

# ECONOMIC CONDITIONS in New Hampshire



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## New Hampshire employees lost jobs after 2001 recession ended State entered a "job-loss recovery" in 2002

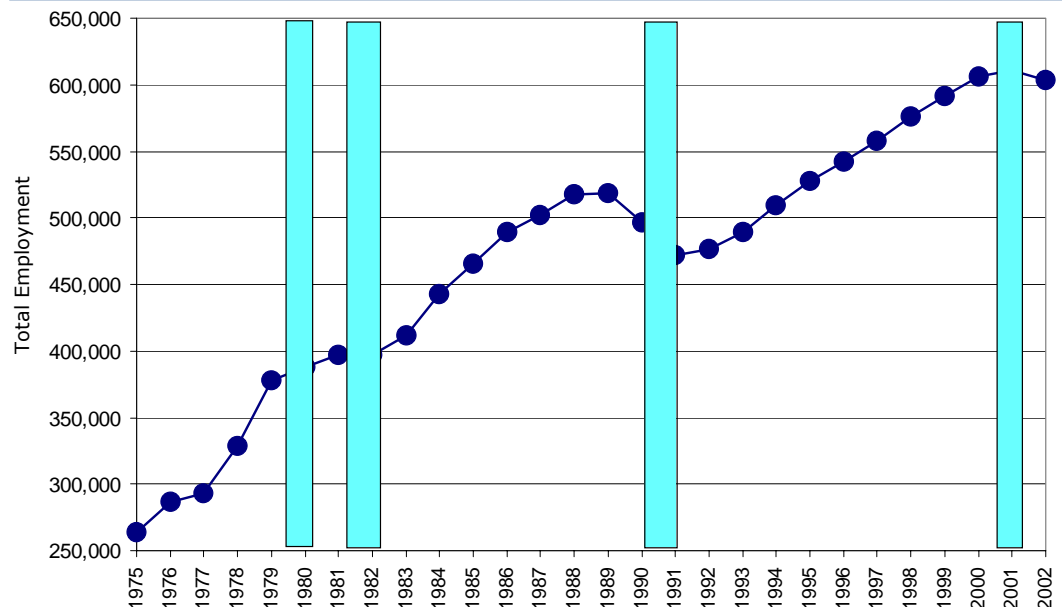
According to the National Bureau of Economic Research (NBER), the last recession began in March 2001 and ended in November 2001. Since then the nation has been "recovering" from the recession. But has New Hampshire? During the two prior recessions, employment in the Granite State increased as the recovery period began. Not so for the 2001 recession. In 2002, when the nation was beginning to recover, employment in New Hampshire dropped by more than 7,300 over-the-year. Nationwide, nearly 1.4 million jobs were lost from 2001 to 2002, most of them in *Manufacturing*. Alan Blinder, Professor of Economics at

Princeton University and a former vice chairman of the Federal Reserve Board, said of the recovery period, "You could say it wasn't as much a jobless recovery as it was a job-loss recovery."<sup>1</sup>

*Manufacturing* took the hardest hit, losing nearly 12,600 jobs or 13 percent of its workforce in New Hampshire from 2001 to 2002. However, New Hampshire still had a higher concentration of its total employment in *Manufacturing* than the nation did, 14.1 percent compared to 11.9 percent in 2002.

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**Unlike the last three recessions, employment in New Hampshire dropped as the nation was starting to recover from the 2001 recession.**



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*Employment*  
**SECURITY**

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Although sixteen of the twenty-one subsectors within *Manufacturing* recorded job losses over-the-year, nearly half of the job losses were in the *Computer and electronic product manufacturing* subsector. Despite the hit this subsector took, it still claimed nearly one quarter of all *Manufacturing* jobs in the state, compared to only ten percent of all *Manufacturing* jobs nationwide. Many industries in this subsector are considered “high tech” industries. They include businesses that manufacture computers, computer peripherals, communications equipment, and similar electronic products. The *Computer and electronic product manufacturing* subsector lost 20 percent of its workforce from 2001 to 2002.

Although employment in *Manufacturing* dropped, wages did not. Sixteen of the twenty-one subsectors actually experienced an increase in their average weekly wage (these are not necessarily the same sixteen subsectors that recorded job losses). Employees in the *Manufacturing* sector earned, on average, \$27.05 more a week in 2002 than the previous year. The same subsector that lost the most employees, *Computer and electronic product manufacturing*, actually had one of the largest gains in average weekly wage, \$89.53. Why?

According to Mark Zandi, chief economist at Economy.com, “as the recession ended, many companies (nationwide) boosted their profits by being stingy about hiring, even as the workloads increased, which is one of the reasons worker productivity has ‘zoomed.’” This increase in worker productivity probably resulted in a higher weekly wage, on average.

