South Burlington.*
- . The most recent data in September of 1984 shows that the City had an even smaller proportion of its insured unemployed residents in the under 25 year category than did the larger labor market area (see Graph 16).
- . Women made up a higher percentage of the insured unemployed in the labor market area (46%) than they did of the City's unemployed (38%).

*The Vermont Department of Employment and Training provided a special data set on the characteristics of the insured unemployed. This was only available by zip code, a classification which combines the City of Burlington with South Burlington. Although they informally estimate that the City of Burlington residents make up the largest proportion of this data set, there is no formal way of separating out the City of Burlington from South Burlington.

GRAPH 15

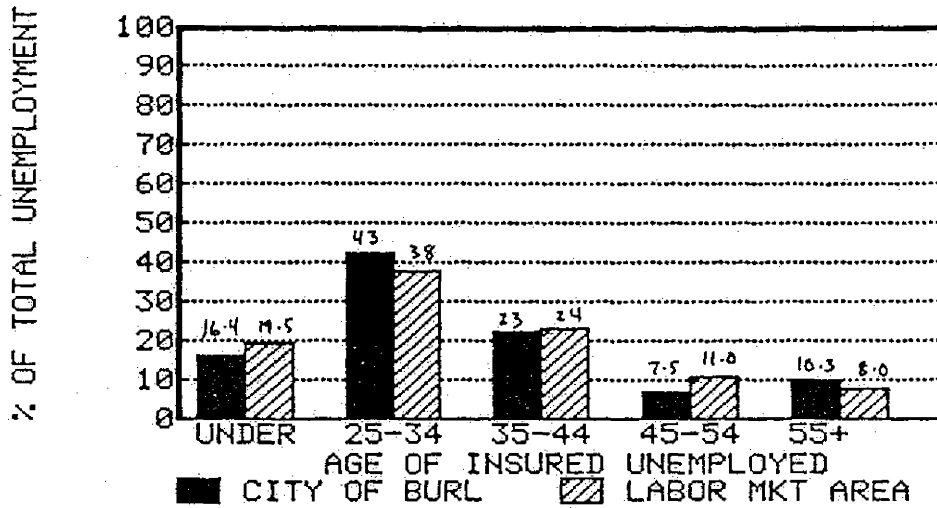
BURLINGTON LMA: 1980-84



SOURCE: Vermont Department of Employment and Training

GRAPH 16

CITY AND LMA: SEPT. 1984



SOURCE: Vermont Department of Employment and Training

- The occupational make-up of the insured unemployed has been shifting. By 1984 a higher proportion of the unemployed were in professional, service and bench work occupations and a lower proportion in structural work (see Table 12 and Attachment 2 for occupational definitions).

TABLE 12
OCCUPATION OF INSURED UNEMPLOYED
1980-1984

	LABOR MARKET AREA		CITY OF BURLINGTON RESIDENTS	
	1980	1982	Sept: 1984	Sept 1984
Professional	17.6%	16.6%	17%	21%
Clerical & Sales	20.5%	21.4%	22%	24%
Service	10.4%	10.5%	13%	16%
Processing	1.4%	1.6%	2%	1%
Machine Trade	5.4%	5.8%	6%	4%
Bench Work	9.7%	8.6%	10%	7%
Structural Work	21.9%	22.9%	14%	12%
Miscellaneous	11.5%	11.4%	8%	8.4%

SOURCE: Vermont Department of Employment & Training

- The City of Burlington's insured unemployed was even higher than the County's in professional, clerical and sales and service occupations and significantly lower in all of the skilled and unskilled manufacturing occupations. These statistics again provide evidence that the occupational mix of Burlington residents is skewed to the higher skilled professional and low-skill, low-wage service occupations.

In sum, unemployment in Burlington must be thought about in two distinct ways:

- First -- Officially and to a substantial degree actually -- unemployment in Burlington is low. A 2.9% unemployment rate would be the envy of most sections of the United States today. Among the insured unemployed of Burlington, we find a surprisingly high proportion of professional workers. Possible causes of the problems of unemployment experienced by that population will be taken up in the next section of our report on underemployment. Remaining unemployed groups (bench work and machine tool) are either low enough in number to expect easy re-employment or concentrated in sectors (sales, clerical) which fluctuate sufficiently to not cause significant alarm.
- Second -- Unofficially, traditional unemployment figures do not tell a complete story. Many residents outside the economic mainstream, among those women seeking to enter the work force and youth seeking their first jobs are not included in official unemployment statistics. Where this second group of unofficially unemployed people are likely

to show up is in measures of poverty and economic stress -- the topic of our previous section.

While the City of Burlington should be proud of its low unemployment rate, it should not be lulled into a sense that its economy is performing without fault. Unemployment statistics alone do not tell a complete story of an economy's social and political performance. Two particular concerns stand out for further examination: a) the problems of poverty or economic equity and b) the problems of employment equity, of whether Burlington residents are enjoying their fair share of the types of jobs that promise greater economic rewards.

1.3.4 The Problem of Underemployment: The problem of underemployment, of individuals working either below their acquired skill and educational level, or less than full time (or both), is a problem experienced within many metropolitan areas of the United States, including Burlington. From a public policy point of view, the fact that underemployment affects only those populations fortunate to have a job in the first place, may lead some to diminish its importance or priority as a concern of government. Without neglecting the clear priority that unemployment represents as a policy problem, however, the issue of underemployment needs to be understood in two ways: as an issue involving the quality of work life of a community's employed citizens, and as a basic issue of fairness that questions whether a particular community is receiving an equitable proportion of the higher quality job opportunities available from a region's employers. Should these conditions exist for a city like Burlington vis-a-vis its regional employers, they must first be understood and

then addressed by educational, training and structural interventions by both the private and public sectors.

While underemployment is a widely talked about phenomenon, it has yet to acquire sufficient status to warrant either formal definition or "objective" measurement criteria. At this early juncture, it is known primarily through the linking of statistics regarding educational attainment and ratios of part to full time employment, as well as through more qualitative anecdotal evidence from the vocal, disenchanted portion of a region's population that describes itself as working below its potential.

Educationally, we know that Burlington has a slightly higher percentage of college-educated residents than the County (28% for Burlington vs. 26% for Chittenden County) and a significantly higher percentage of college-educated residents than the State of Vermont (28% vs. 19%) (see Graph 17). On a national scale, Burlington's surplus of college-educated residents is even more extreme (28% Burlington vs. 17% nationally).

This relatively high concentration of college graduates in the City's population creates the initial conditions for underemployment. In the immediate employment market of Chittenden County, it is unlikely that close to a full 28%, or 5,182, college-educated Burlington residents would be able to obtain high enough skill jobs to satisfy their aspirations. While it is difficult to estimate how many City of Burlington college graduates are either graduate students or temporary "hangers-on" from area universities, it appears that

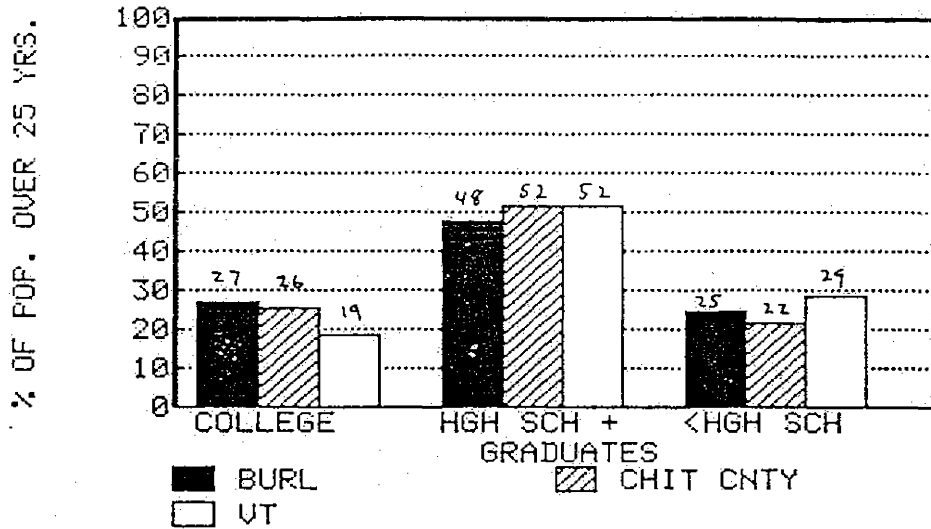
Burlington has attracted a high percentage of these "educated" individuals who aspire to living in the City if they can design a livelihood to keep them there. Statistics cited earlier regarding the high volume of turnover or outmigration within the City suggest that staying in Burlington for these people is not easy.

September, 1984 statistics issued regarding the use of the Vermont Job Service by both unemployed and employed workers in the region reinforce this picture of a relatively educated but restless workforce. While these job service statistics do not break out Burlington workers as a distinct category, the story they tell (see Graph 18) parallels our other findings. Of 5,137 applicants to the Job Service for the month of September, 3,832, or 75%, held at least a high school degree. More specifically, 2,211 workers, or 43%, held a high school degree, while 1,621 professional/workers, or 32%, held a college degree or more.

The underrepresentation of moderately educated individuals in this sample may in part reflect problems in the accessibility of the Job Service to this population. The surplus of more educated applicants, however, dramatically illustrates the existence of a discernable group of dissatisfied, educated worker/professionals.

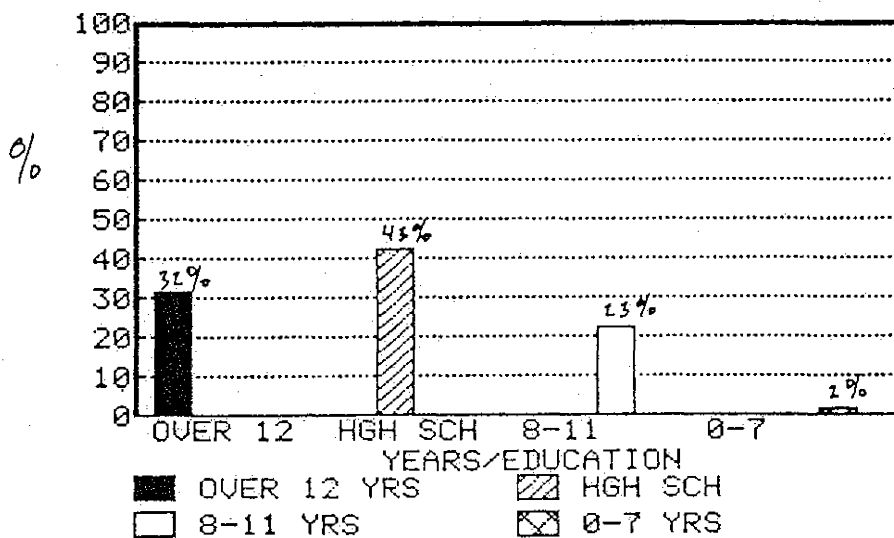
Statistics on part-time employment also lend support to the underemployment thesis. Chittenden County census figures for 1980 reported a total of 7,440 part-time workers, 13% of the County's employable population. Although the causes or reasons for part-time employment are varied and include some percentage of individuals who willingly chose part-time work to accommodate certain lifestyles (e.g.

GRAPH 17
EDUCATIONAL LEVELS/1980



SOURCE: U.S. Bureau of Census

GRAPH 18
VT JOB SERVICE APPL. 1984



SOURCE: December 1984 Conversation with Vermont Job Service Officials

parenting, self employment, or schooling), nevertheless, it is also fair to infer that many of these individuals would prefer full-time employment, and in that sense, are underemployed.

While there is likely to be some overlap between this sample and our sample of those who are seeking better employment opportunities through the Job Service, the distribution of educational achievements among this group is also worth noting. It is even stronger than our Job Service sample. Over 80% of the total of 7,440 part-time workers have at least a high school education. Forty-four percent (44%) of this same total have from one year of college to post graduate degrees.

Finally, the case for the existence of underemployment in the City of Burlington can also be informally discerned through any extended tour of its restaurants, banks and boutiques or through a ride in many of its taxicabs. In each of these places, one can regularly happen upon waitresses, clerks, sales people and drivers appearing listless and bored, waiting for their eight-hour shift to end. In conversation many of these people speak of the job they are now in as temporary, transitional, until they land something better, or are able to start their own business, or decide to go back for more education. Others sound more resigned to what started as a transitional occupation but what appears now to be a more long-term fate. Most of their stories speak of a need for more of a challenge, for a change to exercise their creativity and skill in a way which their present jobs do not allow. Many leave Burlington not having

been able to find the challenges they seek. Those who do leave are then replaced by others who will face the same set of difficulties.

1.4 Target Populations for Intervention

Our analysis of Burlington's population base has answered questions about how the face of Burlington has changed over time. Certain trends we have uncovered are alarming. Chief among these are:

- 1) The loss of a family base in the City and its replacement by a more itinerant group of students and independent professionals, as well as a large share of the County's elderly population.
- 2) The steady growth within the families that remain of low income single female heads of households.
- 3) A two-tiered labor market in the City, with residents skewed toward either the highly skilled professional occupations or the low skilled, low wage service occupations. (and)
- 4) A problem of underemployment among much of the City's educated population who seek better paying, more challenging and satisfying employment.

In a later section of this report, we propose specific recommendations to address these problems. Our task here is to clarify the particular target populations within the City of Burlington who need to be reached by these programs.

Three target populations are proposed for policy attention:

- 1) Female, Low Income Heads of Households;
- 2) Working-class Youth; and
- 3) Underemployed Professional Workers.

1.4.1 The Feminization of Poverty: Female, low income heads of households in Burlington and women Burlington residents in general are distinguished by the following characteristics:

- . 1980 statistics which show that female-headed households constitute an increasing percentage of families living below the poverty level within Burlington; from 45% in 1970 to 59% in 1980.
- . 1980 statistics which show that regionally Burlington has a disproportionate percentage of families headed by women; 18.9% in Burlington as compared to 6% in Chittenden County.
- . 1980 statistics which show that female heads of households income is only 55% of the City's median family income.
- . Female heads of households are often dependent upon state and Federal welfare assistance.
- . Many of these women are typically unskilled from the point of view of mainstream quality employers.
- . Many can be characterized as "discouraged" workers typically inaccessible to employment and training programs.

A typical member of this population would be a 25 year-old woman, divorced or separated, with two children between the ages of 3 and 6. This woman would have acquired only 10 years of schooling, two years short of a high school diploma. Her work experience, if it exists at all, is likely to have been unsteady and limited to relatively low paying, low-skill temporary service jobs (waitressing, cash register attendant, etc.).

A number of Federal, state and City safety net programs presently exist to assist this particular population. Each program is critically important to maintaining the day-to-day welfare of these mothers and their children. Examples of these programs include:

- . AFDC
- . Food Stamps
- . WIN

. Single Parent Opportunity Program (SPOP)

The irony of these programs, acknowledged by the designers as well as their participants, is that they can unwillingly operate as a "straight jacket" to those women wishing to break away from dependence on them toward the greater self sufficiency and pride derived from gainful employment (see Attachment 3, "Going Back to Work").

In order to direct scarce government funds to mothers and families in greatest need, members of these affected populations must fall below specific independent income standards. Taking a job and raising one's income in the process can lead to removal from the program.

To the woman contemplating such a move toward self-reliance, the threat of removal from a guaranteed income source can act as a significant deterrent to risking the pursuit of an independent job. What if she doesn't succeed on the job and is fired or laid off? What if her children have difficulty adjusting to day care or schooling arrangements in which they must participate in order to release this women from the home? What if she does not like the job or cannot adjust to the idea of separating from her young children?

Each of these problems is complex and usually not treatable by the resources of a city government. Clearly, however, Federal, state and city officials must concern themselves with the creation of "bridge" programs that facilitate the transition to employment and acknowledge the legitimate concerns and needs of mothers who may or

may not be prepared to separate from government dependence without special assistance.

From the perspective of our analysis and focus on employment possibilities, the understanding of how to work with this population must take into account the myriad of government welfare dependence concerns, but must also proceed with an understanding of the basic "employability" problems of this population. The combination of a relative lack of skills with ongoing child care responsibilities leads us to three conclusions about this population:

1. No significant progress can be made in promoting genuine employment opportunities for low income women heads of households until the problem of funding and staffing reliable quality child care is the first obstacle to employability.
2. Immediate job opportunities for this population will almost exclusively be of an "entry level" character. These jobs will hold out little prospect for meaningful advancement without the significant private/public sector initiatives around job training, targeted to the specific needs of these populations.
3. Discrepancies in income levels between low-income female heads of households and the rest of the County population are severe and dramatic enough to warrant an international search for innovative models to address the needs of this target population. Beginning with the existing Mayor's Council on Women and including significant participation from the City's private sectors, this search should make use of research and funds available from foundations such as the German Marshall Fund and the Ford Foundation to address this problem comprehensively.

Finally, technological changes, particularly in the computer industry, make possible the introduction of work roles that could accommodate work in the home (popularly, know as "homework") and certain child care responsibilities and lifestyle preferences of this

population. Potential abuses of this style of work, first brought to light by labor union organizers in the 1930's textile industry, should be studied and monitored. The potential for abuse, however, should not deter experimentation with "homework" work structures.

1.4.2 Working Class Youth: The dramatic findings, reported earlier, of the loss of family population in the City, coupled with findings of a clear division between low and high skill employment opportunities, should raise local concern about what economic analysts on a national level have described as a "declining middle" income bracket phenomenon in the American economy. For Burlington, the roots of this declining middle are found in the loss of these working to middle-class families, forced out of the City by rising housing costs and a lack of appropriate skills for the area's employment opportunities. As Burlington looks to the future, the potential for regaining this middle ground in its economy lies squarely with the opportunities made available to its working-class, low to middle income youth.*

Declining school enrollment is yet another measure of what has been lost in the past fourteen years (see Appendix 1 and Graph 1). While there are several reasons for the decline in enrollments,

*Defined as women and men under the age of 25 with less than 12 years of schooling and income up to the 1982 Median Adjusted Gross Income of \$11,848.

including family size patterns, and since the exact income level of out-migrant families who caused at least some of the decline cannot be known, the rate of decline is nevertheless alarming. From 1970 to 1980 enrollment dropped 37%, as compared to a drop of .02% in Chittenden County. From 1980 to 1983, the drop in enrollment decreased in Burlington to a -12.6% and slightly increased in Chittenden County to a -.07%.

To secure a future for working class youth in the City of Burlington, two major hurdles must be overcome:

First, Affordable housing, both rental and lease or sale stock must be made available to young individuals and families.

Second, Appropriate educational and training opportunities must be made available and geographically accessible to City youth.

Regarding the first obstacle of affordable housing stock, the recent Community and Economic Development Office initiated Community Land Trust Program offers hope that young couples of low to moderate income means will have the chance to settle permanently in the City.

Outreach and education for the Community Land Trust Program must be targeted to this population group, however, in order for them to be made aware of it as a possibility. Rental stock remains a problem that is perhaps more difficult to solve. Even making available to this group favorable interest rates on properties leased through the Land Trust, those working-class youth who are single, recently out of school and searching for or holding down their first jobs, are unlikely to be able to take on the responsibilities of participation

in this program. For them, decent, affordable rental units will be a continuing necessity.

Regarding the second obstacle, appropriate educational and training opportunities, several points should be emphasized:

- 1) Including the career track programs available from Burlington High School, the wide variety of vocational programs available at the Burlington Area Vocational Technical Center and innovative new community based programs such as the Burlington Youth Employment Program, there exists within the City a solid foundation of educational and training opportunities for working class youth. Comments from local employers, parents and youths themselves are consistently positive about the quality of these programs and those who teach and administer them.
- 2) Teachers and administrators of these programs appear to be in tune with how to adapt their training programs to the changing needs of local industry. Communication between educational institutions and local industry appears to be well structured, though it is not clear that local industry is doing all that it can to help equip these institutions with up-to-date materials and equipment.
- 3) Interviews with the High School and Vocational Technical Center personnel generally reveal that no excess demand exists for their programs by students enrolled in school. Professional resources, or the manpower capacity to train local youth in these formal settings, also appear adequate.
- 4) Placement rates for local youth who have graduated from these programs appear to be high.

Given this set of generally positive findings, particularly regarding formal education and training programs at the High School and Vocational Technical Center, how - aside from addressing the housing problems - might this population be better served?

Discussions with the principal of Burlington High School and others brought our attention to the fact that apart from those populations currently being well served by established programs, an unserved, "underground" minority of working-class youth can be classified according to the following five, somewhat overlapping, categories. Those categories are:

- A. The approximately eight percent (8%) of each year's graduating class that elected neither vocational or college track training.
- B. Drop-outs from both High School and Vocational Technuical Programs.
- C. Youth not enrolled in school at all.
- D. "Discouraged" youth, either offically or unoffically unemployed. (and)
- E. Youth either currently incarcerated for minor violations or subject to police or court supervision.

Total figures on these five categories are difficult to obtain. One partial estimate was obtained from officials at the Burlington Office of the Vermont Job Service in November of 1984, who reported that 971 youth under the age of 22 had registered with the Job Service for help in obtaining employment since July of 1984 and had remained on an active file status as of our November conversation.

While these Job Service figures include youth from outside the immediate Burlington area and while some portion of this group is likely to have obtained employment in the interval of July to November 1984 and not reported that change in status to the Job Service, this figure does provide an indication of the proportion to the problem of unserved or underserved working class youth.

In order to reach this specific population, it is most likely that non-traditional educational and training programs on the order of the Burlington Youth Employment Program (BYEP) must be further developed. Programs such as BYEP that stress the teaching of responsible work habits in a real life, adult work environment are more likely to succeed because of the degree to which they encourage participation and input from a population which has for too long felt alienated from or ignored by mainstream educational and training institutions.

In sum, the target population of working-class youth constitutes an important and necessary core of the future of the City of Burlington. Rising housing costs and the overall exodus of families from the City have undoubtedly contributed to the loss of this group, a loss which can only be recouped over a considerable period of time.

For the well adjusted portion of this population graduating from the City's High School or Vocational Technical Center, attention must be paid to recruiting them to settle and raise families in the City of Burlington. For the 'underground' minority of poorly adjusted youth, innovative, non-traditional education and training programs such as the Burlington Youth Employment Program should continue to be encouraged.

For both groups, the City of Burlington should make every effort to encourage regional employers to hire and train qualified candidates. Specific mechanisms for achieving that end will be discussed in later sections of this report.

1.4.3 Underemployed, Professional Workers: Our final target population, underemployed professional workers, has been amply documented in a previous section of this report. In brief, they can be characterized as the over-educated human 'surplus' of the Greater Burlington economy, loosely tied to what they consider to be transitory, 'dead-end' jobs and eager for more challenging employment opportunities.

Given that their problem is more one of frustrated ambition or idealism (or both), rather than of abject need, this group finds few sympathizers or champions of their cause. Given the legitimacy of their complaints, however, and the practical fact of their persistence as a component of Burlington "culture," this group is one that City government should acknowledge and assist.

In greater detail in later sections of this report, we will recommend that the most promising employment strategies for this particular group are of two basic types:

First, City-assisted placement with "mainstream" employers.

With the existence of a tight labor market, and as a part of a more strategic approach to dealing with the County's business community, City government may be well situated to direct qualified residents of this and other categories of its population to job opportunities with mainstream employers. In order to accomplish that goal, City government would be required to help coordinate and market the dissemination of information about its unemployed and underemployed residents from the state unemployment office and the

local office of the Vermont Job Service. Negotiations with regional employers over hiring targets will require up-to-date and accurate information.

Second, New small business venture development.

Of all our target populations, this group is best situated to take advantage of new small business opportunities uncovered by our economic analysis and surveys of local manufacturers. This group's combination of educational background and overall confidence and skills enable them to take the risks and contend with the complicated detail involved in starting new businesses.

The obvious public policy gain from the point of view of the City in directing this group toward small business opportunities more strategically than they might otherwise do themselves - aside from helping to direct previously frustrated workers to a more challenging work experience - is the potential for these businesses to employ Burlington residents. An additional public policy goal that could appeal to this group of new entrepreneur/leaders would be the promotion by City government of local resident, employee ownership and control over these emerging enterprises.

Burlington supporters of the Sanders administration, many of whom hail from this group of underemployed professional workers, are noted for the idealism they bring to the political sphere of life. Adequately trained - or re-trained as the case may be - for the task of managing or working in employee-owned businesses, they can apply

some of that same idealism to the equally challenging task of creating successful and socially responsible small businesses.

We will return to the problems and opportunities facing underemployed professional workers in the chapters, Constraints and Opportunities and Policy Recommendations. Information related to the prospects of starting new businesses will be taken up in the following chapter, The Business Context, as well as in the final chapter, Policy Recommendations.

Chapter 2.

