ECONOMIC CONDITIONS in New Hampshire

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Small Firm Trends In New Hampshire: 2000 - 2004

Small businesses attract a great deal of interest in many industries. Even the federal government has established an agency to assist small firms. So, what is the impact of small firms on New Hampshire's economy?

To find out, we obtained summary employment data from the Quarterly Census of Employment and Wages (QCEW) program for the period 2000 through 2004. For this study, data were compiled for firms that had employment greater than zero for the first quarter. While there are many definitions of small business, for our purposes we defined small businesses as firms that employ fewer than 50 people in the private sector. Industry data are presented in Current Employment Statistics (CES) supersector format.

Throughout the five-year period, approximately 40 percent of the total private workforce in New Hampshire was employed in small firms. Small firm employment accounts for over half the employment in some sectors. In general, small businesses dominated employment in the construction supersector, while manufacturing and educational/health services employment manifested themselves in larger institutions. (See Table 1.)

Small Firms by Industry

The distribution of small firms by industrial classification provides an interesting picture regarding employment. (See Chart 1). For example, the Trade, Transportation and Utilities (TTU) supersector is 96 percent small firms. This may be attributed to the multitude of small restaurants, and eating establishments, other small retail establishments

Continued on page 2

Table 1 Distribution of Small Firm Employment by Industry

Supersector	Description	Smal firms as percent of industry	Percent of small firm employment
10	Natural Resources & Mining	78%	71%
20	Construction	98%	80%
30	Manufacturing	84%	22%
40	Trade, Transportation, and Utilities	96%	44%
50	Information	90%	30%
55	Financial Activities	95%	34%
60	Professional & Business Services	96%	49%
65	Education and Health Services	92%	25%
70	Leisure and Hospitality	93%	51%
80	Other Services	99%	75%
	Total Private Firms	**95%**	**40%**

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Continued from page 1

and "Mom and Pop" stores. These TTU small firms cover about 27 percent of all the small firms in the state.

Table 1 shows how the employment of small firms in the TTU supersector accounts for 44 percent of the total employment in the supersector. The interesting aspects are 1) this shows how the large firms in TTU, while smaller in number, make over half its employment, 2) this proportion is similar to the state average of 96 percent of the small firms and 40 percent of total private employment from small firms and 3) industries like construction have a high share of small firms, over 98 percent, as well as a high share of its employment, 80 percent, from small firms.

Chart 2 **Construction - small firms**

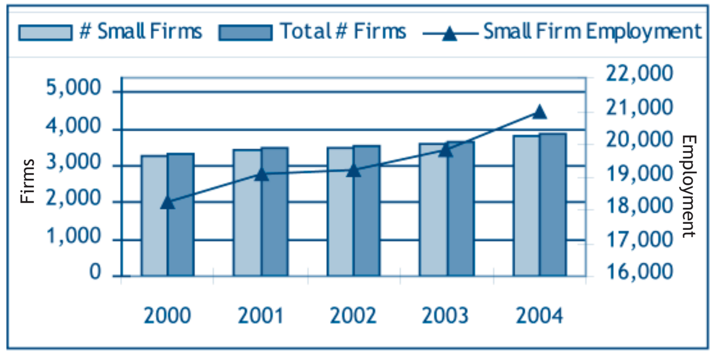
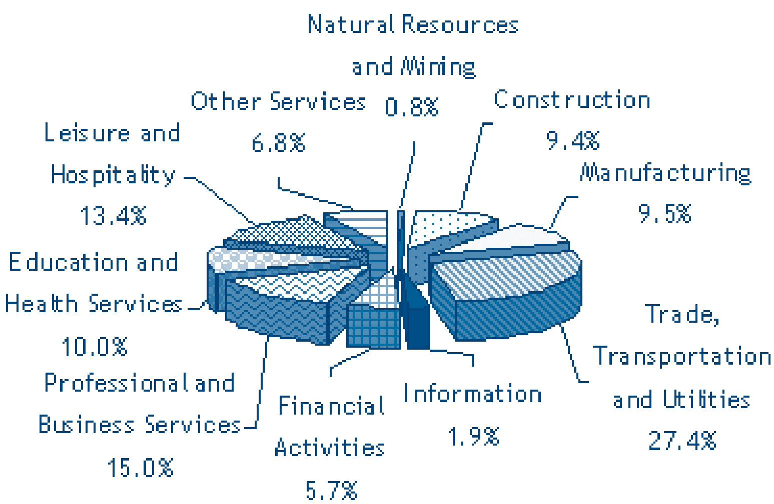


Chart 1 Distribution of Small Firms by Supersectors



Employment of Small Firms within Industries

Small firms among the industries in the goods producing area exhibited different patterns for the period. Natural resources and mining made little net change from 2000 through 2004. Construction small firm employment is depicted in Chart 2. Increases for the period may be explained by the healthy demand for new home construction and home improvement frequently performed by smaller construction firms which dominate the industry.