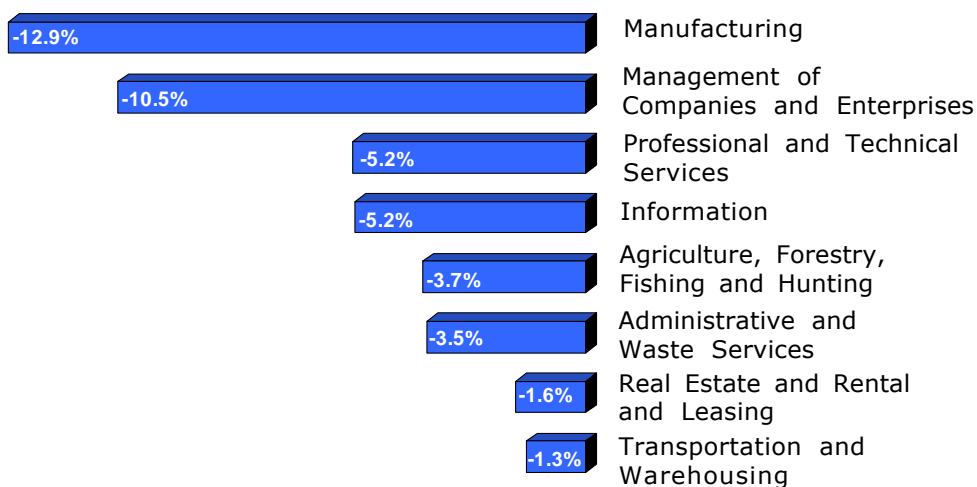
Some of the *Manufacturing* job losses were offset by other sectors that gained employment, resulting in an overall employment loss of 7,300 in the state. Employment in the *Professional and technical services* sector dropped by 1,382 over-the-year, a decline of 5.2 percent. Within this sector, nearly every job lost was in the *Computer systems design and related services* industry. This industry lost more than 20 percent of its workforce (1,284 jobs) from 2001 to 2002. Businesses in this “high tech” industry provide expertise in the field of information technologies such as writing, modifying, testing, and supporting software; planning and designing computer systems that integrate computer hardware; and on-site management and operation of clients’ computers.

The *Administrative and waste services* sector lost 854 jobs over-the-year, a drop of 3.5 percent. This drop was primarily driven by the loss of 952 jobs in the *Employment services* industry. Businesses in this industry list employment vacancies and refer or place applicants for employment. These numbers reflect only businesses in the private sector, not those in Government.

More than 750 jobs were lost in the *Management of companies and enterprises* sector from 2001 to 2002, a decline of 10.5 percent. Businesses in this sector include those that hold the

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**Manufacturing lost employees at a faster rate than any other sector from 2001 to 2002**



securities of other companies; those (except government establishments) that administer, oversee, and manage other establishments of the company or enterprise but do not hold the securities of these establishments; and those that do both.

Employment in the *Information* sector dropped by nearly 700 over-the-year, a decrease of 5.2 percent. Within this sector, *Telecommunication* lost 430 jobs and *Publishing industries (except Internet)* lost another 320. On the bright side, the *Broadcasting* subsector gained 155 employees.

As stated earlier, not all sectors lost employment from 2001 to 2002. Em-

ployment in the *Health care and social assistance* sector increased by 2,250 or 3.3 percent. Three-quarters of the new jobs were in *Ambulatory health care services* and *Hospitals*. This trend should continue as the baby boomer generation ages and increases the need for these types of services.

The *Accommodation and food services* sector recorded an employment increase of 2.1 percent or 1,020 jobs from 2001 to 2002. The employment increase occurred in the *Food services and drinking places* subsector. The *Accommodation* subsector saw an employment decrease of 169 during the same time. Many tourists may have chosen to make day trips to New Hampshire, rather than

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**Unemployment Compensation Claims Activity**

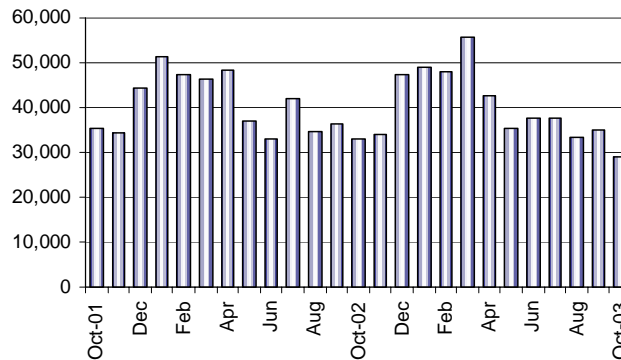
Total Regular Unemployment Compensation Programs:	Change from Previous								
				Month		Year			
	Oct-03	Sep-03	Oct-02	Net	Percent	Net	Percent		
Initial Claims	4,184	4,594	4,914	-410	-8.9%	-730	-14.9%		
Continued Weeks	29,113	35,009	33,079	-5,896	-16.8%	-3,966	-12.0%		

