Martha’s Vineyard
Economic Profile

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The Economic Profile is a summary document. The following Appendices provide additional information and detail.

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Introduction

The Martha’s Vineyard Commission (MVC) engaged consultant John Ryan, Principal of Development Cycles in Amherst, Massachusetts, to review a wide range of economic and demographic information for Dukes County in order to present an economic trends profile that reflects upon the key issues facing the Livelihood and Commerce Work Group. The following is a summary of key findings and recommendations.

The analyses and recommendations in this report reflect the opinions of the consultant only. They have not been approved by and do not necessarily reflect the opinions of the Martha's Vineyard Commission, the Island Plan Steering Committee, or the Island Plan Livelihood and Commerce Work Group.

Note: For more details on the methodology and limitations of this report see Appendix A. Notes on Methodology and Study Limitations

Summary

Over the past half century, the Vineyard has developed as one of the premier resort and vacation-based destinations in the Northeast. It has utilized its natural beauty and location to capitalize on national changes in demographics and wealth formation. Those changes have provided the economic drivers for the island’s rapid growth in population, housing, job formation, and real estate values. Since 1980, the island’s total wages paid have grown at an inflation-adjusted, compound rate of five-percent/year. By comparison, total wages in Massachusetts during this period actually declined by 0.5 percent/year after inflation. During this time, the island has developed two overlapping economies: one to serve the growing population of vacationers and one to serve the year-round population.

The key characteristics of the island’s economy include relatively low wages and high costs, substantial accumulation of asset value for those fortunate enough to own homes, continued demand for relatively low paying service jobs, significant seasonal fluctuations in demand for workers, high dependence on the spending of seasonal owners and vacationers, and a high perceived quality of life.

In the consultant’s view, the key challenges facing the island’s economy over the next 50 years include addressing limits to growth, finding “career path” work opportunities for a new generation of residents, attending to the needs of a much larger senior population, and integrating the role of a large foreign-worker presence.
In the simplest terms, the consultant sees the island’s overriding challenge as the need to increase the proportion of high-wage jobs without increasing the need for low-wage workers. The most promising opportunities to address this challenge include adding value to the island’s vacation-related offerings through the integration of educational, cultural and environmental experiences; diversifying the economic base to include more non-vacation-related professional services that can be “exported” off-island; and expanding efforts to retain and circulate more local earnings on-island. The following summarizes some of the key findings and recommendations from the consultant’s study of the island economy.

Demographic and Economic Trends

The era of high economic growth rates is over. Population, housing starts, seasonal residents, and day visitors all went through an extended period of rapid growth starting around 1970. All of these growth rates have slowed in this decade. The next 20 years will likely be marked by much slower job and housing growth. The ability of residents to expand income enough to remain on the island will be more a function of the diversification of employment than of growth in the existing resort/tourism base.

As in all areas of Massachusetts, the Vineyard population is aging. The percentage of the island’s seniors is rising faster and the concentration of children is declining faster than elsewhere in the state. High housing costs have virtually stopped domestic in-migration and reduced the number of young working families. Finding workers to serve the rapidly growing senior population will be a major consideration for Martha’s Vineyard over the next two decades.

The Vineyard’s workforce is non-traditional and entrepreneurial. Islanders are far more likely than their statewide counterparts to be self-employed, to work part-time or seasonally, and to live in adult-only households. They are no more likely to receive non-earned income and are far less likely to receive public assistance. More than three quarters of all workers work in enterprises with fewer than five employees.

The transition to a year-round economy is happening, but slowly. There have been significant shifts in the island’s dependence on its 16-week “high season” since 1990. The shoulder seasons are expanding, and there is a higher winter baseline of economic activity. But change comes slowly: winter wages accounted for 19 percent of annual wages in 1990 and 20 percent in 2006.

Note: For more details on demographic and economic trends see Appendix B. Demographic and Economic Trends.
Characteristics of Current Economic Activity

Year-round residents purchase only about a third of the goods and services sold on the island. Seasonal homeowners and their guests generate more economic activity (38 percent) than do residents; vacationers and day visitors generate about 26 percent.