THE BUSINESS CONTEXT: ECONOMIC OPPORTUNITY WITHIN THE GREATER BURLINGTON ECONOMY

An analysis of economic trends and opportunities in the City of Burlington must be based on an understanding of the region's economy. Burlington is not an isolated economic system. In addition to the fact that many Burlington residents are employed by regional employers, the growth and development of the City's economy is intricately tied to the fortunes of the region of which it is a part. In this section of our report, therefore, we will begin with an analysis of the regional economy which includes the City of Burlington as one element within it. Our definition of the regional economy is essentially synonymous with the economy of Chittenden County. Certain statistics employed use the term Burlington Labor Market Area or BLMA, which technically includes the small towns of Grand Isle and South Hero, that are not a part of the County. Later sections of this report will take up issues related to the City of Burlington's economy in and of itself, including a discussion of its traditional manufacturers, its service sector and its emerging "micro"-business community.

Understanding the overall economic trends in the Burlington region is important for a number of reasons:

- . to provide insight into possible areas to concentrate on for new enterprise development within the city;
- . to further the city's understanding of the type of employment opportunities that are currently open to the residents of Burlington;

- . to provide a longer-term outlook of future trends for the purpose of developing strategic economic development policies and programs; and
- . to examine the role of the city in the larger regional context.

2.1 General Employment Trends in the Burlington Labor Market Area

The Burlington labor market area has experienced rapid employment growth since 1965. Total non-agricultural employment has grown 150% from 25,550 in 1965 to 64,800 by the second quarter of 1984 (see Graph 19). The location of IBM and Digital, the stability of employment at UVM and the Medical Center, the retention of most of the area's significant manufacturers, and the development of new enterprises have accounted for the phenomenal growth in the economy (see Table 12A next page).

All sectors of the Burlington regional economy have grown significantly since 1965. Service employment has increased at the fastest rate, growing over 300% since 1965.* Manufacturing and retail and wholesale trade employment showed similar growth trends, both increasing by about 230% (see Graph 20). In terms of absolute numbers, since 1965 there was an increase of 9,100 manufacturing jobs, 7,500 wholesale and retail jobs, and 10,000 service sector jobs.

This growth is even more extraordinary when compared to sector growth rates in Vermont and the United States. The growth of

*See Attachment 4 for an extensive definition of service employment which distinguishes the service sector from service industries and service employment.

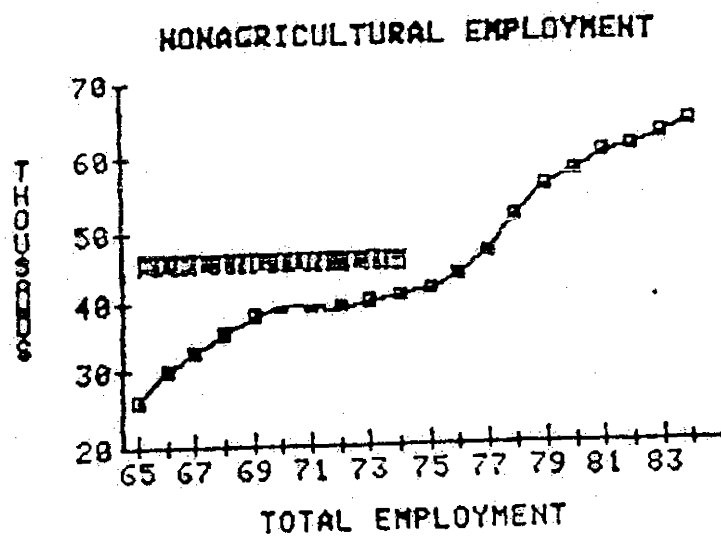
TABLE 12A

CONFIDENTIAL

1984: LARGEST EMPLOYERS OF BURLINGTON RESIDENTS

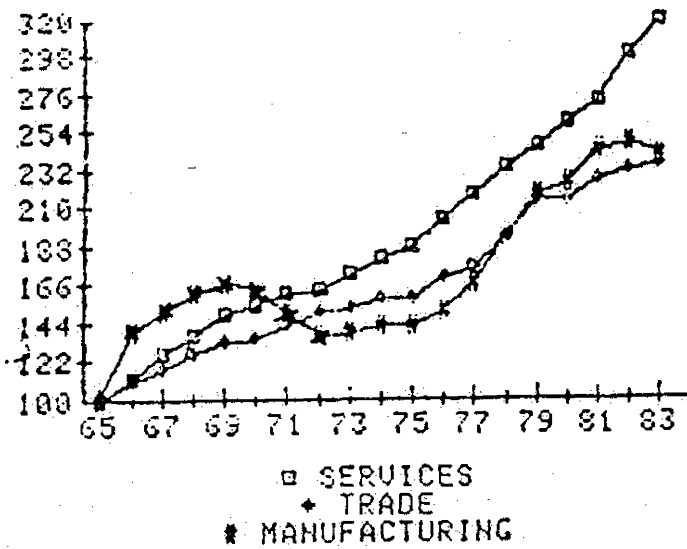
MEDICAL CENTER	1,010 residents/ 2,400 total full time (42%)
UNIVERSITY OF VERMONT	801 residents/ 2,700 total full time (29%)
IBM	787 residents/ 8,000 total full time (9%)
GENERAL ELECTRIC	740 residents/ 2,200 total full time (33%)

GRAPH 19



GRAPH 20

BURLINGTON LMA GROWTH BY SECTOR



SOURCE: Bureau of Labor Statistics

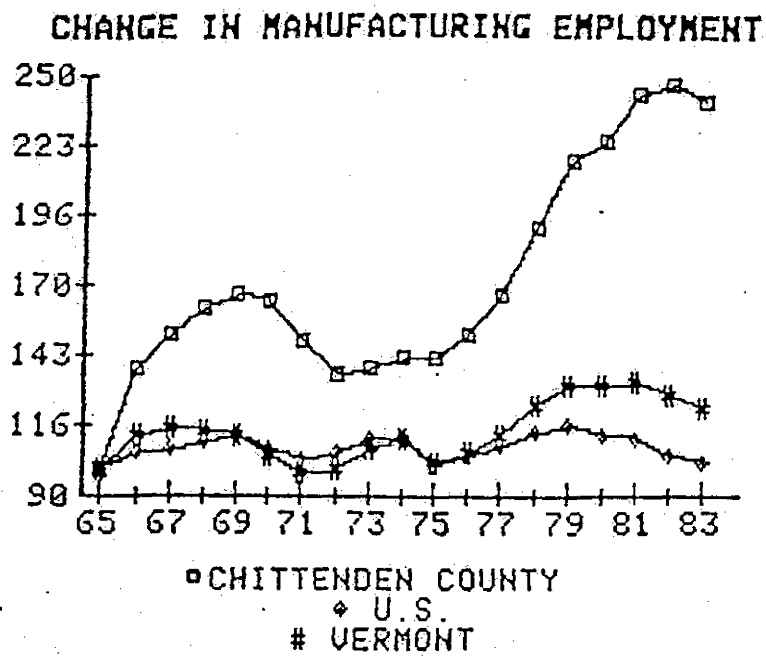
manufacturing employment in the region is particularly strong (see Graph 21). Growth in manufacturing employment in the state of Vermont and in the United States was more stagnant during this period - dipping below 1965 levels during a few recession years and never rising significantly above the 1965 level. In sharp contrast, manufacturing employment in the Burlington region in 1983 was close to 230% higher than in 1965. Even during the recent recession, regional manufacturing employment showed only a slight decline between 1982 and 1983.

The rate of growth in service and trade employment also exceeded growth rates in both the state of Vermont and the United States (see Graphs 22 and 23). In both sectors, growth really took off between the years 1977 and 1982. In the service sector, the rate of growth since 1977 has been particularly strong when compared to comparable figures in Vermont and the United States.

A comparison of the sectoral composition of the Burlington regional economy to that of the state of Vermont and the United States provides further evidence of the strength of the region's economy.

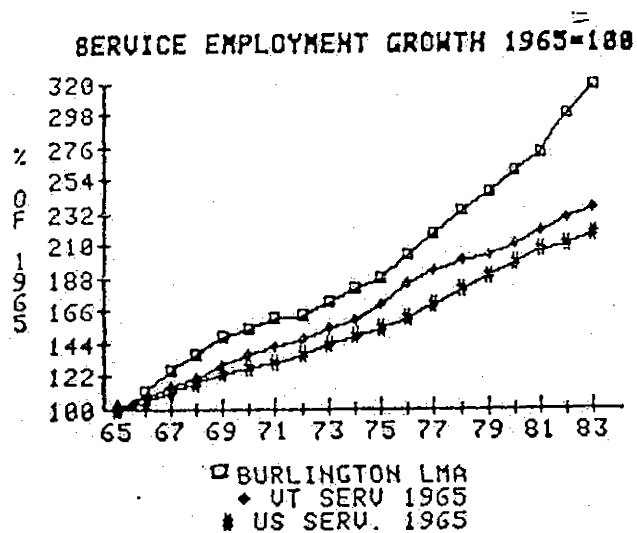
Manufacturing employment as a percentage of total employment has declined rapidly in the United States since 1965. The de-industrialization of the United States and the growth of the service sector have been analyzed at length by many economists. Since 1976, the trend in the Burlington regional economy had been in marked contrast to this national trend. Manufacturing employment as a percent of total employment actually rose significantly between 1976 and 1982. In fact, by 1982 the Burlington region had a greater

GRAPH 21

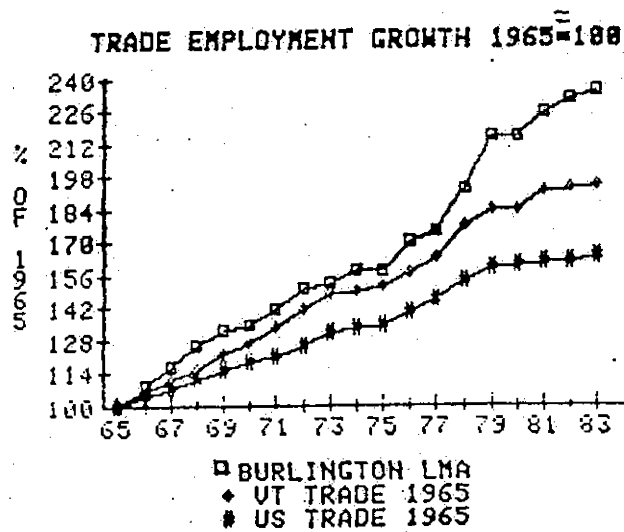


SOURCE: Bureau of Labor Statistics

GRAPH 22



GRAPH 23



SOURCE: Bureau of Labor Statistics

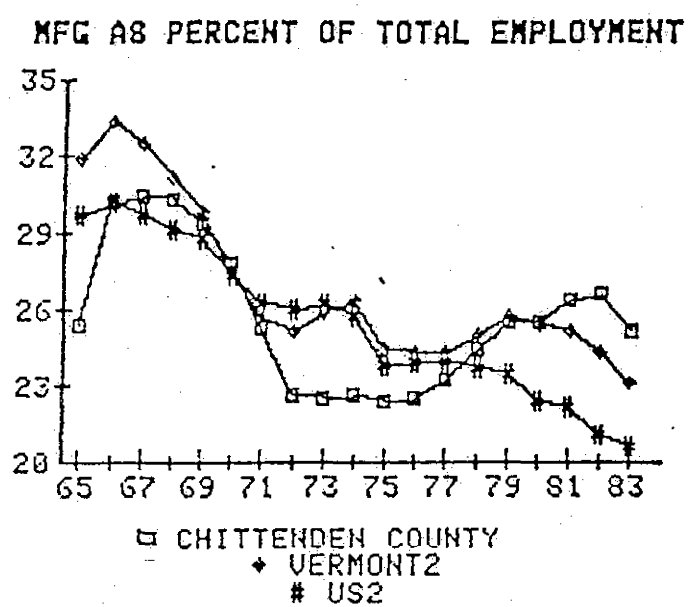
proportion of manufacturing jobs than it did in 1965 (see Graph 24 next page). Though the proportion of manufacturing jobs in the region was significantly below Vermont and the United States in 1965, by 1980 it was higher than both.

Another indication of the health of the manufacturing sector in the region is reflected in the growth in earnings attributable to manufacturing. Between 1976 and 1981 total earnings to individuals working in the manufacturing sector increased by 133% in Chittenden County as compared to only 58% in the United States. The percentage of total County earnings attributable to the manufacturing sector increased from 37.8% in 1976 to 44.6% in 1981 (see Tables 13 and 14).

The proportion of employment in the service sector has risen dramatically in the Burlington labor market area, the state, and the United States (see Graph 25). Although the Burlington region has a higher proportion of jobs in the service sector (due primarily to the presence of UVM), the gap between the region and the United States narrowed significantly between 1965 and 1980. Since 1980, when service employment in the Burlington region grew at a fast rate, the gap between the region and the United States has again widened.

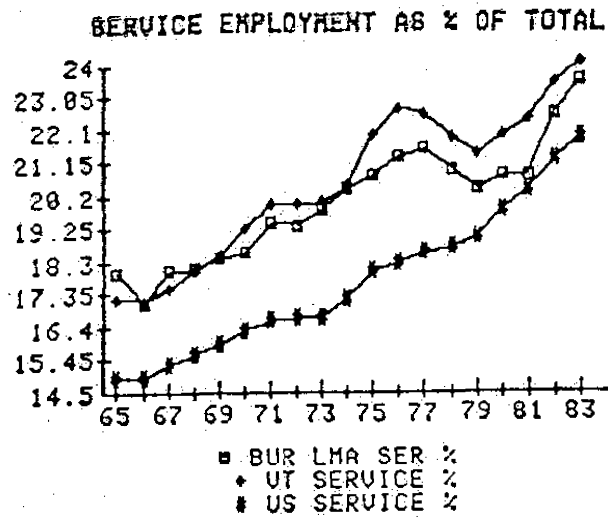
Surprisingly, the proportion of jobs in retail and wholesale trade in the Burlington region has actually declined since 1965, since this sector's growth rate was below both the service and manufacturing sectors. By 1983 trade employment in the region was significantly below the overall proportion of trade jobs in the United States economy (see Graph 26).

GRAPH 24

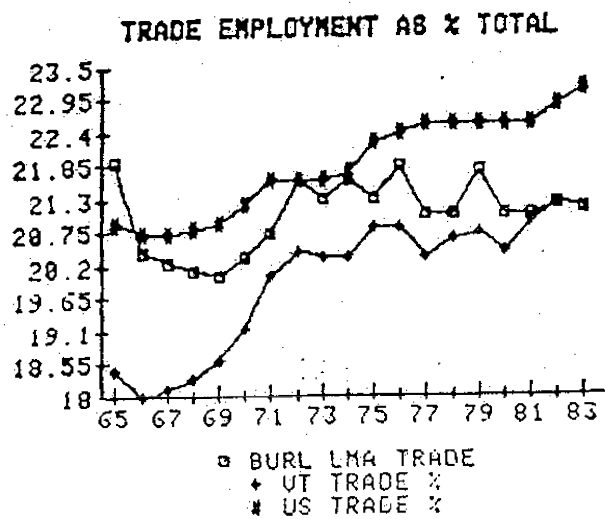


SOURCE: Bureau of Labor Statistics

GRAPH 25



GRAPH 26



SOURCE: Bureau of Labor Statistics

Table 13. Growth in earnings by sector.
Years 1976 to 1981.

	Chittenden County	U.S.
Manufacturing Growth	133%	58%
Service Growth	65%	85%
Wholesale Growth	67%	64%
Retail Growth	71.5%	55%
Construction Growth	88%	65%
Finance, Ins, & R. E.	116%	99%

SOURCE: U.S. Bureau of Economics Analysis.

Table 14. Earnings by Place of Work.
Chittenden County: Percent of Total Earnings.

	1976	1977	1978	1979	1980	1981
Construction	6.9%	6.7%	7.8%	7.7%	7.7%	7.5%
Manufacturing	37.8%	39.3%	40.9%	42.4%	43.3%	44.6%
Wholesale	6.8%	6.6%	6.2%	6.2%	5.9%	5.7%
Retail	12.6%	12.2%	12.0%	11.7%	11.0%	10.9%
Fire	5.4%	5.5%	5.2%	5.0%	5.3%	5.1%
Services	23.2%	22.1%	20.5%	19.5%	19.5%	19.3%

SOURCE: U.S. Bureau of Economic Analysis.

The fact that trade employment as a percent of total employment was below the United States' average may be a reflection of the relative size or location of the Burlington region. A more accurate measure would be to compare the Burlington metropolitan area with other similar SMSAs. There were 75 SMSAs in the United States in 1983 with non-agricultural employment between 50,000 and 100,000 (in the same size range as Burlington). The median share of trade employment as a percentage of total employment in those areas was 23.6%, significantly above the Burlington regional economy with only 21% of its employment in the trade sector. In fact, only 20 SMSAs out of the 75 had a smaller composition of trade employment.

Relative to other SMSAs of similar size, the Burlington region had a higher percentage of service employment. Only 14 of the 75 SMSAs has a higher percentage of service sector jobs.

Another way of looking at the region's economy is to look at its share of the United States' employment in a specific sector or industry relative to its share of total United States' employment. Theoretically, this so-called location quotient analysis provides a sense of what goods and services are being imported and exported to and from the region. A location quotient greater than 1.0 indicates that there is a greater proportion of employment than one would expect given the overall size of the economy and a quotient of less than 1.0 indicates that there is less employment than one would expect and that goods and services are being imported from outside. Analysis of location quotients over time indicates the change in a sector's

national employment share relative to change in over all employment share.

The location quotient for manufacturing changed significantly since 1965 (see Table 15). From a location quotient of .86, the region currently has a location quotient of over 1.2. This indicates the increasing export nature of the manufacturing sector. The low and declining location quotients in trade, transportation and public utilities, and finance, insurance and real estate, provide evidence that these sectors in the economy have not developed to their full potential. It is likely that services in these sectors are being imported from outside.

In summary, an analysis of the broad employment trends in the Burlington regional economy provides a picture of a very stable and healthy economy. The strength of the region's manufacturing sector provides evidence that quality employment opportunities are available in the region, and in fact, unlike the experience throughout the United States, more manufacturing jobs are now available, relative to the County's population base, than was true 20 years ago.

Another general indication of the health of the region's economy is the continued growth and development of the region's businesses. Between 1972 and 1982 the number of business firms in Chittenden County increased by 931 or 44%. In 1972, there were only 27 companies in the County employing over 100 workers; by 1982 this number had increased to 50 companies (see Table 16).

TABLE 15

LOCATION QUOTIENTS/CONCENTRATION RATIOS:
BURLINGTON LABOR MARKET AREA

	1965	1970	1975	1980	1983
Manufacturing	0.86	0.98	0.93	1.14	1.22
Service	1.21	1.13	1.15	1.06	1.07
Trade	1.05	0.93	0.96	0.94	0.91
Transportation & Utilities	0.95	0.81	0.85	0.75	0.72
Fin., Ins., & Real Estate	N/A	N/A	0.78	0.75	0.70

SOURCE: U.S. DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

Table 16. Chittenden County: Number of firms in different size categories.

# of Employees	0-3	4-9	10-19	20-49	50-99	100+	Total
72	1,135	499	264	149	54	27	2,128
73	1,195	542	282	167	54	31	2,271
74	1,241	537	269	166	53	31	2,297
75	1,265	551	258	166	46	33	2,319
76	1,240	611	281	171	51	34	2,388
77	1,330	591	289	183	57	35	2,485
78	1,360	645	310	207	65	39	2,626
79	1,434	666	349	230	67	49	2,795
80	1,552	695	357	232	72	45	2,953
81	1,491	728	362	232	80	48	2,941
82	1,546	764	381	234	84	50	3,059
Percentage Change 1972-1982	36%	53%	44%	57%	56%	85%	44%

SOURCE: Vermont Department of Employment and Training.

Again, it must be noted that these figures say little about the ability of Burlington residents to gain access to these jobs. Evidence from employment data suggests that for the most part labor from outside the region has been imported for the most highly-skilled manufacturing jobs. The problem, therefore, is not that good jobs are unavailable, but rather that Burlington residents are not able to take advantage of the manufacturing jobs that are being created.

This overview also suggests that although there is a perception that the area is dominated by trade and service sector jobs, relative to overall growth trends in the United States, these sectors have not grown as rapidly as the manufacturing sector. The trade sector, in particular, seems to have lagged behind the manufacturing and service sectors. Overall employment in wholesale and retail trade, transportation and public utilities, and finance, insurance and real estate is low relative to the growth of the region's economy.

The trends presented so far provide only a preliminary look at the regional economy. They do not definitively indicate why the economy has grown, whether it has a sufficiently diverse and stable economic base, and where with certainty there are opportunities for further growth. For example, we might ask whether the expansion of IBM is the sole reason for the growth of the region's manufacturing sector? A second stage of analysis is necessary in order to answer these questions. We will take up this analysis with a more specific look at both manufacturing and non-manufacturing sectors of the regional economy, followed by an analysis of specific employment trends in the City of Burlington proper.

2.2 The Manufacturing Sector in Chittenden County

The health of any regional economy is tied very closely to its manufacturing base. The export or trading of manufactured goods outside of a region generates the overall income needed to support local service industries and the purchase of both commercial and consumer goods and services from outside the region. The manufacturing sector's importance to a local economy is also related to the quality of employment in that sector. Manufacturing jobs, on average, tend to be higher skilled and higher paid than jobs in the service sector. For example, in 1981 in Chittenden County close to 45% of all earnings were generated by manufacturing jobs while only about 26% of the jobs in the County were in manufacturing.

The strength of the Chittenden County economy thus lies in the vitality of its manufacturing sector. The growth in the manufacturing sector of Chittenden County is tied directly to the location and expansion of IBM in Essex Junction. IBM has become the largest employer, not only in the County, but in the entire state of Vermont. In fact, a November, 1984 survey of manufacturing companies in New England by New England Business places IBM's Chittenden County facility as the 15th largest employer in all of New England.

Although it is not possible to estimate with any precision the number of jobs in the County that are dependent on the IBM facility, we know that IBM alone accounts for approximately 13% of all non-agricultural jobs in the County and approximately 55% of the area's manufacturing jobs. If other local manufacturing and service jobs tied to IBM are included, such as cleaning services, office

supplies, electrical services, the dependence of the economy on this one employer becomes even more dramatic.

Without the historical growth in employment of IBM, the economy of the Burlington region would look very different from what it is today. However, the strength of Chittenden County's economy would not be as great if there were not some stability in other manufacturing sectors as well. A complete breakdown of the manufacturing employment in the County is shown in Table 17. There we find significant city and county employment in industries such as food and kindred products, commercial printing and fabricated metal products. For the most part these industries have been relatively stable and have added to the strengths of the economy. The current economy of the County can be separated into the high tech manufacturing sectors (dominated by IBM and Digital) and more traditional manufacturing industries.

2.2.1 Recent Data on Chittenden County Manufacturing: In order to further its understanding of the business environment in Chittenden County, the CEDO office surveyed the major manufacturers in the region during the summer of 1984. Forty-five companies of the seventy-two manufacturing companies employing over 20 employees responded to the survey. These respondents employed a total of 13,771 full-time workers of close to 85% of the County's manufacturing employment. The full results of the survey will be available as a separate document. However, the most important findings relevant to understanding the County's economy include:

- . The County has a strong base of locally owned companies and has relatively few firms that are part of large conglomerates owned outside of the state.
- . Many of the companies make use of public programs. For example, 17 companies, or 38% of the respondents

TABLE 17

1982 INDUSTRY EMPLOYMENT
CHITTENDEN COUNTY

		# of Employees -----
FOOD & KINDRED PRODUCTS		749
Dairy Products	(234)	
LUMBER & WOOD PRODUCTS		116
Sawmill & Planning	(71)	
PRINTING & PUBLISHING		854
Commercial Printing	(454)	
CHEMICAL & ALLIED		20-99
RUBBER & PLASTICS		100-249
STONE, CLAY & GLASS		76
PRIMARY METALS		543
FABRICATED METALS		2,500-4,999
NON-ELECTRICAL MACHINERY		1,363
ELECTRONIC EQUIPMENT		5,000-9,999
INSTRUMENTS & RELATED PDTS.		158
MISC. MANUFACTURING		200

SOURCE: 1982 U.S. Department of Commerce

used the Vermont Industrial Development Authority and 8 companies or 18% have used the SBA.

