

Average Weekly Hours and Earnings of New Hampshire's Production Workers

The hours worked by production workers in New Hampshire fell to 37.4 average hours per week in December 2008. That was the lowest in recent history, ending a downward trend that followed the most recent high in November 2005 when the average number of hours worked was 42.9 per week.¹

The trend of the average weekly hours worked by production workers is significant because average hours is one of the measures used as a leading indicator of the health of the overall economy. Typically, when an economy is growing, the number of hours worked will increase before companies expand their workforce. Con-

versely, when the economy is slowing, companies will generally reduce the number of hours worked before resorting to eliminating positions. So the changes in the average number of hours are closely tied to the direction of the economy.

The National Bureau of Economic Research (NBER) announced that nationally economic activity had hit its peak and was headed downward as of December 2007, marking the beginning of the latest recession. At that point in time, the average weekly hours worked by New Hampshire's production workers was at 40.7 hours. During the next twelve months the average hours worked weekly tumbled an

average of 3.3 hours to 37.4 hours by December 2008. The December average indicated that workers' hours had been reduced to less than the standard 40-hour work week. The reduction in hours worked signaled an impending reduction in the workforce.

Since 2000, the average number of weekly hours worked by nonsupervisory production workers in New Hampshire is generally at its highest point for the year in December. That may be because production is geared to closing orders and shipping them to complete sales for that year, preparing for new year inventories. The fact that December average hours were so low for a month when

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Average Weekly Hours Worked by Production Workers in New Hampshire

(includes all hours worked, overtime, hours paid for standby or reporting time, sick, holiday and annual leave)

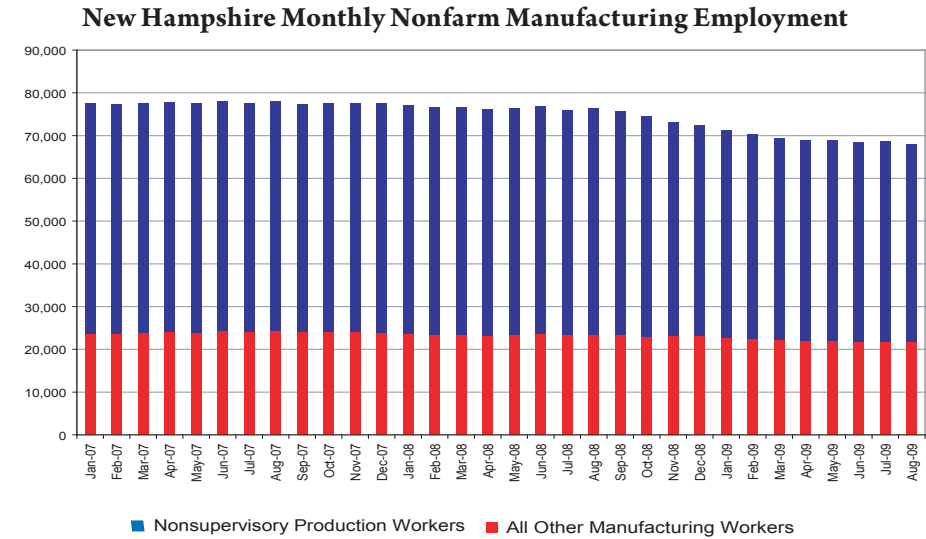


¹ The redefinition of industries adopted with the change from the Standard Industrial Classification (SIC) to the North American Industrial Classification System (NAICS) eliminates any comparison of data prior to 2000. Total hours used in the average include all hours worked (including overtime), hours paid for standby or reporting time, and equivalent hours for which employees received pay directly from the employer for sick time, holidays, vacations and other leave.

hours worked are typically among the highest emphasized the status of the economy. Companies conducting furloughs in lieu of layoffs may also have contributed to the drop in hours worked.

Through the beginning of 2007, average weekly hours worked were just above 40 hours a week and nonfarm employment in Manufacturing leveled off, averaging 77,600 workers for the year. Of those, nonsupervisory production workers averaged 53,600. Beginning January 2008, the average weekly hours worked crept below the standard 40-hour work week, and in March 2008 employment started a gradual decline. From that point, monthly employment losses accelerated through August 2009, dropping to 68,000 workers. Of those, 46,300 were nonsupervisory production workers.²

Another useful measure is average hourly earnings.³ Earnings increased steadily from January 2000 to 2007. In 2007 average hourly earnings reached an average of just over \$17.00 an hour and remained fairly stable through the year. Since the beginning of the

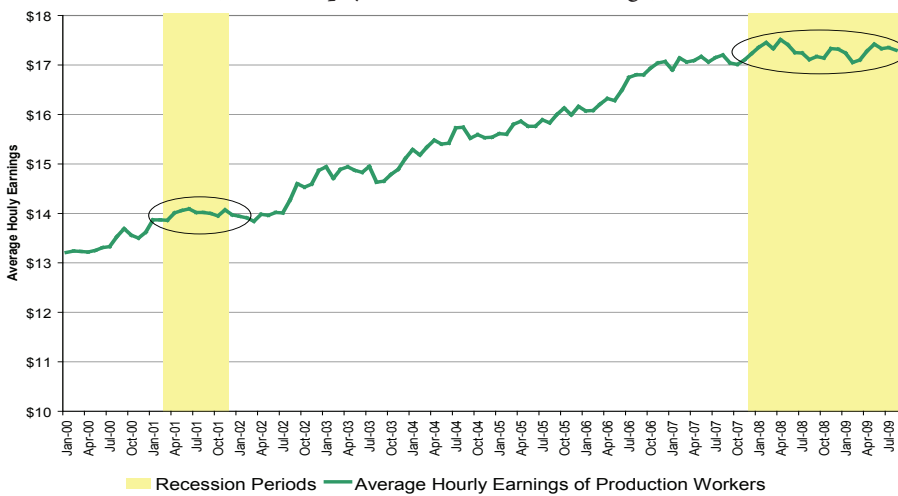


current recession, December 2007, average hourly earnings remained at or above \$17.00 per hour through August 2009.

Comparing average weekly hours to average hourly earnings clearly shows that the average number of hours worked declined while earnings did not. Hourly wages tend to increase over time - so average hourly earnings, given constant hours worked,

should increase. That was the case except during the last two recession periods when average hourly earnings seemed to have stabilized, helping show the impact that less overtime has on hourly earnings. In the prior recession, the increase in hourly earnings was an indication of the availability of overtime. That increase in average hours worked per week was coincident to the end of the recession period.

Average Hourly Earnings of Production Workers in New Hampshire
(overtime pay is included in the average)



Average weekly hours are on the rise, but they still have a way to go before they regain the typical 40-hour work week. The reductions in Manufacturing hours have ultimately led to reductions in employment. As average weekly hours worked increases, the expectation is that the latest recession period will have come to a close.

Anita Josten

²Preliminary seasonally adjusted nonfarm estimates, New Hampshire Employment Security, Economic and Labor Market Information Bureau.

³Average hourly earnings are calculated using total gross payroll, including premium pay, divided by the total hours. They differ from wage rates that represent the amount set for a given unit of work or time.