The visitor-related component of the economy produces far more low-wage jobs than high-wage jobs. The core visitor-related industries of Construction; Retail; Accommodation and Food Services; Arts, Entertainment and Recreation; and Property Services employ about half of wage-earning workers. These core industries produce only 20 percent of the island’s high-paying jobs and 80 percent of its low-paying jobs. By comparison, other year-round economic activities produce twice as many high-paying jobs as they do low-paying ones (1,184 to 586).

Note: The consultant recognizes that year-round residents also utilize these activities; they are referred to as visitor-related because they constitute the core of services offered to vacationers.

Many low-wage workers are making significantly more than those doing the same jobs elsewhere in Massachusetts. The market seems to reflect, at least partially, the higher cost of living on the island in the compensation paid to the lowest-wage workers. The island’s low average wage (73 percent of the statewide average) and low median household income (90 percent of the statewide median) is more a function of the nature of the jobs present than the level of wages within those sectors.

By contrast, traditionally high wage jobs tend to pay less on the island than elsewhere in Massachusetts. The ceiling seems to be formed partly by a higher reliance on part-time and seasonal work, but also by the limited number of professional, financial, business, scientific, technical, educational and health-related jobs that serve the visitor and year-round populations or that sell services to a market beyond the island itself.

The Vineyard has only a very small base of those high-paying jobs projected to grow fastest within the Cape and Islands economy. The Vineyard seems to lack the infrastructure needed to attract a larger share of the fast-growing, high-paying professional, technical, health, and education-related jobs taking hold nearby.

Note: For more details on characteristics of current economic activity see Appendix C. Characteristics of Current Economic Activity and Appendix D. Industry Profiles.
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The Underground Economy

Martha’s Vineyard has many of the characteristics that support unreported employment, most notably a large foreign workforce and regular utilization of contract labor. In all, the consultant estimates that there are 16 unreported jobs for every 100 reported jobs, and these jobs pay $12 in unreported wages for every $100 in reported wages. This represents at least 1,200 unreported jobs and $34 million in unreported wages. The actual numbers could be dramatically higher if the unsubstantiated estimate of 5,000 year-round undocumented foreign residents is close to accurate.

The chief significance of the underground economy may be in lost community stability. Underground workers stay for shorter durations. Since income is often saved for use somewhere else, the value of that labor does not circulate in the local economy as fully as it might. These residents cannot establish the credit or verify the income needed to purchase homes or borrow for long-term purchases. The underground economy also promotes focus on a shorter timeframe, with lower investments in capital, training and skill development.

Note: For more details see Appendix E. The Underground Economy.

Key Livelihood and Commerce Issues

A Place for the Next Generation: Nearly 2,000 young people have graduated from the Martha’s Vineyard Regional High School in the past 10 years. According to school department summaries, more than 70 percent of them went off to college. How many will return to the island is anyone’s guess. Many residents came here to raise families and establish roots. High housing and living costs, coupled with limited opportunities for living-wage jobs, puts that hope at risk for many families. Focusing strategically on creating “career-path” jobs on the island for the next generation represents a critically important issue.

Aging and Health Care: By 2020, more than 22 percent of islanders will be senior citizens. Between 650 and 750 will be at least 80 years old. In less than a decade, the 65-and-over age cohort will be the fastest growing sector of the population. The consultant predicts that the largest growth in islanders’ personal expenditure over the next 20 years will be for health care and the associated costs of aging. How and where care will be delivered, who will provide these services, and how much the services will cost represent major economic questions with no easy answers.
Growth and Stewardship: When it comes to environmental vulnerability, it is hard not to see small islands with rapid growth, significant economic disparities, and limited natural resources as microcosms of our planet. Environmental and energy issues will certainly grow in importance as aspects of the island’s livelihood and commerce. Finding the right balance between growth and stewardship is not likely to get any easier in the years ahead. Globally, one key entrepreneurial cutting edge is focused on finding profitable solutions to these challenges. It is worth asking in what ways that same entrepreneurial energy can be applied to growth and stewardship at the microcosmic level.