- . Most companies have been stable or have grown over the past three years. 23, or 51% of the respondents, reported that they have more employees than three years ago, and 8 companies, or about 18% reported no employment change. Only 9 companies, or 20% of the respondents, reported that employment had decreased over the past three years.
- . Most companies are forecasting employment growth over the next three years. Thirty (30) respondents, or 67% of the total, expect to employ more full-time workers in the future. However six of the 11 companies that are not forecasting growth are located in the City of Burlington.
- . A number of companies noted difficulties in finding enough skilled workers. Eleven companies, or close to 25% of the respondents, said they were unable to find enough skilled workers. These employers were concentrated in the food and printing industries.
- . Most of the companies surveyed are in "export"-oriented industries. Excluding, the two newspapers that responded only four (4) companies reported that over 90% of their sales were in Chittenden County. Seventeen (17) companies reported that over 50% of their market was outside of New England, and nine (9) companies reported some international exporting of their products. The companies reporting that their primary market was concentrated in Vermont were largely in the food industry. Twelve (12) companies reported that they sold their products in Montreal.

2.2.2 High Tech Employment in Chittenden County: High tech

industries have become the dominant sector in the Chittenden County economy.* In 1982, Chittenden County had between 11,500 to 12,000 high tech jobs, or between 73% to 76% of its manufacturing sector.

*Definition, developed by Massachusetts Division of Employment Security, is based on industries in which technological innovation plus a central role and characterized by high growth rates

This dependence on high tech manufacturing is clearer when the Burlington region's high tech employment is compared to the United States and other regions. Burlington's location quotient (see explanation on page), in high tech is about 4.7126.0 which is extremely high and illustrates the importance of high tech as an export industry in the region.

In other words, although the County only accounted for about .067% of all United States employment in 1982, it accounts for between .32 - .4% of high tech employment. A second illustration of its importance was reported in Sales & Marketing Management (April 23, 1984). That journal estimated that, in 1983, 1.7% of the dollar amount in United States shipments of electronic components came from Chittenden County.

As a metropolitan area, the County is probably one of the most dependent on high tech industry in the United States. Even in the Boston metropolitan area, high tech accounts for only a little less than 50% of manufacturing employment.

Unlike the Massachusetts' Route 128 belt and California's Silicon Valley, (high tech developments related to the pressure of technical universities), most of the high tech jobs in the Burlington region did not develop because of the "knowledge infrastructure" of the County. Instead, Chittenden County's high tech growth has been the result of the location of branch plants of major high tech companies (primarily IBM and Digital). The recent decision by Semicon, a Burlington, Massachusetts company, to locate a branch plant in South Burlington employing 450 workers follows this pattern and will add to the high tech employment in the County. In summation, the recent growth in manufacturing employment in the County, especially during the 1970's,

is clearly tied to the expansion of these existing high tech branches and the location of new high tech branch plants. Therefore, Chittenden County's high tech character might more accurately be compared to other branch high tech developments such as the research triangle in North Carolina, rather than the Route 128 belt or Silicon Valley.

Not all high tech companies are branch plants, however, there are some "homegrown" high tech companies in Burlington, especially in the area of medical instrumentation. Eight such companies started in Chittenden County, which manufacture various instrumentation devices. One Burlington company, for example, was included in Inc.'s 1981 survey of the most rapidly growing firms in the United States. Also a small number of high tech companies have been founded by local entrepreneurs in the computer and telecommunications industries.

The Chittenden County economy will likely be increasingly dominated by the high tech sector. Given the dominance of high tech industries as regional employers, it is critical for the City to learn to monitor vital signs of this sector of the economy to anticipate potential difficulties. In addition, further research is needed to better understand the longer-term positive and negative implications of a "high tech economy" for the City of Burlington.

An important employment characteristic of the high tech sector is a two-tiered labor market with the higher tier having a higher than average proportion of professional and managerial workers and the lower tier having many low-skilled production workers and clerical workers (see Table 18, under Electrical Machinery).

TABLE 18

VENDOR OCCUPATIONAL STAFFING PATTERNS:
MANUFACTURING 1980-1981

	Food Products	Printing	Non-Elec. Machinery	Elec. Mach.	Instru- ments	Rubber & Plastics	Lumber & Wood Pots	Furniture / Fixt.	Paper & Allied Prdts.	Chemicals	Stone Glass Clay & Concrete
Managers & Officers	8.2%	8.8%	5.8%	8.8%	9.2%	5.6%	7.3%	2.5%	4.0%	7.5%	11.0%
Professional & Tech.	2.0%	8.6%	14.3%	32.4%	18.1%	4.2%	1.8%	2.0%	3.2%	4.5%	4.0%
Service	2.3%	1.8%	1.4%	1.0%	1.5%	1.8%	1.9%	2.8%	8.5%	1.0%	1.8%
Maintenance & Prod.	70.3%	60.5%	66.2%	40.2%	55.8%	80.4%	82.4%	85.2%	82.1%	74.6%	70.3%
Clerical	12.8%	15.1%	11.2%	17.4%	15.3%	7.0%	5.6%	6.6%	7.9%	10.6%	10.4%
Sales	4.4%	5.2%	1.0%	.2%	.1%	1.0%	1.0%	.8%	1.2%	1.8%	2.4%
1982 Average Hourly Pay: Production Workers (US).	\$7.89	\$8.75	\$9.29	\$8.21	\$8.10	\$7.65	\$7.46	\$6.31	\$9.32	\$9.96	\$8.86

The average annual pay of the low-skilled production workers is only about one third that of the professional high tech workers. For the most part, those higher paid professional jobs have not been held by local residents. In an article in Vermont Business (September, 1983), Digital's personnel manager was quoted as saying that the South Burlington plant had about 220 professional employees, 250 in clerical and technical support positions, and 350 production workers. He noted that most of the professional employees came from outside of Vermont. Technical support positions have come from Vermont Technical College and Champlain College. It is likely that the situation at Digital is replicated on a larger scale at IBM, where most professional jobs are filled by IBM employees transferring from other facilities as well as by recruitment from out-of-state.

A recent study of high tech branch plant location in North Carolina (Michael Lugor, High Hopes For High Tech ed. by Dale E. Whittington) raises the following questions about the effects of high tech branch plants on regional job creation and wage growth:

- . Demand for skilled workers will often outstrip local supply. As a result, plants must import skilled workers from out-of-state or other local firms. Although this may bid up the average wage for skilled labor, it will have little effect on unskilled labor. A multiplier effect might eventually lead to a general rise in wages, though in the long run, this increase will probably be relatively small.
- . Excess demand for semi-skilled workers will impose a burden on existing businesses, since their semi-skilled workers can be lured away.

If local residents are to benefit in any substantial way from the growth in branch high tech employment, training programs for these residents, oriented toward the high-skill end of high tech employment,

are critical. At the same time, managing the likely labor force impact of branch high tech employment on other local businesses will also be required.

A second implication of Chittenden County's dependence upon high tech employment is the "vulnerability" of the local economy to any serious downturn in the market or the movement of production jobs overseas. A recent report on high tech employment in Massachusetts, (The High Tech Research Group, Massachusetts High Tech), notes that greater import penetration of non-United States based firms, more limited opportunities for export given the strength of the American dollar, and the growth of overseas production by United States firms will mean that high tech will not be a significant source of employment growth in the future. Firms, including Digital, have been accelerating their investment overseas, while in some cases freezing employment in the United States facilities.

Should these international marketplace conditions persist, future significant growth in high tech employment in the County is more likely to come from emerging, locally initiated high tech firms, especially those in the instrumentation field.

Building on the expertise developing at UVM and elsewhere, the region appears to be have the potential for the "knowledge infrastructure" needed for the development of these new growth companies, and for the expansion of locally owned, rapidly growing companies. For example, the medical segment of the electronics industry is forecasted to grow very rapidly in the coming years. The presence in the Burlington area of a small number of local firms in this market segment is therefore particularly promising. One portion

of this segment particularly highlighted for growth by the US Commerce Department is in sophisticated medical instruments for the home health care market. Therefore, this is an area that could be emphasized by new, locally based firms.

Promoting the development of new companies in the growing high tech areas where the County has the necessary "knowledge infrastructure," and encouraging mechanisms to keep these growing firms rooted in the local community, will be important for the future health and diversity of the local economy. Continued "branch plant" location may be good news in the short-term, but could lead to instability in the economy over the long run.

2.2.3 Traditional Manufacturing in Chittenden County

Industries which had previously dominated the Chittenden County economy prior to the high tech explosion, continue to provide diversity to the local manufacturing sector. These industries include food products (particularly dairy products and baked goods), printing and publishing, (particularly commercial printing), and fabricated structural metals. In addition to these industry concentrations, the area has a number of locally owned and controlled manufacturing companies in industries ranging from non-ferrous wire, to pumping equipment, to specialized service machinery.

As has been the case in high tech areas, more traditional local manufacturing industries have performed relatively well over the past 15 years. However, the dependence of the local economy on these more traditional industries has declined. For example, in 1965 about 11% of the County's manufacturing base was food related; as of June 1984 it was only 4%. In 1965, 8% of manufacturing jobs were in the

printing industry, today printing jobs account for only 5% (see Table 19).

Although statistics are not available on employment in all of the region's traditional manufacturing industries, a review of selected industries provides some sense of the performance of local companies (see Table 20). In most industries, employment rose during the late 1970's and early 1980's but declined during the recent recession. The primary metals industries, such as wire drawing and insulating, showed a particularly large increase in employment after 1982.

Over the past fifteen years, the region has lost strength in some of its traditional industries and has been affected by the closing of a relatively small number of manufacturing facilities such as Bigelow Carpets, Garden Way and a number of small sporting goods manufacturers. However, the region has not experienced any significant industrial dislocation similar to the loss of the metal working industries in Central and Southern Vermont or in the shoe and textile industries of Maine, New Hampshire and Massachusetts.

Statistics on job losses and gains cannot provide an adequate a picture of how well local companies performed relative to their national competitors. Looking at the change in employment shares between 1965 and 1982, however, we see that Chittenden County companies in the printing, machinery and food industries increased their share of both state and national employment (see Table 19). For example in printing, the County's share of state employment in that industry increased from 16% to 20% and its share of national employment, from .04% to .07%. Similarly, in the food industry, Chittenden County's share of state employment increased from 21% to

TABLE 19

TRADITIONAL INDUSTRIES EMPLOYMENT SHARE

	1965	1970	1972	1974	1976	1978	1980	1982
<hr/>								
PRINTING								
% of total county mfg employment	7.8%	4.5%	5.9%	7.9%	7.2%	5.9%	5.6%	5.6%
% of total printing industry: VT	15.9%	14.4%	15.3%	17.6%	18.5%	17.5%	17.2%	20.1%
% of total printing industry: US	.04%	.05%	.05%	.06%	.06%	.06%	.06%	.07%
MACHINERY, EXCEPT ELEC.								
% of total county mfg employment	5.8%	2.3%	3.3%	5.6%	3.9%	6.9%	8.7%	8.9%
% of total industry in VT	4.3%	4.6%	5.1%	7.3%	6.5%	11.8%	14.1%	19.0%
% of total industry in US	.018%	.016%	.015%	.02%	.02%	.035%	.047%	.056%
FOOD & KINDRED PRODUCTS								
% of total county manufacturing	10.8%	4.5%	5.7%	5.6%	7.22%	5.22%	4.82%	4.9%
% of total industry in VT	21.3%	26.6%	26%	23.4%	27.7%	24%	29.2%	32.5%
% of total industry in US	.036%	.032%	.031%	.033%	.044%	.038%	.043%	.050%

TABLE 20

TRADITIONAL MANUFACTURING IN CHITTENDEN
COUNTY: NUMBER OF EMPLOYEES

	1979	1980	1981	1982	1983	June 1984
LUMBER & WOOD	150	150	150	150	150	150
PRIMARY METALS	500	550	550	500	650	650
NON-ELECTRICAL MACHINERY	550	600	700	750	750	750
FOOD	650	600	700	700	650	650
PRINTING & PUBLISHING	750	750	850	950	800	800

SOURCE: Vermont Department of Employment & Training
Labor Market Area Bulletin.

32.5% and its national share increased from .04% to .05%. These statistics provide indirect evidence that local firms in these industries between 1965 and 1982 have performed better than their Vermont and United States counterparts.

Commercial printing and food products industries are two of the County's most important traditional industries. A full analysis of these industries would require a more complete review of the specific market segments in which local companies participate as well as the overall competitive environment of these segments. A full industry study would also require extensive interviewing with both local and national actors involved in the market segments. Such a complete study is critical to a further understanding of trends in the County's economy. What follows is simply an introductory overview based on generally available United States statistical sources and our own Summer, 1984 survey of local employers.

. Commercial Printing-SIC 2752 - In Chittenden County, commercial printing (including advertising printing, general job printing, magazine printing, catalog printing labels and package overwraps and financial printing) is the primary business segment in the printing industry. The United States Department of Commerce is forecasting a national growth rate in this segment of the industry of between 5% and 6% in 1984. This growth rate would exceed the historical rate in the commercial printing industry.

Technological change is likely to have a profound effect on this industry. For example, a new generation of photo-typesetting machinery is being developed involving laser technology. Technological changes in the industry will alter job functions,

transforming the market for printed material. The 1984 Industrial Outlook of the United States Department of Commerce concludes that "successful commercial printers will be those that not only are aggressive in the marketplace but also are sufficiently progressive in thought and flexible in structure to adapt to changes necessary in the traditional methods of conducting their business."

The upcoming technological changes for this industry suggest that training needs for the industry may change. One implication for the City of Burlington is to work with local companies to train or retrain individuals in the latest printing technologies. A second implication would be for the City to work with local printing companies in securing financing to keep their operations advanced in the latest technological changes. Responses by seven (7) local printers to the Community and Economic Development Office survey of major manufacturers highlight potential labor force problems in this industry. Most of the printers responding to the survey noted a shortage of skilled technicians. The following skill areas were specified: film assembly, camera, bindery, press operators and typesetters. Although the local vocational education program has a well-respected printing trades program, not enough individuals are graduating from that program to meet local demand.

In sum, the continuing health of the country's printing industry should be of particular concern to the City of Burlington for a number of reasons. First, many of the area printing companies are located within city limits, accessible to Burlington residents and contributing to its tax base. Second, with the growing domination of the regional economy by high tech manufacturers, the printing industry provides needed diversity to the local manufacturing base. Finally,

the printing industry itself provides relatively high skilled, high paying employment. In 1984 the Vermont Department of Employment and Training estimated average hourly earnings to be \$8.05 per hour.

. Food Products - The Burlington area is the home of a growing number of specialty food products. Many of these companies are still very small, but the potential for growth exists. From gourmet chocolates to frozen cheesecakes, and from bagels to ice cream, new locally owned companies are continually emerging in the food industry. Although some of these companies have started out serving a local market, there is some indication of a move toward greater exporting of these goods outside of the County and the state.

Dairy products are of particular importance to the local economy. Although national consumption of dairy goods in general has grown only marginally in recent years, the United States Department of Commerce has noted that among all 76 dairy products, only demand for premium ice cream and specialty cheeses has grown significantly. These are precisely the two areas of specialty in Chittenden County. Furthermore, the Department of Commerce near-term outlook for is for continued growth in the cheese and specialty ice cream industries. The resource of viable food companies in the County provides a good base of diversity to the County's manufacturing base. Its continued growth should be supported.

The region's food industry may also be one area to focus on for new enterprise development. The presence of dairy industry in Vermont provides the inputs necessary for the development of the industry. As existing companies grow, the Burlington area is likely to gain a

reputation for high quality food products. New companies may be able to build upon this recognition.

The food industry would also appear to be an opportunity for the City to promote a focus on for local, employee ownership. Currently, wages in the industry are relatively low (1984 Vermont Department of Employment and Training estimates average hourly earnings in the food processing industry to be \$6.60 per hour.) and holding on to employees may be difficult in a tight labor market. A number of local manufacturers have noted this difficulty in keeping employees and in attracting more highly skilled food technicians. Employee ownership may then be particularly relevant to this industry for two reasons:

- . A tight labor market makes labor instability a major problem for local employers. Employee ownership would allow employers to retain quality employees.
- . A number of emerging companies are at an early stage of development where it is timely to think seriously about ownership structures.

2.3 The Service Sector in Chittenden County

Numerous recent analyses of the American economy have pointed to a historic shift away from manufacturing and toward both a service-oriented and knowledge-based economy. The growth in both sales and clerical occupations and service enterprises, such as fast food restaurants, data processing companies and hotels, has been well documented. This trend is tied to rising national incomes, changing demographic composition, the increased participation of women in the labor force, the internationalization of manufacturing industries, and changing technology. The importance of the service sector is particularly pronounced in the nation's metropolitan areas, where in 1980 services comprised about 70% of all nationwide metropolitan area employment*.

Although generalizations are often made about the service sector as a whole, this sector is actually comprised of five separable categories of activity: retail and wholesale trade; transportation, communications and utilities; finance, insurance and real estate; miscellaneous services; and government. Analysts of this sector have further divided it based on the type of activity (Singleman, From Agriculture To Services). One commonly used distinction is the following:

Distributive Services - (transportation, communication, utilities and wholesale trade) which provide transportation, communication,

*See Attachment 4 for definitions of service employment.

sales and storage to other industries.

Producer Services - (finance, insurance, real estate, business services and social services) which provide management, finance, design and legal services to other industries.

Consumer Services - (hotels, personal services, auto repair, miscellaneous repair, motion pictures, amusements and private households) which provide services directly to the consumer.

Retail Trade: Provides services both to businesses and consumers.

Non-profit Services: Health and education.

Table 21 shows the distribution of service employment in Chittenden County according to these classifications.

Rand Institute analysts, Anthony Pascal and Aaron Gurvitz, make another useful division within the service sector. They include a service cluster around "Visitor Services" or a "tourism" measure. They include in this cluster employment in air transportation, eating and drinking, hotels and amusement and recreation. In using this measure in 1982, Chittenden County had between 5,173 and 5,423 jobs tied to tourist services.

The breakdown of service sector employment by these broad categories is particularly important when analyzing a regional economy. This breakdown of the service sector highlights the different outputs within the service sector and the different institutional settings under which services are provided. Recent

TABLE 21
SERVICE SECTOR EMPLOYMENT: 1982

	CHITTENDEN COUNTY		UNITED STATES		County as Percent Of U.S.
	Total Number Service Jobs	% of Serv. Jobs	Total Number of Jobs	% of Serv Jobs	
DISTRIBUTIVE	5,274	17.1%	10,366,000	22.2%	.051%
Trans., Commun., Public Utilities	2,410	7.8%	5,070,000	10.8%	.048%
Wholesale Trade	2,864	9.3%	5,296,000	11.3%	.054%
PRODUCER SERVICES	6,005	19.5%	10,743,700	23.0%	.056%
Finance, Ins. & R. E.	2,486	8.1%	3,165,000	6.8%	.078%
Business Services	1,262	4.1%	3,260,600	7.0%	.039%
Legal Services	308	1.0%	551,000	1.2%	.056%
Membership Assn's	679	2.2%	1,530,500	3.3%	.044%
Misc. Professional Services	567	1.8%	1,062,700	2.3%	.053%
Social Services	703	2.3%	1,153,900	2.5%	.061%
CONSUMER SERVICES	2,568	8.3%	3,886,600	8.3%	.066%
Hotels	1,017	3.3%	1,094,000	2.3%	.093%
Personal Services	660	2.1%	950,700	2.0%	.069%
Auto Repairs	318	1.0%	580,700	1.2%	.055%
Misc. Repair	74	.2%	287,900	.6%	.026%
Motion Pictures	85	.3%	205,800	.4%	.041%
Amusement & Recreation	414	1.3%	767,500	1.6%	.054%
NON-PROFIT	6,403	20.8%	7,008,800	15.0%	.091%
Health	4,550	14.8%	5,728,000	12.2%	.079%
Education	1,853	6.0%	1,281,800	2.7%	.145%
RETAIL	10,513	34.2%	14,766,000	31.6%	.071%
TOTAL	30,763	100%	46,771,100	100.0%	.066%

studies have shown that generalizations about the poor quality of jobs and the small multipliers associated with the service sector do not hold for all industries within the sector. The largely negative reputation of the sector may, therefore, be unwarranted. For example, wages and skill levels in distributive and producer services are relatively high. These types of services usually concentrate on the export or trade of goods outside the immediate local economy resulting in the importing of economic value to the local community. Services are also critical to the development of smaller urban economies. In fact, most of the services in smaller cities, such as Burlington, are likely to be exported both to the rest of the County and outside the County. Many of the services within Chittenden County, particularly tourist services, the kind now existing and projected for growth with the development of the Burlington waterfront, are in fact important local export industries.

In a growing economy, such as Chittenden County, many services are also still being imported. As the region grows, local import substitution in the service area will likely occur. Since services can be profitable export industries, and since services that could be produced locally are now being imported from outside the County, this sector will become increasingly important to the future development of the City of Burlington and Chittenden County.

Before examining in more detail portions of the service economy that are both export-oriented and areas for potential import substitution for the Burlington region, certain labor force implications of service sector growth must be considered.

As discussed previously, phenomenal growth has occurred in service sector jobs in Chittenden County and particularly in the City of Burlington. In 1980, a large proportion, (close to 80%), of Burlington residents were employed in this sector. A number of general characteristics of employment in the service area point to the likely problems created by a growing service-oriented economy:

- . A disproportionate share of below average earnings jobs exists in the service sector, particularly in the retail, consumer services and finance industries. However, distributive services - transportation and public utilities, wholesale trade and business services - do have higher average earnings than the rest of the service sector (see Table 22 and Table 10).
- . A higher proportion of part-time and seasonal work exists in the service sector.
- . Women, youth and minorities are disproportionately concentrated in the most poorly paid service occupations.

In analyzing the labor market implications of a growing service economy, a distinction must be made between service occupations and service industries. Public policies must address both categories of service employment, though strategies may differ. For example, increased time flexibility (flex-time), union representation, job retraining and quality of work life issues may be tactics needed to address problems involving service occupations within mainstream institutional service employers (medical center, university, banks, etc.), while more structural innovations such as employee ownership might be applied to new, emerging service industries. The use of innovative structural strategies within emerging service industries such as business services and home health care can potentially reverse some of the allegedly "dead end" characteristics of much service work.

TABLE 22

VERMONT OCCUPATIONAL STAFFING PATTERNS
NON-MANUFACTURING: 1980-1981

	Hospitals	Finance	Hotels	Personal Services	Business Services	Motion Pictures	Amuse. Nurse & Rec. Care Fac.	Personal Social Services	
Managers & Officers	4.1%	17.6%	7.8%	13.3%	11.9%	14.1%	8.9%	4.6%	10.5%
Professional & Tech.	52.7%	7.3%	6.2%	2.7%	10.6%	2.6%	15.7%	25.1%	38.5%
Service	24.2%	3.4%	65.8%	44.3%	41.3%	33.3%	33.1%	64.1%	32.0%
Maintenance & Prod.	3.6%	5.1%	6.9%	20.3%	10.6%	17.4%	21.5%	3.9%	7.7%
Clerical	15.3%	57.6%	12.1%	18.5%	22.8%	28.5%	17.1%	2.4%	11.0%
Sales	0.0%	9.0%	1.2%	.8%	2.9%	4.1%	22.0%	0.0%	.3%
1982 Average Hourly Pay: Production Worker (US)	\$5.68	\$5.79	NA	NA	\$6.02	\$7.88	NA	\$5.68	NA

SOURCE: VERMONT DEPARTMENT OF EMPLOYMENT & TRAINING.

The County is particularly weak, however, in business services and transportation, communication and utilities. (see Table 24). Using a more detailed breakdown in Table 23 available for 1981, the following specific areas were found to be particularly under-represented*.

- . Wholesale Trade: Machinery, equipment and supplies.
- . Business Services: Personnel supply.
- . Business Services: Computer and data processing.
- . Transportation: Trucking and warehousing.
- . Utilities: Gas, electric and sanitary.

These industries are potential candidates for venture development and growth. One limitation to this form of analysis may be that the presence of IBM in the local economy could distort these figures. Having one large company (which in all probability uses in-house resources), that dominates the economy as does IBM, may lessen demand for services directed at local industry. This perspective, however, also suggests the possibility that IBM may be interested in sub-contracting certain of these service opportunities.

*There are limitations to the use of location quotients as a basis for venture development. They are presented here principally to raise possibilities of venture areas that may be underdeveloped and may warrant further analysis. Clearly some venture areas make no sense in the Burlington economy. Since the only consistent data source for the detailed analysis available to our study in Table 23 is from the year 1981, an important next step would be to analyze the growth of these segments since that time. A preliminary analysis of business services within the region done in the fall of 1984 found that this segment has not grown significantly since 1981.