In contrast, manufacturing employment levels for small firms declined steadily through 2004. Productivity improvements, recovery from the recession, and use of overtime dampened hiring from 2000 to 2004. Yet, the industry did not fall off precipitously in the state, as noted in Chart 3.

Leading up to the 2000 employment level in the information sector, the "dotcom" phenomenon helped to boost those employment levels. Rising capital investments in advancing technology up to that timeframe contributed to an immediate demand for the technol-

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Chart 3 **Manufacturing - small firms**

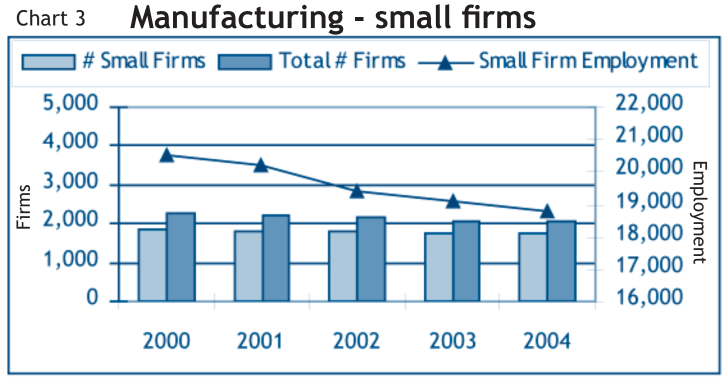
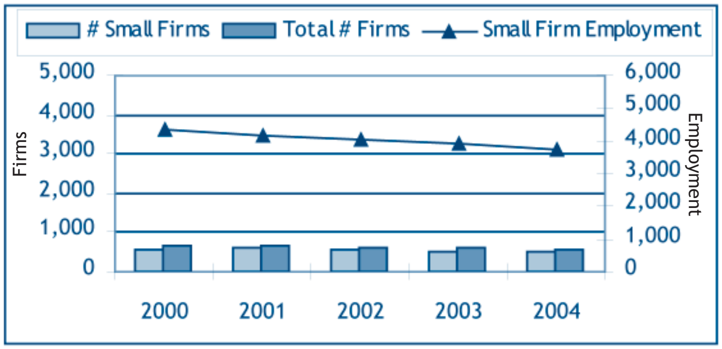


Chart 4 **Information - small firms**



ogy savvy. The economic downturn in 2001 and subsequent productivity improvements added to the negative impact on the industry, as is shown in Chart 4. However the number of small firms increased slightly in 2001, only to recede again in the following years. This may have been because some unemployed "dotcomers' went into business for themselves. (Self-employed are not counted in the number of firms or employment.)