Foreign-born Residency: For more than a decade, the island has seen a dramatic increase in the presence of Brazilian and Central American residents. Yet, in all of that time, it seems little is known about the size, character and essential role of this segment of the community. While this is understandable given the polarization of opinion about foreign residency at a national level, it is unlikely that the Vineyard benefits from any group remaining in the shadows. Some greater level of understanding and engagement seems in order.

Paradigms and Opportunities

Looking at the long-term economy of Martha’s Vineyard, the consultant sees balancing the following linked paradigms as rich areas for creative opportunity. The essential challenge seems to be how to see these as “both…and” rather than “either…and.”

Islanders and Mainlanders: There are probably no islanders anywhere that don’t, at some level, separate the world into these categories. There is nothing like a perimeter of ocean to distinguish “them” from “us.” But there may be benefit in questioning how the notion of islanders vs. mainlanders serves the wellbeing of those who live and work here. In the consultant’s view, the most important elements to cultivate for the island’s future economic success are the financial and personal resources of its seasonal residents and those who are choosing to move to the island in retirement. These two groups’ capacity to provide ideas, investment, contacts, entrepreneurial advice, training, and partnerships is a unique and inestimable resource. Getting this segment of the population to identify itself as “islanders” has the potential to transform the economic base of the Vineyard.

Resource-based and People-based: Martha’s Vineyard, like all other resort communities, rests on the value of its natural resources. In this case, ocean, beaches, landscape, and climate represent the critical natural resources that drive visitation and investment on the island. It is possible to see vacation-related economic activity as a modified extraction industry like forestry or fishing or mining, extracting the economic
value of these given resources in a (hopefully) sustainable fashion. Like other extraction industries, vacation-related activity is based on a high initial capital investment (in this case, vacation homes) and then relies upon lower labor costs as a percentage of economic activity. Adding value to the natural resource is the predominant strategy for breaking the cycle of low wages in extraction industries, and vacation-related economic activity is no exception.

At the same time, economic growth in extraction industries is limited by the capacity of the resource to sustain itself. Stewardship, preservation, limits on growth are especially important concepts in a resource-based economy. These issues are less central, when the economy is based more heavily on the skills and enterprise of its workforce than on the value of its natural resources. While many of the efforts of the Livelihood and Commerce Work Group are rightly focused on adding value to the vacation-related industry, a separate focus on how to develop industries that are not directly dependent on that natural resource provides even greater opportunity for higher paying work. Again, the key link may be the seasonal island residents who are often leaders in these other industries off-island.

**Tradition and Innovation:** The Vineyard’s unique heritage contributes mightily to the island’s economic value. The island’s fishing and agricultural past, its Wampanoag roots, the old family names still present, the Methodist campground, the generations of returning visitors, the Portuguese heritage, and the black summer community in Oak Bluffs all represent essential ingredients of the Vineyard’s appeal. These and many more traditional images give a depth of resonance and a sense of place valued by residents and visitors alike.

How does a community nurture this unique heritage while continually redefining itself in relation to changing world and national trends? How does it foster new traditions that reward the “genuine” over the artificial? Part of the answer lies in keeping those traditions alive, not as monuments, but as symbols of and links to the values that engendered them here. In the consultant’s view, the core concept of offering a “living community” as the basis for both visitor and non-visitor efforts will translate into higher paid and more valuable work and quality of life for residents.

**Local and Global:** The Vineyard is still small enough to be highly personal. It is also a globally recognized destination. Fewer degrees of separation exist here between relative large extremes of wealth and influence. That combination is a big part of its appeal. How does the Vineyard capitalize on that special combination to create more high-wage job opportunities? In the consultant’s view, the essential challenge for the island’s livelihood and commerce over the next half-century is to diversify its economic base and reduce the importance of vacation activities and “asset maintenance.”

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For all the benefits of an economy based on serving the vacation needs of its wealthy visitors (lower taxes, lower off-season population and demands) there is a downside to putting all of one’s eggs in this basket. If the island expands only its personal and property services to this population, it will inevitably create more economic stratification, more dependence on low-wage jobs, less generational continuity, and more economic and social needs to address. The island has a strong entrepreneurial culture with a too-narrow scope. What is most needed is the infrastructure and capacity to export high-value services not necessarily outside of the United States, but certainly off-island. Simply offering more of the medical, financial, and professional services needed to serve Vineyard residents would provide many more good quality jobs.