TABLE 23
SERVICE SECTOR EMPLOYMENT 1981

	Chittenden Employment	U.S. Employment	Industry Chittenden/ US Employnt	Location Quotient
RETAIL	9,849			
Building Materials & Garden	483	521,673	.0926	1.40
General Merchandise	993	1,950,063	.0509	.77
Food Stores	1,517	2,293,627	.0661	1.00
Automotive & Service	1,002	1,660,540	.0603	.92
Apparel & Ass.	722	942,071	.0766	1.16
Furniture & Home Furnishings	(250-499)	545,839	.0458-.0914	NA
Radio/TV/Music	103	138,434	.0744	1.13
Eating & Drinking	3,215	4,541,772	.0708	1.08
Drug Stores	216	492,142	.0439	.67
Sporting Goods	119	95,342	.1248	1.89
Jewelry	74	128,977	.0574	
Gift & Novelty	112	88,107	.1271	
WHOLESALE	3,155	5,260,928	.0600	.91
Motor Vehicle & Auto	228	437,782	.0521	.79
Lumber & Construction	149	202,079	.0737	1.12
Sporting Goods	191	86,072	.2219	3.37
Electrical Goods	275	345,056	.0797	1.21
Hardware/Plumbing/Heating	159	217,773	.0730	1.11
Machinery, Equipment & Supplies	468	1,206,704	.0388	.59
Paper & Paper Products	175	173,304	.1010	1.53
Drugs	(20-99)	99,190	.0201-.0998	NA
Chemicals & Allied	174	112,317	.1549	2.35
Petroleum Products	83	189,255	.0439	.67
SERVICES	11,840	17,814,081	.0665	1.01
Hotels/Lodging	845	1,097,920	.0770	1.17
Personal Services (laundry, cleaning, beauty)	653	953,112	.0685	1.04
Services To Buildings	459	494,039	.0925	1.41
Personnel Supply	238	562,091	.0423	.64
Computer & Data Processing	133	323,964	.0411	.62
Mgmt & Public Relations	93	357,261	.0260	.39
Nursing & Personal Care Facilities	413	1,033,092	.0400	.61
Outpatient Care	65	180,605	.0360	.55
Engineering & Architectural	273	546,692	.0499	.75
TRANS., COMMUN., PUBLIC UTILITIES	2,337	4,613,030	.0507	.77
Local & Inter-urban Transit	(100-249)	263,012	.0380-.0947	
Trucking & Warehousing	471	1,227,679	.0384	.58
Air Transport	195	426,506	.0457	.69
Communication (telephone, tv, radio)	985	1,348,294	.0731	1.11
Electric, Gas & Sanitary	(250-499)	767,224	.0326-.0650	49-99

TABLE 24

1982
CHITTENDEN COUNTY
SERVICE SECTOR LOCATION QUOTIENTS

WHOLESALE TRADE	.71
RETAIL TRADE	1
BANKING	1.3
HOTELS	1
BUSINESS SERVICES	.57
HEALTH SERVICES	1.1
EDUCATION	2

For example, local employee ownership of some of these emerging industries can provide local democratic control over the creation of the work environment while also offering the opportunity for shared financial rewards for successful business performance.

Comparing service sector employment in Chittenden County with the United States provides some distinction between those service industries that are fully developed export industries in the County, and those service industries that are underdeveloped and thus likely to grow as the economy matures.

In general, the local economy appears most underrepresented in those services that are tied to industry - the "distributive" and "producer services." Again, these are also the two highest paid segments in the service sector. The few exceptions to our finding of under-representation in these categories are in the finance, insurance and real estate industries which comprise 8.1% of service employment in the County as compared to only 6.8% in the United States as a whole. An additional exception is in the wholesale trade of sporting goods. This industry has a location quotient of 3.37, indicating its strength as an export service (see Table 23).

The clearest export segment in the service sector in Chittenden County is in the health and education areas. The presence of UVM and the Medical Center are particularly important to the local economy since these services are exported on a national level and bring significant income into the area. These two institutions are among the top five employers in Chittenden County. Their growth is partially responsible for the strength of the local economy. Building upon the educational and health resources of the County is an important aspect of local economic development.

Within the health care sector, however, are two areas that appear to be underdeveloped and warrant further research (see Table 23):

- . Outpatient care.
- . Nursing and personal care facilities.

A second service area clearly export in nature is "Visitor Services" or those enterprises that service the tourist industry. Both hotels and lodging, and eating and drinking places have location quotients of over ten, an indication that they are exporting their services (see Table 23). Existing plans for the development of the Burlington waterfront will undoubtedly lead to even stronger growth in this area. Airport expansion will also greatly strengthen the ability of all visitor services to broaden their business base.

Finally, in the consumer services and retail sectors, employment figures suggest that these industries are fully developed, and thus are clearly export industries. However, retail sales figures do suggest that this sector is not as developed as one would expect. In

both the City of Burlington and Chittenden County as a whole, retail sales have not kept up with population growth relative to the United States (see Table 25). In fact, if local retail sales relative to the United States are compared to local population relative to the United States, the region and city both show a declining position in total retail sales. Areas of particular weakness appear to be:

- . Auto dealers
- . Drugs and proprietary stores
- . Food stores

Again, eating and drinking establishments showed particular strength having a growing share in both the City and the County.

Within the area of consumer services there are also areas of strengths and weakness. Underdeveloped industries in this category include:

- . Auto repair
- . Miscellaneous repair
- . Motion pictures
- . Amusement and recreation

Overall, the retail consumer and tourist-oriented segments of the service sector provide the least promising employment opportunities in terms of wage and skill levels. Market gaps are also likely to be filled by what we have called Type A or "Core" development projects. Thus, no public intervention is called for unless these gaps are critical on a neighborhood basis. For example, the lack of a drug store or a grocery store may be an important issue to particular

TABLE 25
RETAIL: CITY AND COUNTY LOCATION QUOTIENTS

	1977		1983		Burl Sales/US Sales		Chittenden/US Sales	
	Burl/ US	Cnty/ US	Burl/ US	Cnty/ US	Burl/US Population 1977	1983	Chittenden/US Population 1977	1983
Population	.0186	.0513	.0160	.0506				
Total Retail Sales	.0271	.0582	.0180	.0437	1.46	1.12	1.13	.86
General Mdse Stores	.0359	.0517	.0465	.0738	1.93	2.90	1.01	1.46
Food Stores	.0184	.0604	.0164	.0574	.99	1.02	1.18	1.13
Auto Dealers	.0183	.0611	.0103	.0441	.99	.64	1.19	.87
Furniture & Home Furnsh Stores	.0390	.0510	.0380	.0863	2.10	2.37	.99	1.71
Eating & Drinking	.0331	.0566	.0295	.0780	1.78	1.84	1.10	1.54
Drugs & Proprietary	.0204	.0312	.0138	.0398	1.10	.86	.61	.79

Sources: Sales and Marketing Management
"Survey of Buying Power" July 1984

neighborhood residents. In such cases, such as the lack of a quality food store downtown, further market research may justify public intervention.

In summary, continued growth of the service sector, particularly in urban areas, is inevitable. The challenge to policy makers is how to improve the quality and opportunities in service sector employment. As previously indicated, employee ownership may be a structural innovation for emerging segments of this sector that could improve the quality of employment opportunities. In targeting venture development in this sector, the City should focus on those areas where job quality is relatively high - the distributive and producer services. More generally, promoting increased commercial activity in the City should be justified as part of Type A "Core" development strategies (see pages i through iv) and not as a Type B "Base" or job-oriented strategy. Our analysis provides evidence that further commercial market opportunities - both in retail and office space - probably exist in the County. The challenge then is for the City to work with developers to capture a major share of the growing commercial market.

2.4 City of Burlington Employment

The discussion up until this point has analyzed at the local economy on a regional level. Our analysis now turns to employment issues specifically within the City of Burlington. This analysis is important for two reasons:

- . With a limited regional transportation network, the location of quality employment opportunities within the City is important to City residents particularly in order to serve the low-income target populations of concern to the City.
- . A strong business environment within the City is important for the tax base of the City.

Although our summer 1984 survey of major manufacturers confirmed that Burlington firms on average employ a higher percentage of Burlington residents than non-Burlington firms,* we must nevertheless emphasize that the Burlington labor force as a whole is very mobile. For example, IBM in Essex Junction is a larger employer of Burlington residents than is GE of Burlington.

*Of the companies who responded to our survey, Burlington employers reported employing 31% Burlington residents. Winooski employers reported employing 29% Burlington residents. Chittenden County employers, in general, reported employing 19% Burlington residents. Thus, Burlington manufacturers only employed a slightly higher percentage of Burlington residents than was true of employers in surrounding cities and towns.

Increasingly, the City of Burlington has become the service sector "hub" of the growing Chittenden County economy. Retail trade, finance, insurance and real estate, transportation and utilities and services have grown significantly since 1965. Manufacturing employment has remained relatively stagnant - 1983 figures show that employment in the manufacturing sector rose only 3.5% since 1965, whereas retail trade employment grew close to 90% during this same period (see Table 25). The growth in manufacturing in the County has clearly been a phenomenon centered around the city. By the end of 1983, only 14% of the 27,913 jobs located in the city of Burlington were in manufacturing, while 41.4% were in services and 21.7% in trade. The City of Burlington accounted for 82.5% of all service jobs in Chittenden County and 47% of all trade jobs (see Table 26 and Graph 26).

When analyzed on a national scale, this trend is not surprising. Central cities in a metropolitan area specialize in legal, financial and business services that "service" the surrounding manufacturing base. This finding was confirmed by a recent Rand Institute study which concluded that policies aimed at stimulating these industries will assist a city's economy rather than a suburb's (Rand Institute, Picking Winners). Burlington in fact has been more fortunate than many other cities - the total number of quality jobs in the City relative to its population base has not declined significantly in the past 20 years.

TABLE 26
CITY OF BURLINGTON EMPLOYMENT: PLACE OF WORK*

	1965	1970	1975	1980	1983
MANUFACTURING	3,850	4,258	3,778	3,989	3,986
RETAIL TRADE	2,447	3,254	3,182	4,258	4,599
WHOLESALE TRADE	1,033	1,251	1,252	1,313	1,282
FINANCE, INSURANCE AND REAL ESTATE	925	1,330	1,513	1,752	1,932
SERVICES	N.A.	N.A.	7,929	10,884	11,726
TRANSPORTATION AND UTILITIES	1,282	1,589	1,579	1,786	2,026
CONSTRUCTION	832	1,134	565	881	1,066
TOTAL	12,849 #	15,364 #	20,554	26,296	27,913

* Average of December and June employment

Does not include University and Health employment

SOURCE: Vermont Department of Employment & Training

BURLINGTON CITY EMPLOYMENT AS A
PERCENTAGE OF REGIONAL EMPLOYMENT
TABLE 27

	1965	1970	1975	1980	1983x
Manufacturing	59.0%	40.0%	41.0%	27.3%	25.2%
Trade	62.0%	60.0%	50.4%	46.4%	47.0%
Service	N/A	N/A	90.3%	91.5%	82.5%
Construction	N/A	N/A	N/A	27.5%	30.6/x
Finance, Insurance and Real Estate	N/A	N/A	N/A	71.5%	75.9/x
Transportation and Public Utilities	N/A	81.5%	77.0%	72.9%	84.2/x

x Based on fourth quarter 1983

2.4.1 The Manufacturing Sector in Burlington

Little of the high tech employment of Chittenden County is located in the City of Burlington, though a small number of emerging growth companies in the high tech area, such as Biotek, are located in Burlington. The city remains the home of the more traditional industries and young, emerging service-sector companies. In fact, most employment in the traditional manufacturing industries discussed earlier are located in the City. In general, actual manufacturing facilities in the city have been in existence for close to 75 years, remain locally owned and controlled and exporting their products internationally.

A profile of the major employers in the city includes:

- . General Electric: The Burlington plant, with about 2,200 employees, produces armament systems for military aircraft, helicopters, ships and ground vehicles. Products include the M1 20MM Vulcan and Gall-880MM gun and ammunition feed systems. Sales are 100% defense related and either made to, or authorized by, the United States government. Recent increases in defense spending have benefitted this industry. An article in Nation's Business in July 1983 noted "the world market for American arms is opening dramatically." Local employment levels are likely to remain relatively stable.
- . G. S. Blodgett: Blodgett is a long time, locally owned company, established in 1848, which manufactures commercial ovens. The company, with about 182 employees, exports its product world-wide. It is unlikely that the company will expand its workforce over the next three years.
- . E. B. & A. C. Whiting: This local company, established in 1873, makes plastic monofilaments, brush and broom fibers. The company employs about 150 individuals and also exports its products world-wide.

- . The Lane Press: This company, established in 1904, is the largest commercial printer in the region with about 200 employees.
- . Edlund Corporation: Edlund was established in 1925 and manufactures equipment and supplies for commercial and institutional uses. Products include can opening equipment, scales, knife sharpening and slicing equipment and food tongs. According to an article in the local business press, the company, with about 90 employees, has also done sub-contracting work for IBM.
- . Hayward Tyler Pump Co: This company, owned by New York based Indian Head Corporation, makes pumps for nuclear power generation equipment and spare parts for fossil fuel power generation and the pulp and paper industry. It employs between 50 and 100 individuals. This Company has experienced declining employment in the recent past but is working to diversify into more promising markets.

In terms of industrial groups, the printing and food industries dominate manufacturing in the city (see pages 74-76). Currently there are 19 printing and publishing establishments employing 745 workers in the city. This accounts for approximately 80% of all county employment in this industry. The recent move of Essex Publishing to Essex Junction will alter these figures somewhat.

In June 1983, there were nine companies located within the City in the food industry employing 363 workers. This industry has declined in the city over the past 20 years. In 1965, there were 20 food-related manufacturing companies in the city employing 639 workers; by 1975 the number had decreased to 438 workers in 13 companies. Although this industry has been in decline, there is some indication (see pages 74-76) that with particular attention to specialty markets and use of local Vermont dairy imports, this could be an industry to focus on for future development.

2.4.2 The Service Sector in Burlington

As Chittenden County has grown, the City of Burlington has increasingly become the service center to a thriving regional economy. The City is not only servicing the County. As the largest City in Vermont and Northern New England, Burlington is exporting its services to a relatively large economic area. The trend toward a growing service economy in the City is likely to continue.

Service sector employment in the City is dominated by the nonprofit sector (see Table 27). In 1983, health and education services alone accounted for approximately 42% of all service sector jobs and about 33% of total Burlington employment. The relative importance of this sector also have increased. In 1975 the nonprofit sector accounted for only 37.5% of service sector jobs in the city.

These services are dominated by UVM and the Medical Center, which are two of the largest employers in the region. In December 1984, the Medical Center reported that they employ 2,481 full-time people, of which 1,010 (or 41%) are Burlington residents. Also in December 1984, the University of Vermont reported 2,700 full-time employees, of which 801 (or 20%) are Burlington residents. These institutions clearly are export in nature and bring substantial income into the County and the City.

Growth trends within this nonprofit sector are also significant. Since 1975, the number of individuals employed in health and education professions increased by close to 50%.

BURLINGTON SERVICE EMPLOYMENT 1983
TABLE 28

	1975		1980		1983	
	NUMBER	% of Total	NUMBER	% of Total	NUMBER	% of Total
DISTRIBUTIVE	2,772	16.8%	3,077	14.8%	3,260	14.9%
Transportation & Utilities	1,562	9.4%	1,777	8.6%	1,995	9.0%
Wholesale Trade	1,210	7.3%	1,300	6.3%	1,295	5.9%
PRODUCER SERVICES	2,775	16.8%	4,031	19.5%	4,362	19.8%
Finance	1,531	9.3%	1,854	8.9%	1,932	8.8%
Business Services	326	1.9%	902	4.4%	910	4.1%
Legal Services	188	1.1%	196	.9%	238	1.1%
Membership Orgs.	170	1.0%	180	.9%	166	.7%
Misc. Professional	165	1.0%	323	1.6%	336	1.5%
Social Service	395	2.4%	576	2.8%	780	3.5%
CONSUMER SERVICES	651	3.9%	803	3.9%	984	4.5%
Hotels	111	.7%	243	1.2%	251	1.1%
Personal Services	333	2.0%	315	1.5%	361	1.6%
Auto Repair	68	.4%	116	.6%	157	.7%
Misc. Repair	55	.3%	46	.2%	39	.2%
Motion Pictures	33	.2%	7	.03%	40	.2%
Amusement & Recreation	51	.3%	76	.4%	136	.6%
NON-PROFIT (Health & Education)	6,194	37.5%	8,072	39.0%	9,200	41.7%
RETAIL	3,490	21.1%	4,708	22.7%	4,210	19.1%
TOTAL	16,533		20,691		22,049	

SOURCE: Vermont Department of Employment and
Trainings: December of each year.

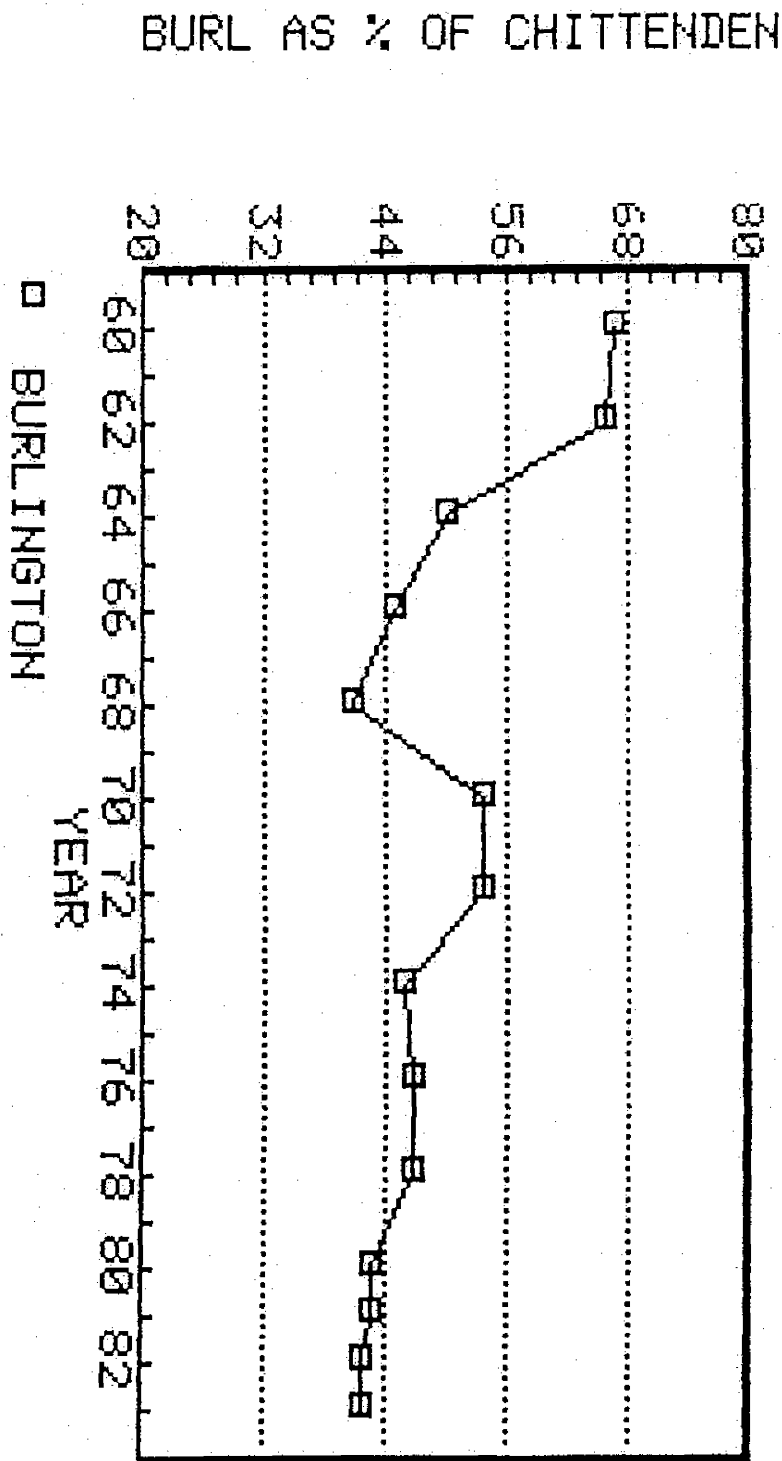
Producer services - those such as finance, insurance, real estate and business services which are linked to other industries - comprise the second largest portion of service sector employment in the City. The share of producer services has also been increasing - in 1975 it accounted for 16.8% of the City's service sector employment and by 1983 it accounted for 19.8% of Burlington's service sector. The boom in downtown office space is another indication of the growth of producer services.

As discussed earlier, however, this sector remains somewhat "underdeveloped" given the size and nature of the regional economy. For example, business services - an area that should be growing in a strong economy - has actually remained stagnant in the City between 1980 and 1983. Employment in the financial industry has increased by only 4% since 1980 (see Table 27).

Employment in the retail trades comprise the third largest proportion of the service sector's employment in the City with 4,210 jobs, or 19% of service jobs. The City's role as the center of retail trade in the region has actually been decreasing as the surrounding towns have grown. Employment in retail in 1983 was actually a smaller component of service sector employment than it was in 1975. Between 1965 and 1983, retail employment in Burlington grew about 88%. During this same period, retail employment in the County, however, grew by 182%. In 1983, retail employment accounted for 15% of all jobs in the City whereas in 1975 it accounted for 17% of all jobs. The City's decreasing share of County retail sales is another indication of market share loss (see Graph 27).

GRAPH 17

TOTAL RETAIL SALES



SOURCE: Sales & Marketing Management, "Survey of Buying Power"

City of Burlington Employment: Conclusion

In summary, the commonly held perception that the City of Burlington is increasingly becoming the location of only the worst quality jobs in the County is not entirely accurate. Although the proportion of manufacturing jobs in the City is in fact declining, the proportion of jobs in the lowest paid sector - wholesale and retail trade has also declined. Those components of the service sector industry that have grown in importance, the nonprofit and producer services, actually have higher average annual wages and more skilled jobs than is true of the service sector in general.

The image of the City of Burlington as one with declining opportunities for quality employment in the City is also not entirely accurate. Between 1970 and 1980, the number of manufacturing jobs in the City declined by only 6.3%. Between 1980 and 1983, the number of manufacturing jobs in the City remained unchanged. During this same period the non-student population of the City declined significantly. The fact that economic growth in the City has been in the service sector does not explain why Burlington residents have lagged the County on most economic measures. Quality jobs located in the City have not been lost at any significant rate and good manufacturing jobs in the surrounding region have expanded dramatically.

Again, the central employment issue facing the City does not appear to be availability of quality employment opportunities but instead the accessibility of those opportunities to the skill base of City residents.

The growth of the service sector in the City has in fact benefitted the City in fiscal terms. The revitalization of downtown and the rehabilitation of unused commercial space for new first-class offices has added to the City's fiscal capacity and may in the long run help the City to retain a stronger base of families.

The growth of nonprofit and service sector employment therefore is not at the root of the problems of low-income Burlington residents. This growth, properly and fairly directed and distributed, in fact presents an economic opportunity for those residents. The challenges facing the City relative to this sector therefore are three:

First - How to influence nonprofit and service sector growth so that future development plans match the interests of City residents and City neighborhoods.

Second - How to increase the participation of Burlington residents in the middle- and upper-income end of employment opportunities offered by existing nonprofit and service sector employers. (and)

Third - How to channel the entrepreneurial interests of Burlington residents to new venture opportunities that can be uncovered in this sector. In this context, the distinction made earlier (see page) between service occupations and service industries should be an instructive guide as to how to take best advantage of these opportunities. The more that Burlington residents own and control future service industry structures (i.e., the businesses themselves) the better served they will be by the ongoing and inevitable evolution toward a service-based economy in Burlington.

2.5 Micro-Business in Burlington

As discussed earlier, Burlington is the home to a number of large traditional manufacturing companies as well as to an impressive array of emerging "micro-businesses." We define "micro-businesses" in this context as young, non-retail firms with less than twenty employees.

Using state incorporation data, the local Business press and our own walking tours of local "incubator buildings," we assembled a preliminary listing of these micro-businesses in the City. An informal survey of the specific problems of this group was also conducted. Although not statistically significant, these interviews provide a good beginning for understanding the type of businesses being "born" in the City and the constraints they now face.

A number of general findings stand out:

First, there is a remarkable diversity among the types of micro-businesses operating within the City. While we expected many of these small businesses to be in non-traditional industries, we did not anticipate either the degree of "innovation" displayed or the geographic scope of the markets that these businesses serve. A surprising number of the City's micro-businesses are shipping their products and services out-of-state. A few companies in particular are at the cutting edge of technology in their field - from video and audio production to computer software and computer components.

Second, several industry "clusters" of micro-businesses in the City were uncovered. These included companies in gourmet food products and companies involved in graphic arts, and multi-media production. These companies share certain marketing and distribution needs, and could benefit from city-initiated efforts to resolve those problems cooperatively.

Third, many of the micro-businesses have difficulty raising capital. Most were capitalized exclusively with money from family,

friends or personal savings, and most noted difficulty in convincing local financial institutions of their viability. A number of companies suggested that the growth was being seriously constrained by this lack of access to appropriate financing in the Burlington area. It is probable that some of their difficulty is due to the lack of sources of "risk capital" and that much of their financing needs may not be an appropriate area for commercial bank financing.