Claims Activity

**Unemployment Compensation Fund**

Unemployment compensation fund balance at the end of October	\$240,326,197.75
Average payment for a week of total unemployment:	\$265.41
Net benefits paid:	\$7,544,215.35
Net contributions received during the month:	\$2,944,674.23
Interest Received:	\$0.00
Reed Act Distribution:	\$0.00
Reed Act Withdrawal for Administrative Costs:	\$70,626.59

Trust Fund



Continued Weeks Claimed

Oct. 2001 - Oct. 2003

Continued weeks claimed in October 2003 dropped below 30,000 for the first time since September 2001.

Oct-03	Sep-03	Oct-02	Change from Previous	
			Month	Year
185.0	185.2	181.3	-0.1%	2.0%

United States All Urban Areas (CPI-U) (1982-1984=100)

Consumer Price Index

Continued from page 3

staying overnight. A new in-state promotion designed to help New Hampshire lodging properties increase off-season and mid-week occupancy should increase demand in the *Accommodation* subsector. This “Resident Rewards Program” introduces New Hampshire residents to the many off-season vacation opportunities available right here in their own backyards.

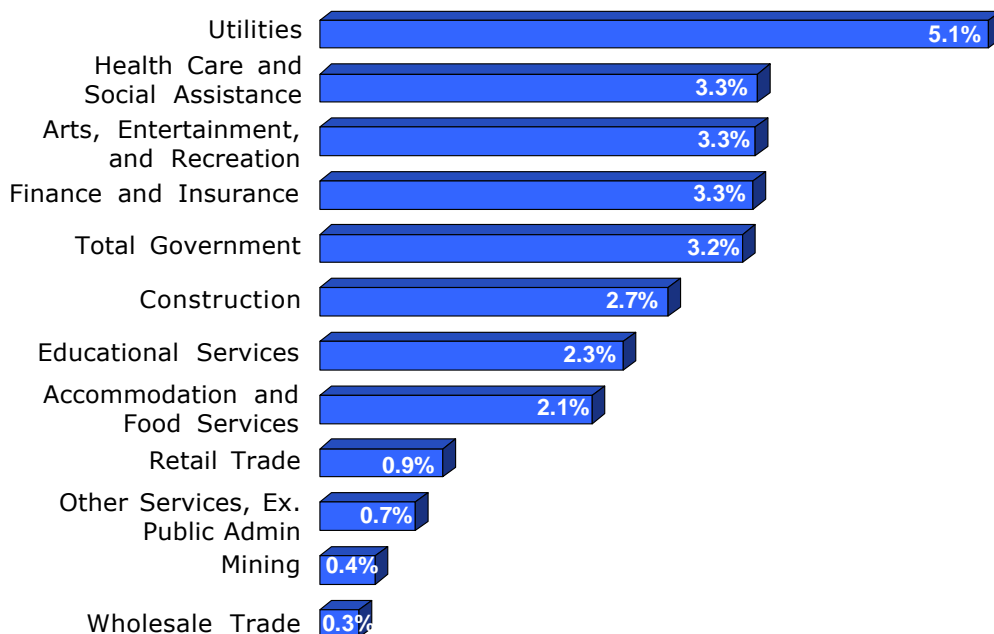
The low interest rates as well as President Bush’s tax cuts helped put more money in many consumers’ pockets, thus helping the *Retail trade* sector through the recession. Low mortgage rates and increased home values allowed many homeowners to refinance. Some of these homeowners reduced the term of their mortgages; others used some of their equity to remodel; and still others lowered their monthly mortgage payments, increasing money available for other items. Many people took advantage of the low interest rates and bought homes. Most new homeowners paint, buy carpets and/or furniture, and decorate at least some of their new home.

This increased demand, not surprisingly, elevated employment in *Building material and garden supply stores* by 909 jobs and *Furniture and home furnishing stores* by another 240 jobs. *Motor vehicle and parts dealers* saw an employment increase of 263, probably a direct result of the low or no interest rate offers many auto dealers ran to maintain new car sales.

The robust housing market has been good for the *Construction* sector. This sector weathered the recession of 2001 well - actually gaining more than 720 job. As would be expected, the majority of new jobs were in the *Construction of buildings* subsector and the *Specialty trade contractors* subsector.

Employment in the *Finance and insurance* sector increased by nearly 900, almost all of it in the *Credit intermediation and related activities* subsector. Many businesses in this subsector are involved in the mortgage lending process. This sector probably rode through the recession on the coattails of the recent housing market as well.