Promising Initiatives

The following reflects the consultant’s initial thoughts regarding five “Promising Initiatives” drafted by the Livelihood and Commerce Work Group.

1. **Set up an eco/cultural tourism program.** The consultant sees considerable value in this initiative as part of an integrated effort to provide more “value-added” and educational tourism experiences. Key goals include a focus on deepening and lengthening the visitor’s experience, stay, and connection to the island; providing more interesting and higher-paid work experiences; capturing more of the “life learning” market for older visitors; and continuing to broaden the shoulder- and off-season visitor experience.

2. **Create new food processing and production infrastructure.** It’s a stretch to see how agriculture and food production create many living-wage jobs on the island or how they might represent the highest value use of undeveloped and unrestricted land. That said, a working landscape on Martha’s Vineyard adds enormously to the quality of experience that drives asset values and tourism. Putting 500 or 1,000 acres of new and existing conservation land into active farm use would represent a powerful expression of the Vineyard as a living community. This initiative needs a “master plan” that begins with an understanding of the land capacity, the growing season, market needs and opportunities; selects the range of products; and identifies the public and private sources of financing for the infrastructure needed.

3. **Establish a program to encourage local production and buying.** The consultant sees a lot of room for new and creative thinking in this area, with the key focus on keeping more local earnings circulating locally. The initiative needs a detailed feasibility assessment to determine what areas of unmet need exist and what areas of local buying and production can hope to compete effectively for
local dollars. More importantly, the focus needs to go beyond retail shopping opportunities. Far more local earnings flow off-island to purchase insurance, mortgages, auto loans, and health services than for even big-ticket purchases such as automobiles and appliances.

4. **Set up a community-owned island electric utility.** Again, as a mechanism to keep earnings circulating locally, this initiative has considerable merit. Analyzing the financial feasibility of such an undertaking given the island’s scale and seasonal demands, and identifying the professional skills and processes needed to take the idea from concept to profitable reality represent the next steps.

5. **Use incentives and other mechanisms to secure commercial and agricultural land.** The consultant suggests using the existing open space and conservation mechanisms to expand agricultural land and keeping the focus of this initiative on developing the capacity to offer commercial office space. This initiative represents a key element of a larger effort to expand the number of professional, year-round (non–vacation-related) jobs on the island.

The consultant recommends three additional initiatives to consider as the work group moves forward.

- **Develop linkages with seasonal residents:** As expressed previously, the consultant believes that the most significantly under utilized resource available to the island is its visitors and retirees. What steps might occur at this planning level to begin engaging those seasonal and retired residents in shaping the island’s economic future?

- **Provide entrepreneurial training to sole proprietors and micro-businesses.** The Vineyard has a thriving culture of sole proprietors and micro-businesses. Over 70 percent of the island’s business establishments have fewer than five employees, and that does not include the 2,000 or more self-employed individuals and unreported businesses. It is easy to see how one means to earn a living wage on the island is to become one’s own “chief cook and bottle washer,” thus limiting overhead and maximizing individual earning potential. This seems like an especially ripe environment to build entrepreneurial capacity. What common needs do these sole and micro-businesses have that could be handled more efficiently? What marketing, operational, and financial tools would allow the scope of entrepreneurial activity to grow? What outside linkages and partnerships could begin to export what is done especially well on-island to other locations? It seems that some focus on this type of “continuing education” could have enormous payback over time.
Optimize the environment for remote work and telecommuting. Neither U.S. Census nor Massachusetts Department of Labor and Workforce Development data tell us much about the sector of the local workforce that works for a remote employer via computer, telephone, and occasional off-island travel. This is certainly a growing trend that supports the kind of higher-paying professional work needed to afford life on the island. The Vineyard has many attractions for this kind of work and could develop this sector with greater intentionality. What infrastructure and linkage characteristics promote development of remote work professions? It may prove well worth the effort to explore this emerging economic niche.