Finally, as these companies grow, the availability of space in the City may become another constraint. Many of these companies expect to need additional space to expand their operations over the next few years. Currently, many are paying very low rental rates in run-down commercial space or in informal incubator buildings such the "Alley" building off of Pine Street. If efforts are not taken to provide these companies with assistance in locating reasonable space for expansion, it is likely Burlington will become the location for many enterprise "births" but will lose these businesses once they have achieved real growth and employment generating potential. Burlington should not spend resources "nurturing" micro-businesses if it cannot later convince at least the most promising of these firms to locate permanently.

CHAPTER 3.

CONSTRAINTS AND RESOURCES FOR FUTURE DEVELOPMENT

3.1 Land & Buildings

In assessing the cost and availability of land and buildings for commercial and industrial uses in the City of Burlington, two issues must be distinguished - the reality of what exists and the perceptions of the business community. The City Planning Department is in the process of surveying all land available in the City. The results of their work will be of critical value in understanding the reality of commercial and industrial space availability in the City. However, the immediate issue facing the City is the widely held perception that there is extremely limited space available for industrial development. The common perception is that land that is available requires extensive work or is extremely expensive. This perception is affecting the current expansion and relocation plans of Burlington companies.

Clearly, some land and old industrial buildings do exist that could be developed for manufacturing in the City. The scarcity of this land, however, means that the City has to be extremely careful in allocating its scarce resources to benefit those firms which are likely to generate the most direct net new quality employment opportunities to Burlington residents.

It is also important to remember that the Burlington economy is regional economy. Many Burlington residents work in Winooski, South Burlington and Essex Junction. Our survey of local employers found

only a limited correlation between a plant's location and the percentage of Burlington residents employed. For the most part, the only advantages to the City of a manufacturing plant being located in the City involve the City's tax base and the ease of transportation for residents to travel to work. If alternative uses of space would generate equivalent taxes, the only remaining value of locating businesses in Burlington is the proximity of work to where residents live. With limited industrial space the City might have to look more closely at regional transportation networks to assure that its residents have access to quality jobs in surrounding communities.

Finally, in order to manage its existing space more effectively, the City could create a more formal data base and manual on existing lands and buildings - their square footage, development constraints, owners and cost. This information could be provided to developers and companies interested in industrial development and assure that local perceptions in fact match the reality of commercial and industrial space availability.

3.2 The Availability of Capital

The availability of appropriate types of financing is critical to the development of new enterprises. Although, for the most part, capital markets function effectively, often firms of a certain size, stage of development, ownership form, or geographic location may face special problems in locating the forms of capital they need. One important policy objective of the Local Ownership Project is to assure that all financially viable small businesses in Burlington have access to appropriate financing.

The City of Burlington has already taken an important first step in improving the availability of capital through the creation of the Burlington Revolving Loan Program. However, this program is limited in resources and only able to provide certain types of financing.

Although we are unable to undertake an indepth review of the financing available within Burlington, a few tentative conclusions can be made, based on available data and conversations with business people in the City.

- . Although Vermont commercial banks are very aggressive - having one of the highest loan to deposit ratios in the country - most of their lending is in the area of residential real estate. In 1983, Vermont banks had by far the largest percentage of their loan portfolio in 1 to 4 family residential homes (36.2% in Vermont as compared to a United States median of 16.9%) and among the lowest percentage of loans to commercial and industrial borrowers (22.4% of gross loans - only three states have a smaller percentage). In terms of commercial and industrial loans per capital, Vermont again ranks very low with \$897.00 of loans per person as compared to a national median of \$1,111.00 per person. Unfortunately, it is impossible to evaluate what these figures mean to businesses in the City of Burlington without extensive interviews, since data is not available on the location of bank loans.
- . Risk capital is particularly critical to the development of new companies. This type of capital could be further divided into seed capital for the start-up of an enterprise, venture capital to provide the equity infusions needed during the growth stages of a company's development and subordinated debt, often needed by both growing and mature companies. All three types of risk capital are virtually non-existent in Burlington or the state of Vermont. One measure of seriousness of the lack of risk capital in the state of Vermont is the fact that Vermont had only \$.10 in SBIC (Small Business Investment Corporation) financing per person as compared to a national median of \$1.00 per person. Only two (2) states, West Virginia and Delaware had a smaller amount. The risk capital that is available in the region is largely informal

capital controlled by wealthy residents. Access to this capital is usually limited only to those individuals intimately tied into this network.

- . Vermont does not attract much capital from the national capital markets. On a capita basis, in 1982 United States insurance companies held fewer mortgages in Vermont than in any other state in the United States.
- . Most small to medium businesses in the City looking for financing from local banks have reported that they have not found the banks to be overly conservative or restrictive. However, many of the micro-businesses particularly those involved in producing non-conventional products, have reported that local banks have not met their needs.

Finally, it could also be expected that without a continuing educational effort by the City, launched by a November, 1984 Local Ownership Advisory Board meeting with the banking community, local banks may not respond favorably to concepts of local and employee ownership, and may be hesitant about responding to the financing needs of the City's growing incubator businesses.

Where there is a clear case for a new capital fund is in the area of risk capital. Our recent meeting with local bankers led to consensus on this problem. Within this category there are two needs:

1. A high risk seed capital and early stage venture fund.
2. A fund providing either equity loans or general debt and financing for employee-owned businesses.

Relatively untapped sources of capital for small business development in the region include:

- . Local commercial banks and thrifts.
- . Informal investors - local wealthy individuals.

- . Public pension funds of City and State.
- . Private - (union and university) - pension funds.
- . National foundations and community based investment funds.
- . Potential state resources through promoting new state capital resource institution.

A strategy must be developed to draw upon these resources more effectively in support of the objectives of the Local Ownership Project. The campaign platform of Governor-elect Kunin on the topic of capital shortages for small business development is essentially consistent with our findings. The City should involve itself in whatever planning activity is now underway within state government on these issues.

3.3 Labor Market Constraints and Opportunities

Little room for doubt exists that Chittenden County is a region offering great economic opportunity. Statistics show that economic growth and quality employment opportunities abound within Chittenden County. Our projections suggest that these same positive economic trends will continue in the years ahead.

From the point of view of the average Burlington resident, however, the existence of these promising economic conditions takes an ironic twist. Operating without the necessary skills, Burlington residents often must step aside in favor of others better prepared than they to take advantage of those opportunities. Instead of being leaders and participants in the economic boom surrounding them, they are relegated to the role of spectators. Before outlining the strategy suggested to contend with this problem, we should review what are three levels of the Burlington employment dilemma.

First: Official unemployment in the City of Burlington is low, both by state and national standards. This fact creates a perception that all is well with Burlington workers and that market forces alone will solve employment problems.

Second: While employed, a strong case can nevertheless be made that Burlingtonians are underemployed. Our research shows that Burlingtonians are unnecessarily clustered toward the lower end of the skill and wage spectrum of employment opportunities. As a result, Burlingtonians are not sharing equitably in the regions economic growth.

Third: Unemployed Burlington residents are likely to be unskilled. Like many of their employed contemporaries, the employment opportunities likely to be available for them are in low skill, low wage jobs in retail trade with particularly little prospect for meaningful advancement.

From a distance, the first of these levels of explanation of the employment status of Burlington residents - a low unemployment rate - would appear to argue for a "hands-off" employment policy for the City.

However, the second two levels of explanation reveal genuine problems that are at the root of the City's economic disadvantages with the County at large, justifying deliberate intervention to correct these disparities.

The root of Burlington's employment problems is the lack of appropriate skills of its workforce. As long as the majority of Burlington residents remain unprepared to take on the higher skill, higher paying jobs that are and will continue to become available within the County, they will remain at a disadvantage to the County as a whole deferring it to the wave of largely "imported" workers, technicians and managers who, while settling outside the City, will take advantage of the City's services.

The first step to solving the problems of most officially and "unofficially" unemployed Burlington residents is the establishment of appropriate training programs that can raise the level of employability of Burlington residents to at least the entry level of

the area's higher quality, "mainstream" employers. The design and implementation of such programs should not be the responsibility of City government alone. City government instead should act as a "catalyst," bringing major community actors - such as the larger corporations, universities and state government - to the table in order to secure commitment by those groups to serious participation in the overall task of training the City's targeted workforce populations.

Fortunately for the City of Burlington, there appears to exist a growing job training infrastructure of nonprofit service organizations, interested not only in helping to design but also in actually carrying out training experiences for the City's targeted populations. Among these groups who we are informally encountered during the course of our research include:

1. The Burlington Youth Employment Program (BYEP) - BYEP, as described in the target population section of this report, has begun to establish itself as a proven, valuable job training experience for the City's unemployed youth. BYEP's active and technically competent Board of Directors, which includes a number of members from the banking and small business community helps give it credibility with the private sector. The successful completion of a housing rehabilitation project in the North End of the City this past month has given tangible evidence of what this group can produce. The project's Director, Jim Hokans and the BYEP Board intend to expand their training capacity, adding new projects in whatever new markets or skill areas can be supported with serious participation and support from the areas business community.

2. Associated Resources Inc. - This nonprofit organization, which has helped to establish employment opportunities for handicapped residents of Vermont for more than two years now, has recently expanded its mandate to include the creation of partially subsidized, actual small businesses that

can perform various subcontracting functions for local manufacturers and in the process create a complete job training experience for both handicapped and non-handicapped workers alike.

3. I.D.E.A. Inc - This nonprofit organization, presently based in Randolph, Vermont, has yet to formally establish itself. Its plans, nevertheless, are "to hire and train 'disadvantaged workers' referred by the Department(s) of Corrections and Vocational Rehabilitation, human service agencies and public schools." The current focus of the plans of this group relate to the creation of a partially subsidized small business/enterprise experience, sounding similar to that of Associated Resources in the high tech field of data processing. The objective of this program is to help make "job ready" small groups of eight workers who would complete an intensive three-month training experience under the supervision of I.D.E.A. Inc.'s staff.

No "hands-on" job training program presently exists to our knowledge dedicated specifically to the needs of low-income women in the City of Burlington. While it may well be the case that any of the above groups may be interested in focusing their efforts at some point in time on this population, the lack of such a training focus in the City should be addressed by City government, perhaps beginning with the Mayor's Council on Women.

Finally, plans for the development of the Burlington waterfront present an unusual opportunity for job creation that should be met with a full array of job training programs matched to the types of job opportunities available. Planning should proceed on this opportunity with appropriate governmental job training entities as well as with educational institutions and the private sector.

CHAPTER 4.

POLICY RECOMMENDATIONS

Having completed a detailed analysis of the demographic and economic landscape of the Greater Burlington area, we will conclude our report with this final chapter of Policy Recommendations. To understand the context for those recommendations, we should return to three basic assumptions, articulated in the Rationale section of this report, that from the beginning have guided our effort. Those assumptions are:

1. That the City's effort to influence the quality of job opportunities within the region should proceed with a strategic understanding of the strengths and weaknesses of the types of business enterprises most likely to create those job opportunities.
2. That the most productive role for the City to play in attempting to improve the job opportunities within the region is that of a catalyst or "broker" of innovative and progressive policy ideas and programs. Where the City's role in improving job opportunities involves a direct investment of public dollars or time in private sector activity, the City is entitled to reasonable public or 'social' returns on that investment.
3. That the City of Burlington has a continuing obligation to seek new ways of reaching what it defines to be "target populations" within the City who are in need and who continue to be excluded from the economic mainstream even in times of economic prosperity.

Our policy recommendations follow from these three critical assumptions. Below we discuss each of them in turn.

4.1 Using a Strategic Analysis

Our first assumption, regarding the development of a strategic understanding of the City's business economy, was introduced in the Rationale Section of this report. There we distinguished what we described as traditional "Type A" (Core) economic development activity from strategic "Type B" (Base) economic development activity. Type A (Core) economic development, we argued, focuses on maintaining and improving the local market share of primarily retail business activity within a given region. Type B (Base) economic development, on the other hand, focuses on promoting business growth that can potentially capture larger "external" national and international markets, as well as local markets, thus resulting in the importation of significant economic value to this region.

Our subsequent analysis of certain key sectors of the Greater Burlington economy - high tech manufacturing, traditional manufacturing and service industries - led us to certain general conclusions about current activity in those sectors:

- o The high tech manufacturing sector, while primarily responsible for the prosperity enjoyed by the region, dominates the Greater Burlington economy to a potentially de-stabilizing degree. The reliance of the Greater Burlington economy on a small number of very large "branch plant" high tech employers warrants careful monitoring by City government.

We emphasize that the potential problems presented by Burlington's existing high tech firms are not problems of high tech business per se, but instead are related to the concentrated nature of employment capacity in the hands of a small number of large, regional firms. Therefore serious efforts should be made to work constructively with those major employers, continuing to secure their long-term

commitment to the region. However, the City should also hasten, in conjunction with those employers and local universities, to promote a more diverse base of local, "home grown" high tech firms, rooted in the Greater Burlington area.

- o Traditional manufacturing activity in areas such as electrical machinery, printing and food products provides an important balance to the Greater Burlington regional economy. Skilled employment within this sector will continue to exist, though more research is required to understand how technological changes in these industries will affect their ability to compete in national and international markets. The City should work with existing local employers to insure that they are receiving available Federal, state and City assistance to enhance their chances for expansion, while also insuring that local residents are considered for possible employment openings.
- o The Service sector presently dominates employment within the City of Burlington. This employment, while spreading throughout a variety of subsectors (distributive, producer, retail and consumer services), remains concentrated within two major institutional employers, The Medical Center and the University of Vermont, whose commitment to the Burlington area is secure.

Significant growth is projected for all segments of the service sector as the City of Burlington continues to evolve into the service "hub" of a growing high tech and traditional manufacturing regional economy. While conventional service employment does not typically provide earning potential equivalent to the high tech and manufacturing sectors, this report's suggestions concerning local ownership and control structures for future service sector firms could potentially address that discrepancy.

* * *

Detailed information contained within the body of this report on each of these sectors will provide important background data for City government to shape its relationship with the business community in the years ahead. Given the fast changing nature of events within the business economy, however, City government requires more than just

timely information about current activity in the various sectors of its economy. What is needed in addition are general decision criteria to guide the City's future investment of scarce public sector resources into Burlington's business and employment base.

To provide those general criteria, we recommend the use of two decision models when undertaking the investment of public sector resources. Each model presents an ideal, ranked set of standards against which to judge the promise of a public investment (usually a low interest loan or other subsidy) in a potential enterprise. Model I refers to what we call private, for-profit venture development. Model II refers to what we call "community needs" venture development.

Model I private, venture development may not directly satisfy the community's immediate needs, but may instead offer substantial public return by providing quality jobs and income. Model II may respond to immediate community needs, but may offer little potential for long-term business development or quality employment. The choice of which decision model to use depends upon the City's relative needs: on the one hand for quality employment opportunities, and on the other for the satisfaction of unmet current community and consumer services.

The actual choice and ranking of particular criteria within each of these models is based upon our analysis of the current Greater Burlington economy and may require changes as the economy evolves over time. Other economies, different from Burlington, would require a very different set of criteria.

4.1.1 Model I. Private Venture Development

In evaluating the worth of private venture development, the City should weigh five (5) key criteria:

Market Viability > Quality Local Employment > Traded/Export Goods or Services > Local Ownership > Diversity of Economic Base.

Criterion 1. Market Viability - The most fundamental criteria for judging possible public returns is that of market or business viability. To assess viability, standard procedures regarding evaluation of competitive position, the strengths and weaknesses of the principals involved (managers and workers) and overall financial condition of the venture must be carefully considered.

Criterion 2. Quality Local Employment - Since Burlington is a part of a rapidly growing regional economy, simply creating jobs is not a sufficient rationale to justify public intervention. More than simply creating jobs, public intervention should be targeted toward the creation of quality jobs for Burlington residents. Quality employment can be defined as:

- . Better than median regional wages.
- . Potential for skill enhancement (and)
- . Potential for participation in company decision making.

Therefore in screening proposals for City resources, the City should determine how many Burlington residents are currently employed or can be expected to be employed, and for what level or type of job opportunities. Data regarding wage levels of different industries and typical occupational breakdowns within industries by wage level can be found in Tables 10, 18, and 22.

Criterion 3. Traded/Export Goods or Services - The most distinctive feature of Model I private venture development is the preference for ventures that export their products or services in broad regional, national and international markets. This ability to export to broad 'external' markets produces an inflow of new dollars into a community which in turn provide the basis for higher wages and benefits. Knowledge of the ability of a venture to export goods or services to broad external markets can be determined by an analysis of its stated marketing strategy.

Criterion 4. Local Ownership - Evaluation of the ownership structure of the firm in question is important in determining how "rooted" the enterprise will remain in the community overtime. "Absentee" or outside ownership can lead to the "milking" or draining of company assets by interests not tied to the community. Local ownership is more likely to encourage the re-investment of present earnings into the company's future needs and provide a more equitable sharing of the rewards of success with those local actors (managers and workers) responsible for that success. The broader or more equitably held the local ownership structure - with full employee ownership as the ideal - the more likely the firm will maintain local roots, and the more equitable will be the sharing of rewards and responsibilities.

Criterion 5. Diversity of Economic Base - Finally, before making public investments, the relative concentration of industry groups in a particular region should be evaluated. Over-investment in one group could put a community at risk in the event of a general market decline within that particular sector. To the degree possible, investments should be spread across diverse industrial or service groups.

4.1.2 Model II. Community Needs Venture Development

In evaluating the worth of community needs venture development from a public perspective, the City should weigh four (4) criteria:

Community Need Assessment > Market Viability > Local Ownership >
Quality Local Jobs.

- Criterion 1. Community Need Assessment - Community needs venture development begins with the direct expression of unmet consumer needs from particular neighborhoods or the community at large. This expression of need should ideally be as representative and scientific as possible, relying wherever possible on citizen surveys.
- Criterion 2. Market Viability - The expression of citizen need or desire for a product or service should not constitute sufficient grounds for public investment in a community needs venture. That data should instead be regarded as a first level case for a particular venture that must then be followed by systematic research into the market viability of the venture. Tests of market viability should follow the standard procedures outlined under Model I.
- Criterion 3. Local Ownership - Once a case has been positively constructed for a community needs venture, questions related to the ownership structure of the venture should be considered. Local ownership of a community needs venture would assure that decisions about what kind of local services should be provided will remain within local hands. Similarly, whatever earnings in excess of expenses are accumulated can remain among those local, community actors (employees, customers) responsible for the enterprises success.
- Criterion 4. Quality Local Employment Opportunities - An unfortunate attribute of community needs ventures of the past (food stores, day care, etc.), is that these organizations that are of critical importance to the community at large can often provide some of the worst employment opportunities for local residents. The primary causes of this problem have been the lack of qualified management, insufficient market viability (Criterion 2) and inadequate incentives for employees

to make professional long-term commitments to the future of the venture. Each of these problems should be explored before City government decides to invest scarce public resources into a given community needs venture. The particular problem of inadequate incentives for employees within ventures can potentially be addressed in tandem with the local ownership criterion mentioned above. Local resident, employee ownership of community needs ventures can assure both local control from a community perspective and employee "investment" in the future success of the enterprise.

4.2 City Government as Catalyst

To accomplish the goal of improving quality employment opportunities for city residents, City government must be prepared to act as a catalyst or broker of innovative ideas that will affect the region's business economy. By taking a longer range and more strategic view of the area's economy than individual private sector actors, City government can help to create proposals and programs that will benefit both private sector activity in general and the long range economic prospects of Burlington residents in particular.

Three general categories of such programs are proposed: the first category is a series of five new economic development policy initiatives to help stimulate general growth within the private sector regional economy. The second category is a listing of possible new venture ideas which arose out of our analysis of apparent market gaps and opportunities in the private sector economy. The third and final category is a proposal for the creation of a new, independent nonprofit local economic development entity, what we describe as a Local Ownership Development Corporation (LODC), that can coordinate the long-term implementation of certain of our proposed policy programs along with most of our proposed venture development activities.

4.2.1 New Policy Initiatives

First, we present our six (6) proposed economic development policy initiatives:

1. City Government should work with the University of Vermont, The Medical Center, The Greater Burlington Industrial Corporation (GBIC), and the State and Federal Governments to Establish a University Business Incubator Project.

The University of Vermont and the Medical Center are both invaluable resources for the future economic development of the City of Burlington. Not only are these institutions primary employers of City residents today, they are also a largely untapped source of quality employment opportunities for the future. Within recent years, state governments in six states across the country have acted to develop technologically advanced, university-based business incubator facilities. Now is the time for interested parties to initiate such a project within the State of Vermont.

The mixture of researchers, engineers and business management professionals on university campuses provides a natural "breeding ground" for new venture development. In the past, however, universities have often discouraged this type of association for fear it would interfere with the university's principal missions of teaching and research. Potential academic inventors on these same university campuses have also failed to pursue venture ideas fully -- either because of a lack of business expertise, or for fear that pursuing a venture idea would prove incompatible, in terms of time, with a full-time university career. The careful development of a university-based business incubator facility could address these problems and provide a needed source of new business growth in the years ahead. Many of these businesses would likely be of the "high tech" variety that presently lead the region's economy. One potential advantage of these businesses, from a community perspective, would be their relatively small size and diversity in various high tech markets.

Such an incubator facility would operate to commercialize the business ideas of university faculty. This commercialization could take the form of new corporations owned directly by the inventors of new product ideas, or the "leasing" of those same business ideas to independent, locally-owned corporations which would pay the inventor a royalty fee on products or services making use of the new idea. One national model the University of Vermont should investigate is located at nearby Rensselaer Polytechnic Institute (RPI), where the State of New York recently invested thirty (30) million dollars into the creation of a new university incubator facility. The City of Burlington should begin work with University and Medical Center personnel and other interested community actors to formalize support

for this idea. Once that support has been secured, these parties should pursue Federal and state sources of financial aid.

2. The City Should Undertake a More Comprehensive Analysis of the Food and Printing Industries.

The food and printing industries of Chittenden County provide employment to approximately 1,000 Burlington residents. The continued health of existing firms is critical to maintaining what little diversity presently exists in the area's local economic base. Our analysis of the regional economy also indicates that these sectors - if they are able to maintain their competitive edge - are due for more significant growth in the years ahead. Particularly in the area of specialty food production, the positive reputation of Vermont quality products when linked to statewide agricultural suppliers, could be a promising source of new, locally based venture development.

The City of Burlington should join with local printing and food industries to urge local university and college faculty to undertake full industry studies in the region.

These studies should examine:

- . Where local firms fit into the national and international marketplace
- . What the upcoming technological changes are likely to be in the industries, what they will cost and how they are likely to affect future employment
- . New areas for potential intra-industry cooperation in training, technology transfer and the exporting of goods to distant markets
- . New local markets which have not been tapped and which could serve as "test" markets for new product development (and finally)

- . New areas for potential cost saving through import substitution of inputs to these industries supplied by new locally-owned enterprises

3. The City Should Develop a "Buy Burlington" Program.

The City's small business community is now an important source of jobs and income for Burlington residents. Further promotion and support for this sector should become a central component of the City's "Base" economic development strategy.

Two initiatives which the City could undertake in this category are:

- A. Joint Marketing and Distribution Programs - Marketing and distribution are often the most difficult problems facing new, small businesses with limited capital resources. Models such as that developed by the Hilltown Community Development Corporation (see Attachment 5) can be designed for related clusters of Burlington small businesses in such areas as crafts, food, "high tech," video and advertising services which need to reach broader regional, national and international markets.
- B. "Buy Burlington" Program Directed to all Regional Employers and Consumers - Data from our Summer, 1984 survey of major manufacturers revealed a number of possible "import substitution" business opportunities for local small businesses. "Linkage" of these local small businesses to major regional employers could be encouraged through the creation of a "Buy Burlington" Marketing Program, modeled after efforts such as that developed by the State of Oregon (see Attachment 6). Local consumer awareness of Burlington small business products and services could be an important component of a "Buy Burlington" effort and could be marketed through local newspaper and media outlets.

4. New Capital Strategies

Two major categories of business capital needs exist in the City of Burlington. The first is a need for general risk capital for small

business expansion and venture development. The second is a more targeted need for low-cost debt and equity lending to support the development of locally based, employee-owned enterprises.

The first category of risk capital includes a broad range of capital needs, from pre-start up financial support for product development (associated with the recommended university "incubator" facility) to subordinated and long-term fixed rate lending to established small businesses. Because of this broad range of capital needs, a number of related steps are required:

A. Work With Officials Within State Government to Develop a State-Wide Venture Capital Strategy

The City should be encouraged by recent statements made by the Governor-elect and other state officials in support of the development of venture capital sources within the State of Vermont. However, Vermont needs to be cautious in its approach, developing a strategy that does not replicate mistakes made in other states.