Higher demands for temporary-help agencies pushed employment and the

Continued on page 8

Professional & Business Services - small firms

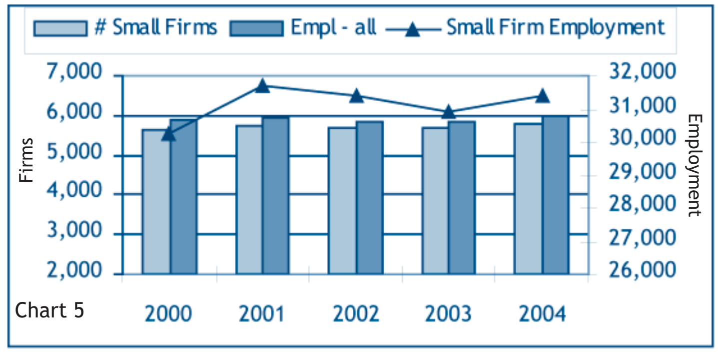


Chart 5

Unemployment Compensation Claims Activity

Claims Activity

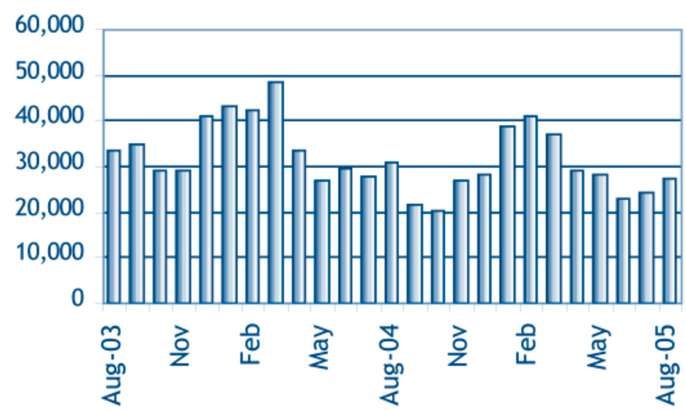
Total Regular Unemployment Compensation Programs:				Change from Previous			
				Month		Year	
	Aug-05	Jul-05	Aug-04	Net	Percent	Net	Percent
Initial Claims	2,963	3,781	3,254	-818	-21.6%	-291	-8.9%
Continued Weeks	27,458	24,057	30,758	3,401	14.1%	-3,300	-10.7%

Unemployment Compensation Fund

Trust Fund

Unemployment compensation fund balance at the end of August	$265,606,583.49
Average payment for a week of total unemployment:	$242.84
Net benefits paid:	$4,852,874.76
Net contributions received during the month:	$8,722,196.79
Interest Received:	$0.00
Reed Act Distribution:	$0.00
Reed Act Withdrawal for Administrative Costs:	$406.08

Continued Weeks Claimed



Aug 2003 - Aug 2005

Continued weeks claimed are down 10.7 percent from August 2004, and at its lowest for this month since August 2000.

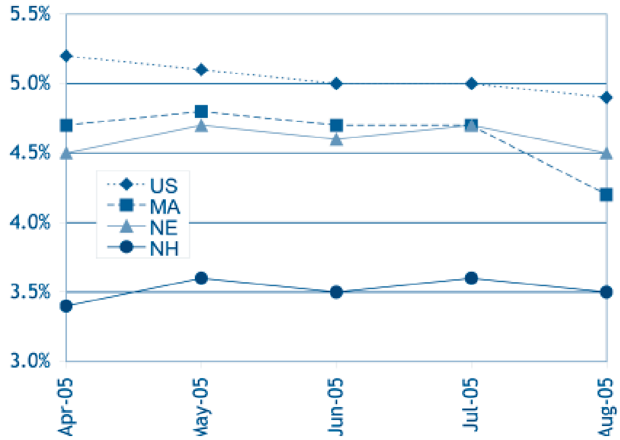
Consumer Price Index

			Change from Previous	
Aug-05	Jul-05	Aug-04	Month	Year
196.4	195.4	189.5	0.5%	3.6%

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

N.H and U.S. Seasonally Adjusted Unemployment Rates

For the second month in a row, New Hampshire and Vermont share the lowest unemployment rate in New England.



Unemployment Rates by Region

	preliminary Aug-05	revised Jul-05	Aug-04
United States	4.9%	5.0%	5.4%
Northeast	4.7%	4.8%	5.2%
New England	4.5%	4.7%	4.7%
Connecticut	5.4%	5.1%	4.8%
Maine	5.0%	4.9%	4.7%
Massachusetts	4.2%	4.7%	5.0%
New Hampshire	3.5%	3.6%	3.7%
Rhode Island	5.2%	5.1%	5.1%
Vermont	3.5%	3.6%	3.6%
Mid Atlantic	4.7%	4.9%	5.4%
New Jersey	4.2%	4.1%	4.8%
New York	4.7%	5.1%	5.6%
Pennsylvania	5.0%	5.1%	5.6%

Seasonally Adjusted Labor Force Estimates

By Place of Residence

	Apr-05	May-05	Jun-05	revised Jul-05	preliminary Aug-05
New Hampshire					
Unemployment Rate	3.4%	3.6%	3.5%	3.6%	3.5%
Civilian Labor Force	733,778	734,690	733,710	734,809	740,205
Number Employed	708,652	708,316	707,681	708,515	714,099
Number Unemployed	25,126	26,374	26,029	26,294	26,106
United States (in thousands)					
Unemployment Rate	5.2%	5.1%	5.0%	5.0%	5.0%
Civilian Labor Force	148,762	149,122	149,123	149,573	149,573
Number Employed	141,099	141,475	141,638	142,076	142,076
Number Unemployed	7,663	7,647	7,486	7,497	7,497

Note: Beginning in January 2005, data reflect revised population controls used in the household survey.