**The Utilities sector showed the largest employment growth rate from 2001 to 2002**



**Manufacturing Employment by County**

Although four counties in the state increased their total employment from 2001 to 2002, all fell victim to the *Manufacturing* downfall. Every county in the state saw its share of employment in *Manufacturing* drop over-the-year. Belknap County showed the largest decline, going from having 17.5 percent of the county’s total 2001 employment in *Manufacturing* to having only 14.0 percent in 2002.

Hillsborough County accounted for about two of every five *Manufacturing* job losses in the

Continued on page 5

State from 2001 to 2002. These 4,269 jobs lost in this county caused an employment decline of 2.2 percent in this sector.

*Manufacturing* in Rockingham County dropped by 2,351 over-the-year, accounting for nearly one-fifth of the total *Manufacturing* loss in the state. Some sectors actually gained employment, thus reducing the overall employment loss in the county. Some of these sectors include *Construction, Information, Health care and social assistance, and Government*. Overall, this County lost 718 jobs, a decline of less than one percent.

Strafford County was the only other county in the state to record a *Manufacturing* drop greater than 1,000. The 1,483 *Manufacturing* jobs lost drove the overall employment decrease in this county. Although employment increases in *Government, Finance and Insurance, and Accommodation and food services* helped soften the effects of these *Manufacturing* job losses, this county still saw an overall employment loss of 771 jobs from 2001 to 2002.

Although Belknap County lost more than 900 *Manufacturing* jobs from 2001 to 2002, employment gains in other sectors such as *Retail trade and Government* helped improve the overall effect, resulting in a total job loss of only 121.

Merrimack County saw a large employment decline in *Manufacturing*, 864 jobs lost over-the-year. However, employment gains in *Health care and social assistance and Government* more than made up for that loss and helped the county see an overall employment gain of 307 from 2001 to 2002.

## Conclusion

New Hampshire was in a job-loss recovery in 2002. The state followed the national trend of job losses in *Manufac-*

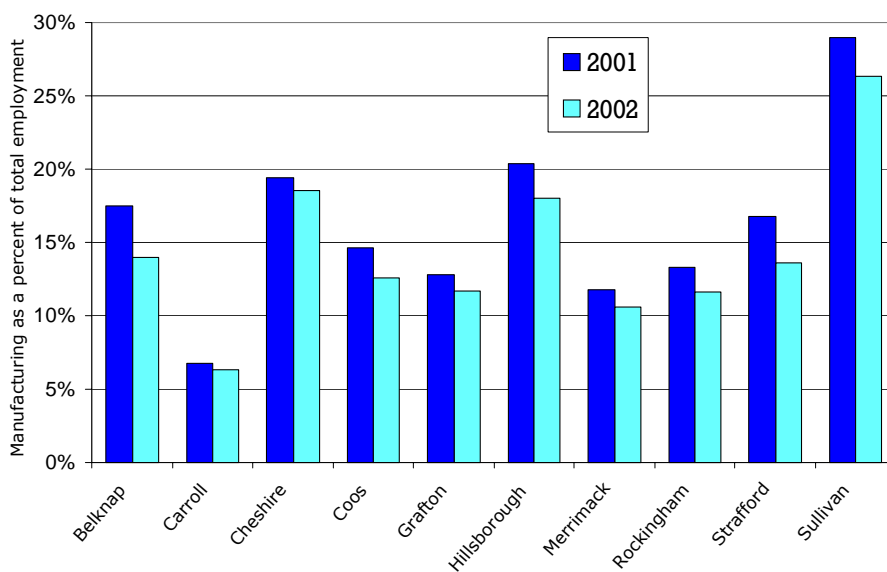
*turing*, with nearly 12,600 lost over-the-year. What are the reasons for these losses? Some business leaders say high wages, high utility costs, and rising health insurance costs compelled them to move their production to foreign countries, particularly China.<sup>3</sup>

When will we see a true employment recovery? According to Ross Gittell, an economist with the University of New Hampshire's Whittemore School of Business & Economics, "The jobless recovery in (New England) is not expected to turn into a (true) employment recovery until the third quarter of 2005 when regional total employment (finally) returns to its level of the fourth quarter of 2001."

What about the lost *Manufacturing* jobs? Will they come back? Most economists agree that they probably won't reach prior levels. Some of this skilled labor will be absorbed into other industries, mostly services-related ones.

*Elisabeth Picard*

### Every county in the state saw its share of employment in Manufacturing drop from 2001 to 2002



<sup>1</sup> "Where the New Jobs Are". Time Magazine, November 24, 2003.

<sup>2</sup> IBID

<sup>3</sup> Kennedy, Eileen. "Companies struggle to keep jobs here." The Telegraph. Accessed August 19, 2003. www.nashuatelegraph.com. This article was part of a three-day series called Manufacturing Under Siege.