For example, the use of tax credits to promote a private venture pool is a relatively low-cost approach to targeted capital formation. However, care must be exercised to assure some form of accountability and profitable return to state taxpayers. This was not done recently in the State of Maine, for example, in the creation of its Maine Capital Corporation -- much to the regret of several Maine legislators. A similar tax credit method introduced recently in Louisiana was also not as successful as predicted, primarily because many businesses were unable to make use of the tax credit system employed.

The Community and Economic Development Office of the City of Burlington should become involved in deliberations regarding venture capital pools for the State, and work constructively to see that these types of tax payers' "investments" are properly rewarded.

B. A Burlington Investment Fund should be created to participate in a full range of financial activities

encouraging the creation and maintenance of quality jobs in the Burlington area and affordable housing. These investments may be of moderate risk, but should receive market returns.

Possible sources of capital for this fund include City of Burlington, University of Vermont and the Medical Center's pension funds. Employees of those institutions could be given an option to devote a small percentage of their pension investments to local job creating activities. One related private sector model for such a fund is a new housing development now being constructed in Winooski using pension funds from the United Brotherhood of Carpenters and Joiners.

C. The City Should Continue to Work with the Local Banking Community Toward the Creation of a Small Business/Micro Business Loan Fund

Using a concept similar to that described above as the Burlington Investment Fund, the City government should urge the local private banking community to either join in creating such a fund, or create their own pool of risk capital devoted to the financing of very small micro businesses within the City. Models for the creation of such a private sector lending pool exist in several states and are described in Attachment 7.

D. The City Should Advocate that any Consideration of Interstate Banking Which Comes Before the Vermont Legislature Include Protective Measures for the City.

In exchange for allowing out-of-state banks to enter Vermont, the City should campaign for clear disclosure requirements from those banks, public hearings and an annual reporting of evidence that as a result of their presence net new funds are entering both the State and the City of Burlington. The state could also require that these out-of-state banks invest monies in newly created investment funds such as the proposed Burlington Investment Fund described above.

E. Amend the Existing Vermont Job Start Legislation to Apply to Individuals Vermont Residents Wishing to Buy Into Full Employee-Owned Firms.

One obstacle to development of employee-owned firms is a lack of capital which working people without sufficient personal savings can contribute toward their equity participation in those firms. An

amendment to the existing Vermont Job Start Legislation could overcome that obstacle by allowing its funds to be structured as low interest personal loans for use as employee equity in fully employee owned firms. Such a loan could be guaranteed by the corporation of which the employee is a stockholder. One private sector model for such a fund is that of the Industrial Cooperative Association Revolving Loan, Inc. of Somerville, Massachusetts (see Attachment 8).

F. Create a Targeted Employee Ownership Incentive Within the Burlington Revolving Loan Fund.

In order to directly encourage employee-owned firms, the City of Burlington could create a favored, low-interest category within its existing Burlington Revolving Loan Fund Program for employee-owned firms. Lending to employee-owned firms could be for either debt or individual equity needs. Favored interest rates for employee-owned firms should in no way weaken the lending criteria outlined earlier under Model I and Model II business ventures.

5. The City Should Review the Design and Implementation of its Inventory Tax.

Our survey of major manufacturers find that most Burlington employees have serious difficulty with the City's inventory tax. Of the sixteen (16) City of Burlington employers responding to our survey, eleven (11) note that the inventory tax was overly burdensome. In contrast, only six (6) of the twenty-one (21) non-Burlington companies responding to the survey noted taxes as a problem for them.

Although local taxation of the business community is clearly a legitimate right of the City, the current tax system appears to have two major difficulties:

- First, the impact of the inventory tax on manufacturers is greater than its impact on firms in the service sector. Thus, very profitable service companies occupying office space in the City are not paying taxes on close to the same basis as manufacturers. While it is important for

the City to continue to attract service industries, it should not do so at the expense of the high-wage manufacturing interests which provide needed diversity to the City's economy.

Second, there is a perception that the tax is not consistently enforced. Most employers were more concerned about the indeterminacy implicit in such a tax rather than their actual tax liability. A special task force should be formed to look at an alternative business tax structure which would not decrease "revenues" to the City but which would be more "equitable," "consistent," and "enforceable" to all sectors of the business community.

4.2.2 Dissemination of New Venture Ideas

The second broad category of activity, which the City of Burlington may undertake in its role as "catalyst" or "broker" of economic development activity is the dissemination of potential new product or venture ideas uncovered by the ICA's analysis of the Greater Burlington regional economy.

Two methods of identifying venture ideas have been employed:

First, Location Quotient Analysis of the Regional Economy

Second, Voluntary "Import Substitution" Suggestions from Area Employers Communicated Through the Summer, 1984 CEDO Business Survey.

Neither of these two sources of venture ideas should be considered as definitive, concrete business opportunities ready to be taken up by prospective entrepreneurs.

In the case of our location quotient analysis, venture ideas were derived from statistics by comparing the volume of local business activity within a given sector to regional and national coverage of that same sector. The resultant findings of "underrepresented" promising sectors of business activity do not control for particular idiosyncracies of the local economy (such as the size of IBM as a regional employer) or for changes in the local economy that post date our data sources - primarily, 1981 data from the U.S. Department of Commerce County Business Patterns.

In the case of the few voluntary suggestions from major local employers of possible import substitutions or sub-contracting business opportunities, circumstances could also have changed since the receipt of data from our Summer, 1982 CEDO Business Survey.

Taken together, then, these ideas should be regarded primarily as potential business "leads" which would require detailed and specific follow-up by qualified individuals to substantiate the existence of an actual promising business idea.

Using our location quotient analysis of the Burlington economy, the following venture groups were found to be underrepresented in the Burlington regional economy:

- . Wholesale Trade - Machinery, equipment and supplies
- . Business Services - Personnel supply
- . Business Services - Computer and data processing
- . Transportation - Trucking and warehousing

- . Utilities - Gas, electric and sanitation
- . Health Care - Outpatient care
- . Nursing and personal care facilities
- . Drug and proprietary stores
- . Food stores
- . Auto repair
- . Miscellaneous repair
- . Amusement and recreation

Using data from our Summer, 1984 CEDO Survey of major employers in Chittenden County, the following import substitution venture capital ideas were volunteered. Clearly, the establishment of a new business venture would require more than an indication of a possible markets from one or more local businesses. Certain of these business ideas would also require significant capital investments. Given these limitations, the ideas volunteered are as follows:

- . Corrugated products
- . Cardboard boxes
- . Folding boxes
- . Packaging supplies
- . Shipping supplies

- . Labels
- . Printing paper
- . Bookbinding
- . Commercial roofing supplies
- . Lumber and plywoods
- . Liquid asphalt
- . Metal fabrication machinery
- . Welding
- . Flour, shortening and fillings
- . Ice cream ingredients

Under the general category of business venture start-up ideas, more informal information from major area manufacturing employers indicated potential markets for various kinds of light assembly work. Finally, the proposed development of the Burlington waterfront will add dramatically to this list of business venture opportunities for Burlington residents. Specific venture opportunities have not been reviewed in this particular context but are available from City sources. Generally, the majority of these opportunities will be concentrated in medium to high price specialty retail stores in addition to related tourist, amusement and service ventures.

4.2.3 Creation of a Nonprofit Local Ownership Development Corporation (LODC)

The third general category of activity which the City of Burlington can undertake in its role as a broker of economic development activity is the creation of an independent nonprofit business development entity. This organization would provide financial and technical assistance to local entrepreneurs in the spirit of the political and economic principles articulated by the Community Development Office through the creation of the Burlington Local Ownership Development Project.

The advantages of structuring the venture development arm as an independent nonprofit are several. Here, we will deal only with two principal reasons for independence.

First - The task of assisting in the creation of small business ventures is a labor-intensive, difficult task that requires the expertise of individuals experienced in assisting and evaluating small business clients. The availability of that amount of time and the possession of that particular form of expertise is not consistent, at least over the long-term, with the role of a community and economic development office of a city government.

City governments can more appropriately act as prudent investors of public resources in established businesses, which come to the City seeking public assistance. Becoming involved essentially as "shadow entrepreneurs" across the gamut of possible new venture start-ups, however, would stretch the resources and time of public servants beyond reason.

Second - Decisions about the granting of loans and technical assistance to businesses are decisions which should be shielded to the greatest extent possible from partisan political considerations. The existence of an independent, community-based Board of Directors overseeing the allocation of certain public and private

funds could protect against perceptions of favoritism while still remaining consistent, at the policy level, with the City's political and economic goals.

Third - Most pragmatically, the existence of an independent, nonprofit business development entity would make possible the attraction of diverse sources of funds and pro bono technical expertise that could not necessarily be acquired by a City government. Major regional employers, such as IBM, are restricted by company policies in how they lend expertise, equipment and money. The creation of an independent nonprofit entity could unlock their participation in substantive local economic development activity.

The creation in July, 1984 by the Community and Economic Development Office of the Burlington Local Ownership Advisory Board was a move in the direction of creating an independent nonprofit business development entity. Over time, if the CEDO office begins to move to implement the findings of this report, a formalization of this entity should occur under the rubric of a Local Ownership Development Corporation.

Perhaps the most important initial task of a Local Ownership Development Corporation will be that of outreach and education concerning the various goals and objectives of locally based business development. As stated, previously, this outreach should acknowledge the need for a constructive and pluralistic attitude toward non-local ownership forms of enterprise while stressing the longer term advantages of a locally owned economy many of which are already enjoyed through much of the City's present industrial ownership base. Some of these arguments to be advanced are:

- . That successful, locally owned businesses will, over the long-term, provide stable employment opportunities for Burlington residents since key corporate decisions will tend to be made by

residents with a long-term interest in the future health of the Burlington economy.

- . That successful, locally owned businesses will strengthen the local Burlington economy as both wages and profits are more likely to be retained and reinvested by local owner/employees.
- . That successful locally owned businesses, being more familiar with local resources and institutions, are more likely to hire, train and promote local residents, therefore promoting a higher percentage of quality job opportunities for Burlington citizens.

Within the local ownership framework, a number of enterprise structures can and should be argued for including:

- . Conventional, individually-owned, entrepreneurial start-ups - possibly taking advantage of City sponsored "incubator business" space.
- . Conventional, family-owned or partnership entrepreneurial start-ups; and
- . Employee-owned and controlled businesses.

Finally, re-iteratory points made earlier of this variety of local ownership structures, employee-owned and controlled businesses should be particularly encouraged by the nonprofit corporation to be because of:

- . Their demonstrated performance potential. The University of Michigan's Institute for Survey Research has found employee-owned businesses to outperform conventionally-owned business structures on measures of productivity and profitability.
- . The breadth of local ownership which they can provide - by placing long-term strategic decisions that could effect the Burlington economy at large in the hands of a broader number of local actors than one or two local entrepreneurs.
- . The quality of the employment environment they can create - by involving Burlington residents in decisions which effect companies that they will own.

- . The existence of significant tax incentives for employers to introduce employee ownership plans, be they employee stock ownership trusts (ESOT's) or more direct industrial cooperative ownership structures; and
- . The fundamental equity and fairness of employee ownership as a business structure - which helps distribute the gains of economic success to the people most responsible for that success - the blue and white collar employees working the same roof together.

4.3 Reaching Target Populations

This final section of our policy recommendations relates to issues concerning the target populations identified through our analysis of the changing demographics of the Burlington economy.

4.3.1 The City of Burlington Should Develop a First Source Employment Policy.

As discussed previously, the City of Burlington has only scarce resources in terms of land, buildings and finances available for future development. Therefore, efforts by the City to promote business base economic development must be carefully targeted to ensure that Burlington residents will benefit from any new activity. A "First Source Employment Policy" could be an important step in this process.

A First Source Agreement is a contract between a City government and an employer receiving public economic development assistance. This contract requires that the City be the "first source" of new hiring by the employer for certain "covered" jobs that are negotiated between the City and the employer. A demonstration project using this concept has been recently undertaken in Portland, Oregon. An independent evaluation of this project found it to be highly

successful with employers being generally pleased with the program despite their initial misgivings. (Attachment 9 is copy of the Model First Source Agreement developed by the City of Portland.)

4.3.2 The City Should Assess Transportation Needs of Burlington Residents.

As emphasized in this report, the employment dilemmas faced by Burlington residents are caused not so much by the overall availability of quality jobs, but rather, Burlington residents' ability to gain access to those quality jobs that do exist. Given current land development patterns, most quality manufacturing employment opportunities are likely to remain outside the City of Burlington. Burlington residents are, therefore, likely to confront two major constraints in trying to get quality jobs: first, their skill levels; and second, their ability to travel to those jobs.

Working with the local Employment and Training office, the City should explore whether transportation to work is actually a serious constraint for Burlington residents, particularly the low-income population groups targeting this analysis. If transportation is a problem the City could work with the State and local employers to establish car pooling arrangements or some form of shuttle between the City and the major regional employment centers.

4.3.3 The City Should Establish a Women's Enterprise Development Program.

Our research findings revealed that women constitute a significant and dramatic portion of the poverty population in the City of Burlington. In our section on target populations, we reviewed their problems of this particular group of Burlington residents and

suggested several policy recommendations for day care, job training, and innovative employment structures to accommodate their needs.

Two examples of innovative employment models based in St. Paul, Minnesota and Washington, D.C. deserve particular attention in this context. Both of these models use small business enterprise development to enhance economic self sufficiency.

1. The Womens Economic Development Corporation (WECO)
- of St. Paul, Minnesota - assists women in achieving economic self sufficiency through self employment and the creation of small businesses.

- . WECO provides individual consulting, training, loan packaging and direct loans to unemployed and underemployed women. Since 1982, WECO has assisted 24 new businesses and the expansion of 31 other businesses. 60% of the women assisted had incomes below \$15,000 and 20% were on welfare. Two local banks have worked closely with the organization in financing the businesses.

2. The Hub Program for Women Enterprise of the Corporation for New Enterprise Development in Washington, D.C. - works nationally to promote women's enterprise development. This program, again targeted to low income women, works to increase the number and strength of enterprises created by women. The group works as a catalyst by running outreach and assistance programs in a number of locations around the United States. They contract with a target location to run workshops and work with local government and community actors to develop the institutional framework necessary for the support of women enterprises. They could potentially work with the City of Burlington to establish a Burlington-based program linked with the existing Burlington Local Ownership Development Project.

4.3.4 Maintaining Support For Working Class Youth Projects

The second of our target populations, discussed in detail earlier in this report (see pages 45-49), is what we described as working

class youth under the age of 25. In the body of our report we made note of the potentially damaging implications of losing the future middle class of Burlington that these youth represent if present trends, with respect to housing costs and job opportunities, continue.

Statistics show that formal vocational and academic educational training enjoyed by this population serve them well in their search for jobs. Other statistics, however, indicate the existence of a considerable "underground" group of unemployed, out of school youth, and point to the need for special programs to reach these youth who remain outside the mainstream of Burlington's economy.

The Burlington Youth Employment Program is a nonprofit job training program directed to this specific population of Burlington youth. It is a program that should be maintained and expanded as necessary to meet the needs of this critical population. National foundations, as well as Federal and state support, should be marshalled to match existing levels of City financing.

4.3.5 Outreach to Underemployed Professional Workers

Our findings confirm the existence of an "overeducated" and disgruntled class of underemployed professional workers within the City of Burlington (see pages 50-52). Acknowledging the limits of City resources and time to work with a relatively privileged group such as this, we suggest that the City, in conjunction with area universities, explore two recommendations:

First, Retraining programs to prepare these individuals for potentially challenging jobs with growing high tech and manufacturing employers; and

Second, Retraining as necessary to match certain members of this group to possible new venture opportunities outlined in section 4.2.2 of this report. Given the possible value pre-dispositions of this group (as discussed on pages 50-52), it is recommended that they be viewed as an incipient pool of progressive entrepreneurs/managers who could be favorably disposed toward a City sponsored campaign promoting local, employee ownership of business.

One immediate opportunity to reach this particular group will be an upcoming adult education course taught through the University of Vermont Extension Service on Sharing Ownership in Small Businesses (see Attachment 10).

TECHNICAL APPENDIX 1. BURLINGTON PUBLIC SCHOOL ENROLLMENT

APPENDIX 1.

Burlington
Public School Enrollment

Fall of Year	Elementary	Secondary	Total	% Change
1970-71	3,760	3,046	6,806	
1972-73	3,687	3,136	6,823	
1974-75	3,231	2,983	6,214	
1975-76	3,043	2,748	5,791	
1976-77	2,928	2,606	5,534	1970-80
1978-79	2,589	2,321	4,910	(-37%)
1980-81	2,185	2,095	4,280	
1982-83	1,994	1,958	3,952	1980-83
1983-84	1,919	1,823	3,742	(-12.6%)

Chittenden County
Public School Enrollment

School Year	Elementary	Secondary	Total	% Change
1970-71	13,346	8,234	21,588	
1972-73	12,801	8,881	21,682	
1974-75	12,508	9,021	21,529	
1975-76	12,119	8,773	20,892	
1976-77	11,872	9,123	20,995	1970-80
1978-79	11,382	11,093	23,285	(-.2%)
1980-81	10,510	10,705	21,215	
1982-83	9,511	10,561	20,072	1980-83
1983-84	9,364	10,363	19,727	(-.7%)

SOURCE: VERMONT DEPARTMENT OF EDUCATION STATISTICS
& INFORMATION "VERMONT SCHOOL ENROLLMENT"

ATTACHMENTS

ATTACHMENT 1. LISTING OF COMMUNITY ADVISORY BOARD MEMBERS TO THE
BURLINGTON LOCAL OWNERSHIP DEVELOPMENT PROJECT

Harry Atkinson, President, Mechanical Equipment Co., Inc.

Dr. Timothy Bates, Professor of Economics, University of Vermont

Richard Crimmins, Business Consultant, Champlain Management, Inc.

Michele Ferland, Attorney, Vermont Legal Aid

Dr. Marcia Baker, Director, Burlington Area Vocational/Technical Center

Bob Kiss, Director, Champlain Valley Office of Economic Opportunity

Robin Lippmann, Vice President, Chittenden Trust Co.

Bill Mares, State Representative, Writer, co-author of Working Together, 1983

Reverend Roland Rivard, Director, Vermont Catholic Charities

Jon Willard, Business Representative, Local 1487 United Brotherhood of Carpenters

Lynn Vera, Representative, Mayor's Council on Women

James Hokans, Director, Burlington Youth Employment Program

Michael Nemitz, Esquire, Saxer, Anderson & Wolinsky

CONVENOR: Peter Clavelle, Director, Community & Economic Development Office

December, 1984

ATTACHMENT 2. DEFINITIONS OF OCCUPATIONAL CATEGORIES

DICTIONARY OF OCCUPATIONAL TITLES

0-19: Professional, Technical and Managerial:

architecture, engineering, surveying, mathematics, life sciences, psychology, social sciences, nursing, dental technology, education (college, secondary, primary), museum, library, law, religion, editing, art, music, sports, accounting administration, all managers, social welfare.

20-25: Clerical:

25-29: Sales:

stenographer, typist, computing, bookkeeping, cashier, data processing, stock checking, message distribution, reception, dispensing, salesmen (services, commodities, construction materials), clerking, sales.

30-39: Service:

domestic service, food and beverage preparation, bartending, cooking, meatcutting, kitchen work, maid, beautician, amusement and recreation, attendant (hospital, morgues), laundering, guarding, police.

40-49: Farm, Forestry, Fishing:

grounds keeping, animal and plant farming, hunting.

50-59: Processing:

metal, ore refining, food, tobacco, paper, petroleum, coal, gas, chemicals, plastics, synthetics, rubber, paint, casting, wood, leather, textiles.

60-69: Machine Trades:

machining, abrading, turning, milling, planing, boring, metal machining, mechanics and machine repairmen, paperworking, printing, sawing.

70-79: Bench Work:

fabrication, assembly and repair of metal products, filing, grinding, buffing, cleaning, unit assembly, watch repair, photo. electrical equipment, painting, fabrication and repair plastic, synthetic, rubber, wood, cutting and sanding, fabrication and repair textiles, leather, machine sewing.

90-89: Structural Work:

fitting, bolting, screwing, body work, welders, flame cutters, lighting equipment and building wire assembly, paint, plaster, cement, water proof, excavate, grade, pave, carpentry, masonry, tiles, plumbing, roofing.

90-91: Transportation:

Passenger transport, parking lot and related services, truck driving.

92: Packaging and Materials Handling:

moving and storage, packaging.

93-97: Other

extraction of minerals, logging, production and distribution of utilities, amusement, recreation, motion pictures, graphic art work.

ATTACHMENT 3. "GOING BACK TO WORK, THE PEOPLE'S VOICE"

Going Back to Work: "The State Doesn't Make It Easy"



Karen Crawford at work in her Community Action office

Over six years ago, Karen Crawford began to live with hard times. In May of 1978, her truck-driver husband was in a head-on collision with another tractor trailer which left the other driver dead, and her husband badly injured. Before he was released from the VA hospital in White River 21 months later, he would lose an eye and a leg. Karen would lose, not only her husband, but any economic stability she might have expected as a mother with a new baby to raise. She says now that it was quite a blow to learn that her husband had failed to pay his social security taxes and so she and baby Kristen were without income or workmen's comp. "We had no choice but to go to welfare," she says. Turn and brought up in Norwich, Vermont, Karen was hardly prepared for such a turn of events. Her family, while not wealthy, had "never had to want." It was a shock to find herself buying groceries with food stamps. "The first few times I got them I drove all the way to Windsor to shop because I was so afraid that somebody in town might see me."

But Karen describes herself as "a survivor." And it didn't take her long to begin to question that attitude. "Nobody ever stops to ask somebody on food stamps what happened to them to put them there. It's like you're automatically filthy. But I didn't have anything to be ashamed of."

Karen's husband wouldn't get out of the hospital until Kristin was 18 months old, and then he would stay with them only a short time, their marriage overtaken by so many burdens. Alone again, Karen thought about returning to work, but the expense of a babysitter promised to eat up a lot

of any paycheck she could earn. And it was important to her to bring Kristin up "the way I wanted her brought up, not how somebody else thought it should be done."

When Kristin was 5-1/2, Karen did get a job as an outreach worker with LISTEN, a community action agency in Lebanon, New Hampshire that co-operates with SEVCA in Vermont programs along the White River. She was hired at \$3.50 for 20 hours a week, which seemed like a step in the right direction, but as she learned, life was about to get harder. "No matter what the pay, or how many hours you work—it can be 5 hours, 10 hours, or 40 hours, it doesn't matter. Your food stamps and ANFC income are going to be interrupted for six weeks. Which means that you have to depend on your income from working—no matter if it's 5 hours or 10 hours or 40 hours. And it's not as if you can save money on welfare to be prepared for something like this."

OPTIONAL

Karen had run into the monthly-reporting trap for income-earners which causes a 6-week delay in benefits when the reporting method begins. Enacted in 1981 by Congress, Monthly Reporting has earned criticism from states who must administer it as well as from recipients who must live with it.

Karen was fortunate that her case worker took care to warn her to be prepared. Some new income-earners have reported being surprised when benefits didn't come as expected because no one warned them of the built-in backfire of Monthly Reporting. How did Karen manage through that six-week gap in income? "There wasn't a lot to feed a child on. I didn't

eat much, but I made sure my daughter ate."

JUMPING THROUGH HOOPS

Yet the Monthly Reporting snag wasn't to be her only problem as a working single mother receiving ANFC (Aid to Needy Families with Children). Six months after she began working, Karen received a letter from the WIN program, requiring her to report to the program on her daughter's sixth birthday. WIN is a job-search program for welfare recipients, mandatory once the youngest child in a family turns six. "Welfare knew I was already working," says Karen. "But they only exempt you from the program if you have 30 hours of work. I was working 20." Karen explained that WIN wanted her to look for an additional 10 hours of work. She pointed out that this can be difficult for a working single parent who must take additional time away from home responsibilities and have the added expense of gas and babysitter for job-search. She also added that it was unlikely that an employer would hire her for only 10 hours or that it would be a decent job.

She says, "I called WIN to reschedule the appointment they had made for me since it was during my LISTEN work hours. I told them I couldn't afford to lose the time from work."

The worker told her that "didn't matter." Karen says that unlike her regular caseworker, the WIN worker was rude. "She said that she would report me for being uncooperative, which was frightening since you can lose your benefits if WIN says so." Acting as her own advocate, Karen next called her DSW caseworker and described what had happened, saying that she had wanted to reschedule but was told that was impossible.

What finally happened? "As luck would have it, LISTEN offered me another 10 hours of work, so I had my 30 hours and didn't have to register in WIN after all." But what if they hadn't? "At that point I was so furious," she says, "I might have just quit working and found some reason to stay home. It had already cost me to go to work in the first place. I could have made more money by sitting home on welfare. Who wants to go through all that hardship? They should make it easier to go back to work, not harder."

One More Setback for Wage-Earners

Karen Crawford is one of the plaintiffs in a Vermont case that's been set aside pending a Supreme Court decision, which argues that a change in ANFC calculation procedures has penalized working families. Attorney Jim May of the South Royalton Legal Clinic, explains that the Omnibus Budget Reconciliation Act (OBRA) of 1981 which brought us Monthly Reporting and curtailed work incentives also started to treat tax deductions differently.

For the fifty years since programs for the needy began, grant calculations have always begun with net income, i.e. take home pay after taxes. Since OBRA, HHS has contended that welfare departments should begin calculations with gross income figures. May says that's not fair because it "fictionalizes income. Money withheld for taxes is not money available to the family which is historically what 'income' meant in these programs."

PUNISHED FOR WORKING

Starting with a higher gross figure makes a big difference in the ANFC (Aid to Needy Families with Children) grant a family receives. Plaintiffs in the case argue that because of this change they have less income now than they would have if they'd stayed home and done nothing. Karen Crawford found her monthly income for June, including her ANFC grant, came to



Beth Kendall
the worker, he gave up.
Checking out the local
job market on his own, he
found that there are usu-
ally a few check out and
fast food jobs for un-
skilled laborers. These
jobs are part time and pay
minimum wage with no bene-
fits, and they offer no
opportunity for advance-
ment in the future. There
are also a lot of dish-
washing jobs, so Jim went
to work as a dishwasher
for 20 hours a week at
\$3.35 an hour, at a restau-
rant which is owned by
one of our local legisla-
tors. Jim felt the work-
ing conditions were less
than satisfactory, and
—cont'd. bottom of page 8

ATTACHMENT 4. DEFINITIONS OF SERVICE EMPLOYMENT

ATTACHMENT

Throughout this report, there are three distinctions which need to be made relative to the concept of service employment:

1. Service Sector - Includes all industries involved in the provision of services. This includes transportation, communication and utilities, wholesale trade, retail trade, finance insurance and real estate, nonprofit and government and miscellaneous personal and business services.
2. Service Industries - Government analysts and statisticians classify only the following as service industries: business services, personal services and health and education services. References in the tables used in this report follow that more narrow classification scheme of service employment.
3. Service Occupations - Refer broadly to clerical, sales, health, cleaning, food and personal service occupations.

ATTACHMENT 5. HILLTOWN CDC - WESTERN MASSACHUSETTS JOINT MARKETING
PROJECT FOR AREA SMALL BUSINESSES

*4 new gift boxes of
wholesome food products ...*

**MAPLE SYRUP
WILD FLOWER HONEY
HERB & BERRY VINEGARS**

*... and they're produced by small,
family businesses in the hilltowns
of western Massachusetts.*



A tradition of quality and personal pride in work and products.

From the 17th century, people have settled the forested hills of western Massachusetts, attracted by the land and the opportunity to create a home for their families.

The early settlers brought with them a spirit of self-sufficiency and personal responsibility for their work that is evident even today. We hilltown producers respect this 200 year-old tradition and are proud of the quality of our products. We know you will be pleased.

Maple Syrup

The Indians and early settlers made maple syrup by using heated stones to boil sap gathered from the maple trees. Today, the sap is boiled over wood fires in our sugar houses. The syrup is completely natural and pure. No chemical additives. Nothing but what is left from boiling away some forty gallons of sap to make one gallon of syrup.

Our maple syrup meets the highest standards of color, taste, and density. And we pack it to order, to make sure there are no changes in quality between canning and delivery.

Wild Flower Honey

Raw honey, neither heated or filtered, is unsurpassed for flavor. Our bees gather nectar and pollen from our fields and woods. And we bring you the product of their labors.
... 100% pure raw honey.

Herb and Berry Vinegars

Freshly harvested herbs are steeped in pure white wine (not distilled) vinegar to produce our tarragon, thyme and opal basil vinegars. All our herbs and berries are organically grown in our own gardens. Our berry vinegars, a New England tradition since the 17th century, are made from blueberries and raspberries.

... and even our boxes are special!

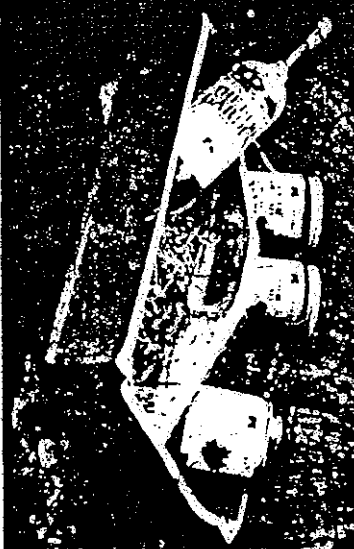
We use pine from the forests that cover our hilltowns. Our boxes are hand-made locally with lapped joints, glued and nailed together to make a sturdy box that we can be proud of ... and you can use for years. Yankee craftsmanship does make a difference.

Our pure and natural products are packaged in beautiful hand-crafted boxes made from local pine and based on traditional colonial designs.



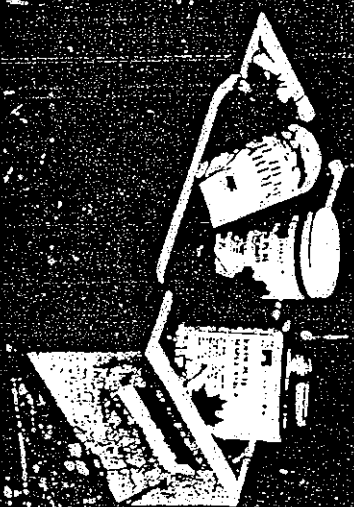
CHESTERFIELD CRADLE

14 3/4" L x 9 3/4" W x 5 3/4" H
1 quart maple syrup, 24 oz. honey,
12.7 oz. opal basil vinegar



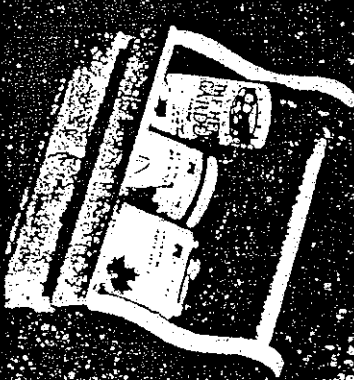
CUMMINGTON SILVER TRAY

14 3/4" L x 9 3/4" W x 5 3/4" H
1/2 pint maple syrup, (2) 9 oz. honey,
12.7 oz. opal basil vinegar



HUNTINGTON SERVER

14 3/4" L x 9 1/4" W x 5 3/4" H
1 pint maple syrup, 13.5 oz. honey,
12.7 oz. opal basil vinegar



WORTHINGTON BERRY BOX

12 1/4" L x 8 1/4" W x 9 3/4" H
1 pint maple syrup, 13.5 oz. honey,
12.7 oz. opal basil vinegar

Because we are a group of small, independent family businesses our supply of these attractive gift boxes is limited. Don't be disappointed. Order now. Your money will be refunded if you are not satisfied. Thank you for buying from the hilltowns.

**... and you can order
individual containers of
our wholesome food products
as well as our gift boxes!**



MAPLE SYRUP

No chemical additives. 100% pure and natural.
Quart, pint or half-pint tins.

WILD FLOWER HONEY

Unheated and unfiltered, 100% pure raw
honey. 24 oz., 13.5 oz. or 9 oz. jars.

HERB AND BERRY VINEGARS

White wine vinegar base. Tarragon, thyme,
opal basil or raspberry. 12.7 oz. bottles.

Our Personal Guarantee

All hilltown products are produced by small,
independent family businesses. And, because
of our personal involvement, we can offer you
a simple guarantee. You must be completely
satisfied with the products of our labor. If you
aren't pleased, return your purchase to us and
we will refund your money. This guarantee is
backed by our word ... you can count on it.

Hilltown Products Association

Sponsored by
Hilltown Community Development Corporation
P.O. Box 17
Chesterfield MA 01012 Phone 413 296-4363

MasterCard and VISA accepted.
Please allow 3 weeks for delivery.

Our thanks for the assistance given to us by the
Massachusetts Department of Food and Agriculture and the
Massachusetts Community Development Finance Corporation.



GB-2 CUMMINGTON SILVER TRAY	\$ 19.95	\$ 18.95	\$ 17.95
1/2 pint maple syrup			
(2) 9 oz. honey			
12.7 oz. herbal vinegar			

GB-3 HUNTINGTON SERVER	\$ 19.95	\$ 18.95	\$ 17.95
1 pint maple syrup			
13.5 oz. honey			
12.7 oz. herbal vinegar			

GB-4 WORTHINGTON BERRY BOX	\$ 19.95	\$ 18.95	\$ 17.95
1 pint maple syrup			
13.5 oz. honey			
12.7 oz. herbal vinegar			

Note: All gift boxes contain Opal Basil Herb Vinegar

MAPLE SYRUP

	Individual Units	Case Lots (12 units/case)
MS-1 Quart tins	\$ 7.50	\$ 67.80 (\$5.65 each)
MS-2 Pint tins	\$ 4.55	\$ 41.40 (\$3.45 each)
MS-3 Half-pint tins	\$ 3.50	\$ 27.60 (\$2.30 each)

HONEY

HO-1 24 oz. jars	\$ 3.50	\$ 29.52 (\$2.46 each)
HO-2 13.5 oz. jars	\$ 2.00	\$ 17.40 (\$1.45 each)
HO-3 9 oz. jars	\$ 1.50	\$ 12.72 (\$1.06 each)

HERB AND BERRY VINEGARS

12.7 oz bottles	Individual Units	Case Lots (24 units/case)
HV-1 Tarragon	\$ 3.50	\$ 54.00 (\$2.25 each)
HV-2 Opal Basil	\$ 3.50	\$ 54.00 (\$2.25 each)
HV-3 Thyme	\$ 3.50	\$ 54.00 (\$2.25 each)
BV-1 Raspberry	\$ 3.75	\$ 60.00 (\$2.50 each)
BV-2 Blueberry (while supply lasts)	3.75	\$ 60.00 (\$2.50 each)

MV-1 MIXED CASES	\$ 55.50
------------------	----------

6 bottles each of Tarragon,
Opal Basil, Thyme, Raspberry

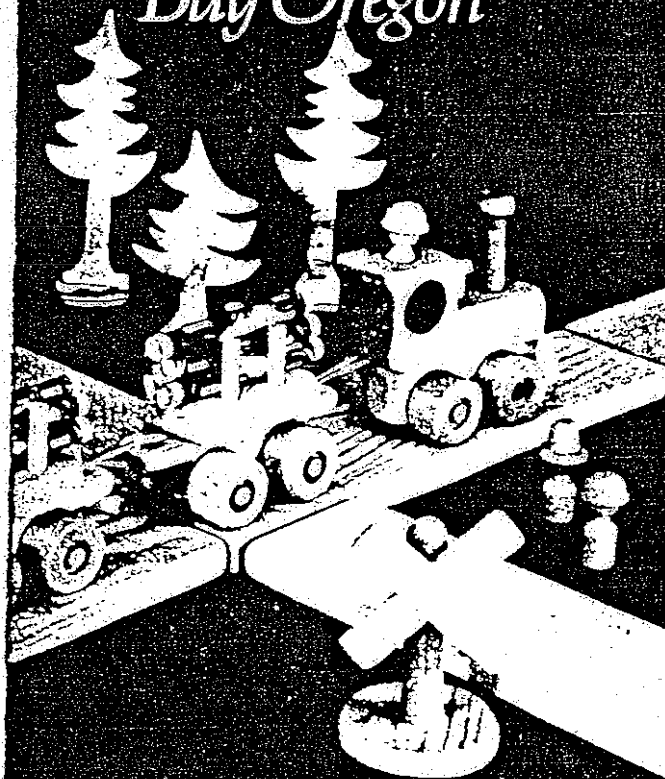
All prices F.O.B. Chesterfield, MA.
Prices subject to change.

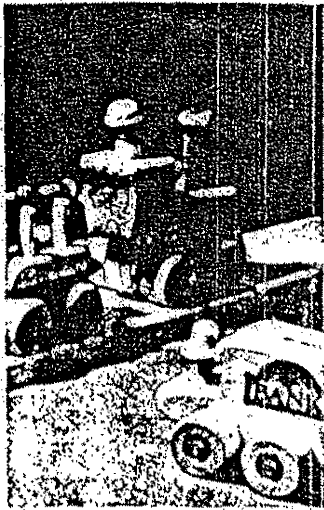
Master Card and Visa accepted

ATTACHMENT 6. "BUY OREGON"

**Making the
connections
for local
business**

Buy Oregon





"Doing business in Oregon is important to us, but many of the things we use aren't available here now. With Buy Oregon, we're finding local companies that are willing to invest and grow to meet our needs. That saves us time and money and helps us put more back into Lane County."

Chris Stangland, President
Pepperwood International

"Our involvement with Buy Oregon has been a great success. Their work helped us identify a major new market, contributing to the construction of a new plant addition. We'll be investing \$1.5 million in our business and employing 50-80 new people. Most importantly, local contracts provide a base we can use to boost production and increase our sales. I'm confident that other businesses will benefit, as we did, from Buy Oregon."

Ray Hooley
President, Willamette Poultry

"Lane County needs the new dollars, jobs and capital investment that Buy Oregon is creating. We've used the program ourselves to find local suppliers and it has been a real success. As a locally-owned bank, we wholeheartedly support Buy Oregon and would recommend it to everyone who cares about Oregon's economic development."

Gary Stephens
Vice President, Centennial Bank

Call us.

You don't have to wait for us to contact you. Just give us a call at 313-7712, or write:



Buy Oregon
357 Van Buren, second floor
Eugene, OR 97402
(503) 343-7712

This brochure was made possible through the generous contributions of the following Oregonians:

Robak and Frank Gophin
Communications
Jim Harris Photography
Oregon Wooden Toy Company
Gil Johnson
Galen R. Rawick
Linn Ridout
Roke Printing
Lane County Printer's Association
City of Eugene
Lane County Private Industry Council

Buy Oregon is a project of the Neighborhood Economic Development Corporation of Eugene, a non-profit tax-exempt organization dedicated to building a strong economy in Lane County.

ATTACHMENT 7. LENDERS COMMUNITY INVESTMENT REPORT

Lenders

Acknowledgements to Mr. Kenneth Fain
Editor, Community Investment Publications, Inc.
1120 G St. NW, Washington, D.C. 20005



COMMUNITY INVESTMENT

Report

VOLUME 2, NO. 9

SEPTEMBER 1984

LENDERS PROVIDE LOW RATE SMALL BUSINESS LOANS THROUGH OHIO LINKED DEPOSIT PROGRAM

State Deposits Fund Short Term Below Market Rate Loans

Ohio banks and thrift institutions are participating in a new State program designed to provide small, expanding businesses with below-market rate loans used for activities which create or retain jobs. The Linked Deposit program, initiated by Ohio's State Treasurer, Mary Ellen Withrow, provides up to \$100 million in one to two-year deposits in qualifying financial institutions agreeing to match the deposits with small business loans of equal terms. Both the loans and the deposits used to fund them are priced at least 3% below current market rates at the time loans are closed.

Under the program, formally known as the "Withrow Plan of Linked Deposits," the Treasurer's Office is authorized to invest up to 10% of the State's \$1 billion in interim funds in certificates of deposit specifically set aside to fund or "match" small business loans. Legislation creating the program allows the Treasurer to purchase Linked Deposit CD's at 3% below market rates the State would normally obtain on similar deposits.

In practice, the State subtracts 300 basis points from the bond-equivalent yield of one or 2-year U.S. Treasury securities to set the rate on Linked Deposits purchased at the time small business loans are closed. Under agreements with participating lenders, resulting loans are priced at 3% below the rate that would normally be offered to each small business borrower based on conventional underwriting standards.

For example, if, as a result of normal loan underwriting procedures, a creditworthy small business could obtain a loan priced at prime plus 2%, a loan to that same business funded with Linked Deposits would carry a rate of approximately 1% below the bank's prime or base rate. All loans originated by lenders under the Linked Deposit Program are fixed-rate loans with terms of one to two years.

Job Creation or Retention

The primary focus of the program was job creation and retention through a more strategic use of State interim investment money. Although a report by the budget office of the Ohio Legislature indicated that the State could lose up to \$6 million in interest over a two-year period if the full \$100 million is deposited at concessionary rates, it could also gain up to 5,000 jobs, and almost \$25 million in tax revenues from loan-funded

business activity. The report also estimated that the State could end up saving another \$5 million in welfare and social program costs as unemployed workers find jobs.

As a result of the emphasis on jobs, small business loan applicants seeking the below market rate loans from participating lenders must certify in their application packages that the loans will be used "exclusively to create new jobs or preserve existing jobs and employment opportunities." Although bank credit standards and judgements prevail, the State Treasurer's office still reviews information forwarded by lenders regarding loan amounts and jobs created or retained, before approving purchase of Linked Deposits.

cont. p. 6

COMPTROLLER, FED ISSUE BANK CDC GUIDELINES

Regulatory Agencies Clarify CDC Formation, Activities

In separate publications, the Comptroller of the Currency and the Federal Reserve Board have issued guidelines which clarify procedures for the formation of bank and bank holding company community development corporations and outline policy on allowable CDC activities. Both publications provide examples of projects and programs undertaken by existing bank affiliated CDC's.

National Bank CDC's

In its recently issued banking circular, BC-185, the Comptroller of the Currency, Administrator of banks with national charters, formalizes guidelines governing the formation and investment activities of CDC subsidiaries of national banks under Interpretive Ruling 7.7480. The Interpretive Ruling, revised in 1971, allows banks to make debt and equity investments in CDC's, provided that the investments facilitate projects which fulfill a public purpose by promoting community welfare.

According to the circular which was recently sent to all CEO's of national banks, national banks can invest in CDC's in two ways: by creating a *de novo* CDC either as a bank subsidiary or as part of a multi-bank CDC; or by investing in an existing community CDC or its projects. In either case, the investments must meet the requirements of policy guidelines established by the Comptroller.

Public Purpose

Most notable among those requirements is that the bank investment must meet a public purpose test. Although no de-

Assisting Neighborhood Development Corporations

Despite its efforts in these recent projects, the focus of the Development Finance Unit remains on assisting neighborhood revitalization groups to package and implement housing and commercial revitalization projects.

"Local and neighborhood non-profit housing corporations are a very important part of the city's revitalization efforts," Kolesar maintains, "and the bank is continuing to support them." In addition to direct financing and packaging assistance provided to local groups on a project-by-project basis, the Unit also provides general technical assistance and counseling.

Manual on Public/Private Financing

For example, because most LDC directors and staff generally have a limited knowledge of the full array of public programs available, the Unit is putting together an extensive manual for them which details federal, state and local programs that might be useful in structuring public/private partnerships for neighborhood revitalization. The manual, now in final stages of completion, will be in looseleaf form to accommodate periodic changes in public programs.

"While many LDC's may be quite experienced in using UDAG, CDBG or SBA's 503 CDC program, there's a whole smorgasbord of public programs that would be useful to neighborhood groups in public/private financing schemes," Kolesar contends. "We believe that the manual will serve as a valuable tool for LDC's and will stimulate additional relationships with the bank."

Small Commercial Projects

In the near future, the Development Finance Unit plans to go to work on a product for financing small commercial development and rehab projects. "We have an obligation to begin to develop a product line for smaller, neighborhood commercial projects," adds Kolesar, "because they're really not getting the attention they need." Kolesar maintains that smaller, mixed-use projects in Cleveland neighborhoods are often too small for consideration by line bank lending divisions or too complex for many branch offices to accommodate. On the other hand, small commercial buildings are often critical to neighborhood stability and provide needed employment, housing and shopping opportunities.

Ameritrust's Development Finance Unit was formed over three years ago to provide the bank with a focal point for assisting neighborhood revitalization projects. The Unit currently has two banking officers, one of which specializes in residential real estate and rehab lending. Currently under discussion are plans to add another officer to focus on mixed-use commercial projects. The Unit has its own lending authority but also brokers loan packages through conventional lending divisions of the bank. The Development Finance Unit reports directly to the Ameritrust's President, James D. Rode. ■

OHIO LINKED DEPOSIT PROGRAM *cont.*

Eligibility Standards and Procedures

Under the Program, small businesses (including agricultural businesses) eligible for Linked Deposit loans are those which meet all of the following criteria: a small business must be headquartered in Ohio, maintain offices and operating facilities exclusively in Ohio, employ fewer than 150 employees (the majority of which are Ohio residents), and be organized as a for-profit business.

Procedures for obtaining Linked Deposit loans are straightforward and take advantage of conventional business relationships among small firms and banks. The application and approval process has the following elements for each loan:

- A qualified small business applies for a loan at any eligible financial institution.
- The lending institution uses all usual credit standards in determining the creditworthiness of the applicant; only credit-worthy small businesses are eligible and lenders, not the State, bear all credit risks in case of loan default.
- Upon lender approval, the lender forwards to State Treasurer's Office a Linked Deposit loan package which includes information on the amount of the loan requested and the estimated number of jobs to be created or retained;
- If the Treasurer's Office decides to fund the loan, it enters into a deposit agreement with the lending institution and places a certificate of deposit at 3% below market rates with the lending institution in an amount equal to the loan being requested;
- Upon receipt of the deposit, the lending institution closes the loan and disburses proceeds to the small business.

Although some lenders close loans prior to approval and receipt of the State deposit, all interest rate and credit risks are borne by the lenders.

Program Creates Strong Demand

According to Sue Burk, Linked Deposit Investment Officer for the State Treasurer, the program has sparked substantial and growing interest in the Ohio financial community. Since the program began operation about ten months ago, almost \$60 million in Linked Deposit loans have been originated and demand is increasing as lenders gain experience with program requirements and the application process.

Burk says the State has tried to keep procedures and paperwork at a minimum to encourage lender participation. "The primary focus of the program is job creation and retention," Burk said, "and lenders have been responsive in submitting packages that meet the requirements of the program."

Larger Banks Heavy Participants

Although there are over 200 banks in the state eligible as public depositories to participate in the program, a number of the larger, regional banks with branches statewide, have been

among the most active Linked Deposit lenders. Lenders generally like the program and believe it provides a good vehicle for helping meet the financing needs of small business customers.

Ron Radcliff, BancOhio National Bank Vice President and head of Business and Professional loans, indicates that the program has been very well received by borrowers and lending officers. BancOhio, based in Columbus, has done a number of Linked Deposit loans.

According to Radcliff, the majority of BancOhio's loans under the program are for the maximum of two years, but many are also renewable at market rates if the State does not renew the linked deposit after its initial two-year term. Radcliff says that by using the Linked Deposits, the bank can develop new customer relationships while helping meet the needs of existing customers.

"We've done Linked Deposit loans to all types of businesses," Radcliff said, "including manufacturers, service industry, retailers and professionals. Generally, we're able to bring the loans in at about our base rate or less, which is usually a substantial savings for these loan customers."

Radcliff indicates that the bank has been very involved with the program since its inception and has had meetings of all regional executives in the bank's business and professional loan group to provide information on the program and its requirements.

Richard Fetzer, Vice President for Public Funds at Clevel-

and-based Ameritrust generally echoes that experience indicating that the bank has participated heavily in the program on a statewide basis. According to Fetzer, Ameritrust has done over 15 Linked Deposit loans to a broad range of business types, but most have involved manufacturing firms.

Ameritrust's largest loan thus far under the program has been about \$1.1 million while some loan amounts have been for less than \$100,000. Most of the bank's Linked Deposit loans are in the \$200-\$500,000 range. Robert Carpenter, Senior Commercial Loan Officer in Ameritrust's Business Loan and Services Group, says that the program provides needed flexibility for loan officers. "We like the program because it allows loan officers to offer business customers something a little different," says Carpenter, "and that helps solidify current customer relationships and also build new ones."

Bankers generally had praise for the program and plan to continue their participation based on the ability of lending officers to identify small business prospects which meet the State's job creation/retention criteria. The banks indicate that although the spreads are a little thin, they are making money by participating.

"It's a good vehicle for helping us meet the financing needs of a large part of small business market," adds Fetzer, and its a good tool for helping the bank develop new customer relationships. At the same time, our participation is serving generally agreed to public goals." ■

IN BRIEF . . .

Union Bancshares, Inc., parent of Union Bank, Wichita, Kansas has applied to the Federal Reserve Board for formal approval to establish and operate a **venture capital company** called **UBI Growth Capital, Inc.** The new company will not be an SBA licensed Small Business Investment Company, but will instead operate under provisions of the Federal Reserve System's Regulation Y which allows bank investments of up to 5% in non-banking companies, and substantially more with specific Fed approval. Initial capitalization of the venture capital company will be up to \$2 million. The company will focus on providing equity and debt financing for smaller companies that have moved beyond the start-up phase and into expansion.

Proposed major revisions to HUD regulations governing the **Community Development Block Grant Program** have been completed and sent to OMB for Clearance, but must also pass muster with key Congressional Committees before they can be published for comment. According to HUD officials, the regulations now include new policy guidelines on the use of **Lump-Sum Drawdown**, a technique used by many local government CDBG grantees working with lenders in low interest rate housing rehab loan programs. The new rules governing use of lump-sum drawdown techniques were expected to be issued in June but were held up pending completion of major revisions to

CDBG regulations necessitated by recent legislative changes to the program. The lump-sum drawdown guidelines are now part of the larger regulatory package.

CG Bancorp, Cottage Grove, Oregon is seeking Fed approval to engage in **de novo community development** activities through the leasing of a building to a local community theater group. The holding company's Cottage Grove Bank, a small, community bank, had taken possession of a local commercial building when the property was deeded to the bank in lieu of foreclosure. Although regulations specify that banks must dispose of property not necessary to banking operations within specified periods of time, the bank leased the building to a local theater group on a short-term basis. The group was looking for a permanent facility and wanted a longer term lease. In an attempt to accommodate the theater group, the bank transferred the property to its holding company and applied for permission to keep its equity ownership of the property as long as it is leased to the non-profit theater group. The activity should meet the Fed's public purpose requirements for community development investments. Some rehabilitation will be required to make the building conducive to theater productions.

The National Trust for Historic Preservation will hold its annual **National Preservation Conference** in Baltimore at the Baltimore Convention Center, October 24-28. Almost 50 separate conference sessions will explore a variety of topics of

ATTACHMENT 8. INDUSTRIAL COOPERATIVE ASSOCIATION REVOLVING LOAN FUND, INC.

Statement of Purpose:

The Industrial Cooperative Association Revolving Loan Fund, Inc. provides member equity capital for financing worker cooperative businesses in low-income and blue-collar communities. The Loan Fund is the first financing source developed expressly for worker cooperatives.

The Loan Fund has been established by the Industrial Cooperative Association (ICA), the leading source of technical assistance to worker cooperatives in the United States. The goal of the Loan Fund is that of the entire ICA organization: to stimulate the growth of a small but increasing number of successful cooperatives that will serve as models for the creation of a vital worker cooperative sector in the United States.

ICA REVOLVING
LOAN
FUND

INDUSTRIAL COOPERATIVE
ASSOCIATION
REVOLVING LOAN FUND, INC.

249 Elm Street, Somerville, MA 02144
(617) 628-7330



The Problem:

The “Equity Gap”

Worker cooperatives, organized to create new jobs or to save jobs in response to plant closings or local disinvestment, are usually under-capitalized. Worker/members are most often low-income or working-class people who do not have the savings needed to buy a business. They can put up little money at the critical stage when the financing package must be assembled.

This “equity gap” created in the initial financing creates serious delays and sometimes blocks completely the financing of many cooperatives. The temporary gap is eventually closed as worker/owners make regular membership investments through a series of payroll deductions.

The Solution:

The ICA Revolving Loan Fund, Inc.

The ICA Revolving Loan Fund provides a source of temporary financing to fill this gap by advancing “membership equity” loans directly to cooperative members. In effect, the Loan Fund will finance the downpayment required by other public and private lenders during the critical assembly of the loan package.

Types of projects the Loan Fund will consider include worker buy-outs in the face of plant closings, new cooperative business start-ups, and cooperative conversions of existing small businesses.



The ICA Revolving Loan Fund:

How It Works



The ICA Revolving Loan Fund extends "membership equity" loans to enterprises with a democratic, worker cooperative structure that save or create jobs for otherwise unemployed, underemployed, or economically disadvantaged persons. To be eligible for assistance, a worker cooperative must have a minimum of six members.

The Loan Fund provides loans directly to the members of a cooperative to finance their purchase of a membership share. Amounts equal to the loans extended enter immediately as

equity on the books of the cooperative. Members repay loans made by the Fund over a relatively short time period through a series of regular, modest payroll deductions. For flexibility in financing, the Loan Fund may also provide subordinated loans directly to the cooperative when required in a larger financing package.

Because this membership equity investment is equivalent to a form of venture capital, the Loan Fund takes a close look at the characteristics, structure and risk level of projects prior to a final loan decision. A pre-application process is used to screen applicants, and there is a two-stage evaluation process for all full applications invited by the Loan Fund. After the first stage has been completed, the Loan Fund can provide assistance in financial packaging to projects requesting such assistance.

For a set of guidelines and an application packet, please write or call Laura Henze, Director, ICA Revolving Loan Fund, 249 Elm Street, Somerville, Massachusetts 02144; (617) 628-7330.



The ICA Revolving Loan Fund and the ICA

The ICA Revolving Loan Fund began its lending operations early in 1983. The Loan Fund is a nonprofit, tax exempt 501(c)(3) organization which is established as a supporting organization to the ICA. Its Board of Directors brings together ICA representatives and additional public members who contribute banking, venture capital, investment advisory and legal expertise.

Founding supporters of the Loan Fund include the Mary Reynolds

Babcock Foundation, the Ford Foundation, a number of Catholic religious orders and Protestant denominations, and individuals. Together, they have provided \$1 million to launch the ICA Revolving Loan Fund through a combination of program-related investments and grants. We are now launching Phase II of the capital drive to expand the resources of the Loan Fund.

The ICA was established in 1978 to make cooperative ownership a

viable business option in the United States. Its staff of twelve brings a range of business, education, legal and organizing assistance to worker cooperatives organized by people in low-income and blue-collar communities. To date, the ICA has assisted worker cooperatives and potential projects in over 25 states and Puerto Rico.

We welcome your interest, questions and support.

Board of Directors:

ICA Revolving Loan Fund, Inc.

Joan Bavaria

Vice President

Franklin Management Company

Steven Dawson

Executive Director

Industrial Cooperative Association

Charles T. Grigsby

President

*Massachusetts Community Development
Finance Corporation*

Laura Henze

Director

*Industrial Cooperative Association
Revolving Loan Fund*

Nancy Nye

Board Member

Industrial Cooperative Association

Peter Rosenblum, Esq.

Partner

Foley, Hoag & Eliot

**For more information on the ICA Revolving
Loan Fund, please write or call Laura Henze,
Director, ICA Revolving Loan Fund, 249 Elm
Street, Somerville, Massachusetts 02144;
(617) 628-7330.**



ATTACHMENT 9. CITY OF PORTLAND, OREGON "FIRST SOURCE" HIRING AGREEMENT



CITY OF
PORTLAND, OREGON
HUMAN RESOURCES BUREAU

Margaret D. Strachan, Commissioner
Training and Employment Division
Operations — Rm. 402
1120 S.W. 5th Avenue
Portland, Oregon 97204-1977
(503) 796-5202

MODEL

4/83

FIRST SOURCE AGREEMENT

This First Source Agreement for recruitment, referral and placement is between the CITY OF PORTLAND, hereinafter referred to as the "CITY", and _____, hereinafter referred to as "EMPLOYER." Under this First Source Agreement, EMPLOYER will use the CITY as its first source for recruitment, referral and placement of covered employees.

I. GENERAL TERMS

- A. The CITY wishes to assure continuing employment opportunities for economically disadvantaged CITY residents with employers located within the Portland metropolitan area.
- B. The EMPLOYER wishes to use the CITY as a first source for recruitment, referral and placement of employees.
- C. The CITY, through the City Loan Corporation, has negotiated a low-interest loan of \$ _____ to EMPLOYER in consideration for the EMPLOYER's entry into this Agreement.
- D. This Agreement shall not be construed as a loan agreement and shall not obligate the City Loan Corporation in any way. If, for any reason, the loan referred to in Section I.C. above should be withdrawn or cancelled by the CITY, this Agreement will be null and void.
- E. The CITY will provide employment recruitment, referral and placement services to the EMPLOYER subject to the limitations set out in this Agreement.
- F. The CITY's participation in this Agreement will be carried out by the CITY's Training and Employment Division (TED), 1120 S.W. Fifth Avenue, Room 402, Portland, Oregon 97204-1977, or such other CITY bureau or division designated by the CITY.
- G. This Agreement shall take effect when signed by the parties below and shall be in full force and effect for the period of five (5) years.

II. RECRUITMENT

- A. The CITY and EMPLOYER agree that for purposes of this Agreement, "covered positions" include all EMPLOYER's job openings in the Portland metropolitan area created as a result of internal promotions, termina-

tions and expansion of EMPLOYER's work force, within the below listed job classifications:

- B. At least twelve (12) CITY working days prior to the anticipated hiring dates, the EMPLOYER will notify TED of its needs for new employees in covered positions.
- C. For covered positions, notification to TED shall include, but need not be limited to, the number of employees needed by job title, hiring dates, rates of pay, hours of work, anticipated duration of employment and work to be performed. In order for TED to determine whether persons meet the EMPLOYER's personnel needs, job descriptions, including minimum qualifications stated in quantifiable and objective terms, are made a part of this Agreement and are included as Attachment "A."
- D. Positions which are not managerial, highly technical, or professional created in the future by the EMPLOYER, shall also be regarded as positions covered by this Agreement. Positions of a supervisory nature or which require two or more years of formal training are not considered covered positions.
- E. The EMPLOYER will also notify TED of all position vacancies which are not "covered positions" as defined in Sections IIA, B, and C, above. Notification shall include qualifications, the rates of pay and the anticipated hiring dates. The EMPLOYER will also notify TED of the date by which TED must refer qualified applicants to the EMPLOYER for management, technical and professional vacancies; however, the EMPLOYER will not be bound to hire from these referrals.
- F. Job openings to be filled by internal promotion from the EMPLOYER's local work force need not be referred to TED for placement and referral.

III. REFERRAL

- A. TED will refer eligible job applicants to the EMPLOYER in response to the notification of need for new employees described in Section II, above.
- B. TED will screen applicants according to the qualifications agreed upon with the EMPLOYER.

IV. PLACEMENT

- A. TED will notify the EMPLOYER no later than three (3) working days prior to the anticipated hiring date of the number of applicants TED will refer. TED will make every reasonable effort to refer at least one qualified person for each job opening.
- B. In the event TED cannot refer the total number of qualified personnel requested, the EMPLOYER will be free to directly fill remaining positions for which no qualified applicants have been referred. In this event, the EMPLOYER will make a good faith effort to hire City of Portland residents.
- C. The EMPLOYER will make all decisions on hiring new employees but will select its employees for covered positions from among the qualified persons referred by TED.
- D. TED will track job retention of employees placed under this Agreement for 90 days following placement. EMPLOYER agrees to cooperate in TED's follow-up efforts.
- E. TED is required to monitor EMPLOYER's performance under this Agreement. EMPLOYER will cooperate in TED's monitoring efforts and will submit Quarterly Hiring Summaries in accordance with Attachment "B."
- F. After the EMPLOYER has selected its employees, TED will not be responsible for the employees' actions and the EMPLOYER hereby releases the CITY from any liability for thier actions.
- G. All persons hired under this Agreement are subject to the EMPLOYER's regular personnel policies and procedures and have no special or additional rights arising from this Agreement.

V. TRAINING

- A. The EMPLOYER will not discontinue providing routine on-the-job training due to this Agreement.
- B. TED and the EMPLOYER may agree to develop additional on-the-job training programs; the training specifications and cost for such training will be mutually agreed upon by the EMPLOYER and the CITY and covered in a separate Training Agreement.

VI. CONTROLLING REGULATIONS AND LAWS

- A. If this Agreement conflicts with any labor laws or other governmental regulations, the laws or regulations shall prevail.

- B. If this Agreement conflicts with a collective bargaining agreement to which the EMPLOYER is a party, the bargaining agreement shall prevail.
- C. The EMPLOYER will provide TED with written documentation that the EMPLOYER has provided the representative of any involved collective bargaining unit with a copy of this Agreement and has requested comments or objections. If the representative has any comments or objections, the EMPLOYER will provide them to TED.
- D. The EMPLOYER will not discriminate against any applicant for employment because of race, religion, age, handicap, color, sex, national origin, citizenship, or political affiliation.

VII. ASSIGNMENT MODIFICATIONS, RENEWAL AND SANCTIONS

- A. If, during the term of this Agreement the EMPLOYER should transfer possession of all or a portion of its business concerns affected by this Agreement to any other party by lease, sale, assignment or otherwise, the EMPLOYER as a condition of transfer shall require the party taking possession to agree, in writing, to the terms of this Agreement. A new First Source Agreement will be executed with the new party prior to the effective date of the transaction.
- B. The EMPLOYER and TED, or such other agent as the CITY may designate, may mutually agree to modify this Agreement in order to improve the working relationship described herein.
- C. The CITY may terminate this agreement at any time by written notification if its federal, state or local grants are suspended or terminated before or during the contract period.
- D. Either the EMPLOYER or the CITY may elect to employ binding arbitration to settle any material dispute under this Agreement which informal good faith negotiating efforts have failed to resolve. If either party elects to employ arbitration, the electing party shall deliver written notice to the other party appointing one representative, specifying the issue(s) to be resolved and detailing the desired remedy. The responding party shall return a written response to the electing party within fifteen (15) days. The response shall appoint a second representative and shall outline the responding party's position on the issue(s). If the responding party either fails to respond and/or appoint a second representative within the required timelines, the electing party shall be awarded a judgment by default. The two representatives so appointed shall select an arbitrator within fifteen (15) days after the appointment of the second representative. If the two representatives first appointed are unable to agree upon an arbitrator within the time limit, then the arbitrator shall be selected by the EMPLOYER and the CITY

ATTACHMENT - A

Date rec'd TED _____
CM contact _____
OJT _____
First Source _____
DOT Code: _____
SVP Hrs: _____ Trng Time _____

JOB ORDER FORM
City of Portland Training & Employment Division

Employer _____ 2. Date _____

Job Title _____ 4. Number of Openings _____

Job Location _____

Contact Person _____ phone _____

Supervisor _____ 8. Beginning date _____ Ending _____

Starting salary \$ _____ per _____ Salary after training \$ _____ per _____

Benefits: _____

Days to be worked _____ 12. Hours _____

Will union membership be required? Yes _____ No _____

If yes, which union and local # _____

If this job involved on-the-job training to be subsidized by the City, how long will that training period be? _____ (attach specific training plan).

Specific Duties _____

NECESSARY QUALIFICATIONS:

Skill	Level of experience or training required to enter program (include licenses and/or certificates necessary)

7. Is a valid Oregon Drivers' License required? Yes _____ No _____

8. Are your employees in this position expected to provide any necessary tools involved in the job(s)? Yes _____ No _____
If yes, please attach an itemized list (with prices) of tools required for each position.

9. Education level needed to perform this job (if any) _____

(OVER)

simultaneously, applying directly to the Federal Mediation Conciliation Service for a panel of seven arbitrators. Within seven days from the date of receipt of the panel of arbitrators, the parties shall choose an arbitrator by alternately striking one name from the list, with the first strike determined by a coin flip and the last remaining name being the arbitrator for the dispute. After an arbitrator has been appointed, he/she shall make a written report within thirty (30) days to the parties on the issue(s). The authority of the arbitrator shall be limited to the issues raised by the parties. The determination of the arbitrator shall be final and binding upon the EMPLOYER and the CITY and may include:

1. Monetary damages directly related to any breach of this Agreement and to the issue(s) raised;
2. Specific performance of the Agreement provisions and steps reasonably necessary to implement and monitor specific performance, which might include retention of a professional job analyst designated by the arbitrators;
3. Declaration of default on and calling in of any CITY loan provided in consideration for EMPLOYER's entry into this Agreement;
4. Allocation of costs associated with the arbitration determination and steps necessary to implement and monitor that determination.

The arbitration determination shall be fully enforceable in a court of law.

Dated this _____ day of _____, 19____.

Approved

(EMPLOYER NAME)

Administrator
Training and Employment Division

By _____
Title _____

CITY OF PORTLAND

Approved as to Form:

Commissioner of Public Utilities

City Attorney

City Auditor

Describe any on-the-job training you normally provide for this position (ie, without City funding) _____

Is there a possibility for promotion from this job? Yes _____ No _____
If yes, to what position(s)? _____

Environmental Conditions

a. Working Environment

Inside _____ %
Outside _____ %

YES NO

b. Extreme Cold with
or without temperature changes

c. Extreme heat with
or without temperature changes

d. Wet and/or Humid

e. Vibration

f. Hazards

Mechanical

Electrical

Burns

Explosives

Radioactivity

Other

g. Atmospheric Conditions

Fumes

Dusts

Mists

Gases

Poor Ventilation

Other

h. Noise

Estimated maximum
no. of Decibels

23. Physical Demands

a. Strength - % time job will require

Standing _____ %

Walking _____ %

Sitting _____ %

Weight (no. lbs)

Lifting _____

Carrying _____

Pushing _____

Pulling _____

YES NO

b. Climbing

Balancing

Stooping

Kneeling

Crouching

Crawling

Reaching

Handling

Fingering

Feeling

Talking

Hearing

Ordinary Conversation

Other Sounds

Seeing

Acuity, Near

Acuity, Far

Depth Perception

Color Vision

Field of Vision

4. a. Could a person with limited English speaking skills perform this job?

Yes _____ No _____

b. Could a person with limited English reading/writing skills perform this job?

Yes _____ No _____

5. Is public transportation easily accessible? Yes _____ No _____

6. Does the job require shift work or other than traditional hours? Yes _____ No _____
(if yes, please clarify) _____

OTHER COMMENTS, REQUIREMENTS OR NEEDS:

Portland, Oregon was rated excellent because of its strong policies, procedures, negotiating processes, monitoring, and potential enforcement procedures.

Portland fully implemented and institutionalized the original TJDP job targeting concept. The provision of economic development assistance was used by the city's staff to lever jobs for CETA-eligible residents. Portland pioneered the use of a technique known as the First Source Agreement in 1979. The First Source Agreement is a legally binding agreement negotiated between the City's CETA prime sponsor and private companies that obtain public assistance in the form of low-interest loans, tax abatements, infrastructure improvements and so on. In these agreements, the companies agree to use the CETA agency as their first recruiting source for all jobs covered by the contract. Only if the city is unable to supply adequate and qualified labor can the employer seek employees elsewhere, but the hiring decision rests with the employer alone. The agreements may last up to five years or more. The First Source Agreement strategy was promulgated in various city planning documents and supported by two Mayoral administrations. Each agreement was endorsed by city council ordinance. Strong agency procedures to carry out the policy were developed and strengthened during the demonstration period. Monitoring was accomplished through quarterly hiring reports submitted by employers. Enforcement procedures were available (though not invoked) whereby the city or the employer could request arbitration to resolve disagreements. Revocation of a loan was available as a remedy for firms that refused to honor their commitments. In summary, Portland's First Source Agreement strategy was an excellent one for achieving TJDP's objectives.

SAMPLE

ATTACHMENT - 8

COMPANY NAME _____

QUARTERLY HIRING SUMMARY

For Quarter Ending: _____

Listed below are the positions in your firm which are covered under the First Source Agreement with the City. Please list the number of hires for this Quarter, from both TED referrals and other sources, for each position and return this form to the Training and Employment Division within thirty (30) days following the close of the Quarter.

<u>Position Title</u>	<u>Total New Hires</u>
1) _____	_____
2) _____	_____
3) _____	_____
4) _____	_____
5) _____	_____
6) _____	_____
7) _____	_____
8) _____	_____

I certify that the above information is true and accurate

Authorized Signature

Title

Date

Please return this form to: City of Portland
Training and Employment Division
Attn: First Source Liaison
1120 S.W. Fifth Avenue, Room 402
Portland, Oregon 97204-1977

ATTACHMENT 10. ANNOUNCEMENT OF UNIVERSITY OF VERMONT EXTENSION

SERVICE COURSE "SHARING OWNERSHIP IN SMALL BUSINESSES"

CHURCH STREET CENTER

FOR COMMUNITY EDUCATION

135 Church St.
Burlington, VT 05401

656-4221

University of Vermont

Winter '85
Courses



Fundamentals of Investing

Lewis Gordon, Jr.

Feb. 25-Apr. 1** • 5 Mondays • 7:00-9:00 pm • \$40.00

Ignorance is certainly not bliss when it comes to money management. If you have suspected that there must be better ways of making your money work for you, you're absolutely right and this is the class where you'll find out about them. Learn more about types of securities (stocks, mutual funds, tax shelters, commodities and annuities to name a few) and decide which are right for you. Discover the reasons for stock price movements and learn how to read the financial news. Three sessions will be devoted to investing for growth, for income, and in order to save on taxes. **Class will not meet for one week in March, to be announced by the instructor. Lewis Gordon, Jr., is Vice President with Thomson, McKinnon Securities and has 20 years of experience as a registered representative for New York Stock Exchange firms. He has taught many investment courses throughout the state.

Income Tax Preparation for Individuals

Kathleen Bushnell

January 31 • 1 Thursday • 7:00-9:00 pm • no charge

Don't get caught in the April filing crunch! This course will teach you to prepare your 1984 Form 1040A or Form 1040EZ, and will cover highlights of 1984 tax law changes on Form 1040. Workshop covers individual income taxes only. Bring a calculator to class. (See the Learn Over Lunch series for a Monday noon-hour session.)

Kathleen Bushnell is a Taxpayer Service Specialist for the Internal Revenue Service.

Intensive Small Business Planning†

Richard Crimmins

Feb. 25, Mar. 11, Mar. 25 • 3 Mondays • 6:30-10:00 pm • \$65.00*

If you are serious about starting or expanding a business, this advanced seminar can result in a clear, well-documented business plan specific to your needs. In these intensive sessions you will write three important plans for the successful start-up, expansion, or day-to-day management of a small business. The Management Plan helps you define your motivations for being in business and outline your methods of personnel relations. The Marketing Plan contains your research on your product or service, the people who want or need it, and ways to reach those people through advertising and publicity. In the third plan, the Financial Plan, you will assess your personal and business assets and learn how to package information statements with which to approach funding sources. Cash flow, sources and uses of funds, short-term and long-term financial plans will be discussed. This seminar will be limited to 15 participants and will require each to prepare specific work assignments prior to each class session. Paying students only. *Price includes business planning books and guides.

Richard A. Crimmins has many years of experience consulting, training, and owning several small businesses. He has had over a 95% success rate obtaining bank financing using this effective method of planning.

Investing for Fun, Profit and Security

Jeff Dannies

Jan. 29-Feb. 12 • 3 Tuesdays • 7:00-8:30 pm • \$16.00

Do you have money to invest but feel unfamiliar with the various investment vehicles that are available? Discover how to supplement your present income through tax-free or other high-yielding investments. This course will help you to prepare for the future by explaining the present laws concerning corporate, custodial, and trust accounts and retirement planning utilizing insurance and IRA accounts. You will also learn how to use available newspapers and magazines to aid you in effectively managing your money. Students should bring paper and pencil to class.

Jeff Dannies is an account executive with E. F. Hutton in Burlington. He has a degree in Finance from UVM. Formerly employed with Burroughs Corporation as a Financial Marketing Representative, he has taught several adult education investment courses in the past two years.

Marketing Strategies for Advertising

Barbara Sandage

Feb. 6-Mar. 13 • 6 Wednesdays • 7:00-9:30 pm • \$75.00

Participants will analyze the development and presentation of an effective advertising program by acquiring an understanding of marketing strategy development, planning for media, creative development, promotions/merchandising, and presentation techniques. Students will participate in discussion of existing advertising campaigns which they have selected and researched. The importance of client/agency relations will be examined and students will have the opportunity to present a campaign. Please note that this is not a commercial art class but that the emphasis will be upon marketing theory and practice. REQUIRED COURSE FOR THE CERTIFICATE SERIES IN GRAPHIC DESIGN.

Barbara Sandage is president of Sandage Advertising and Marketing. Prior to founding the agency, she held creative and management positions in New York, Indianapolis, Denver, Atlanta, and Houston. Her understanding and experience in retail, manufacturing, financial, and political operations span the range from graphic design to large scale campaigns.

Sharing Ownership in Small Businesses†

Christopher Mackin

Feb. 21-Mar. 7 • 3 Thursdays • 7:30-9:00 pm • \$27.00*

This course, developed by CEDO, will review a range of strategies for sharing ownership and control over small businesses. Participants will focus on practical strategies for introducing employee ownership and successful management of business enterprises. The topics for discussion will include legal structuring (ESOP's and Cooperatives), financial and tax issues, and employee education for employee ownership. *\$17.00 tuition plus \$10.00 for class materials. Optional text: *Working Together* by William Mares and John Simmons (Knopf, 1983).

Christopher Mackin is the policy director for the Industrial Cooperative Association, in Somerville, Massachusetts. He received his Doctorate of Education at Harvard University.