Seasonally Adjusted Nonfarm Employment Estimates

By Place of Establishment

Supersector	Apr-05	May-05	Jun-05	revised Jul-05	preliminary Aug-05
Total Nonfarm	636,700	639,800	637,600	640,700	643,100
Construction	31,000	30,800	30,700	31,000	31,200
Manufacturing	80,700	80,500	80,800	81,900	81,900
Trade, Transportation, and Utilities	142,500	143,000	142,900	144,000	144,100
Financial Activities	38,700	38,400	38,500	38,400	38,400
Professional and Business Services	56,400	56,500	57,000	57,000	56,800
Leisure and Hospitality	66,600	67,600	66,700	67,100	67,700
Other Services	20,000	20,000	19,800	20,000	20,000
Government	90,500	91,300	90,300	90,300	90,400

Please note that not all supersectors meet the statistical criteria for publication in this category.
We seasonally adjust the total nonfarm data series and all the published supersectors independently.
Therefore, the sum of the published parts will not equal the total.

Labor Force Estimates

New Hampshire	Aug-05	Jul-05	Aug-04
Number of workers	preliminary	revised	
Total Civilian Labor Force	750,420	748,220	731,410
Employed	724,570	722,480	705,150
Unemployed	25,850	25,740	26,260
Unemployment Rate (percent of labor force)	3.4%	3.4%	3.6%

Local Area Unemployment Statistics (LAUS)

Not Seasonally Adjusted

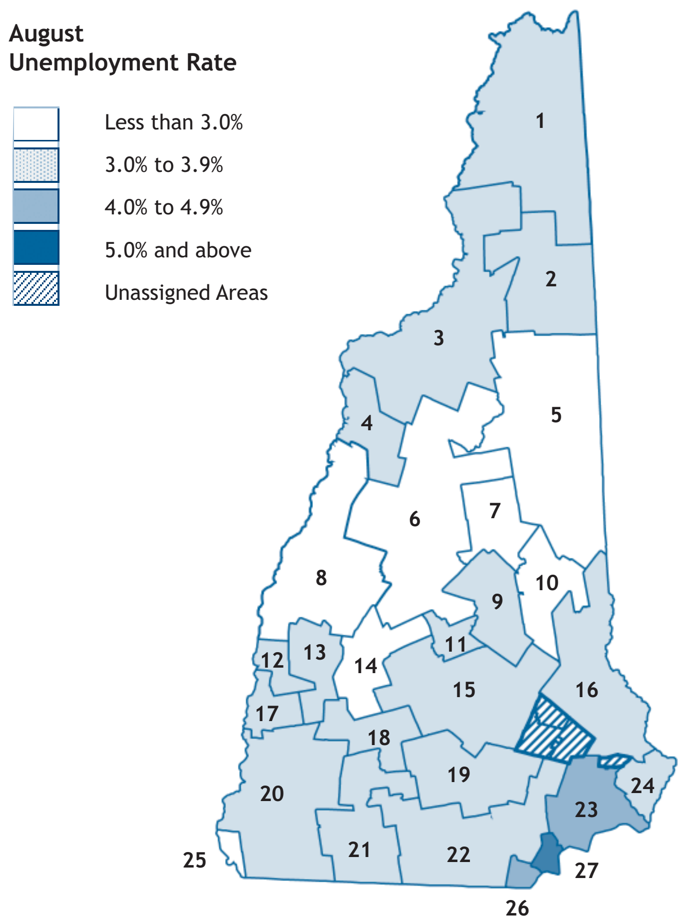
By Place of Residence

Unemployment Rates by Area

	preliminary Aug-05	revised Jul-05	Aug-04
U.S and Regional States			
United States	4.9%	5.2%	5.4%
Northeast	4.5%	5.0%	5.0%
New England	4.4%	4.8%	4.6%
Connecticut	5.3%	5.4%	4.8%
Maine	4.1%	4.5%	3.8%
Massachusetts	4.1%	4.9%	4.9%
New Hampshire	3.4%	3.4%	3.6%
Rhode Island	5.1%	5.3%	4.9%
Vermont	2.9%	3.3%	3.0%
Mid Atlantic	4.5%	5.0%	5.2%
New Jersey	4.1%	4.5%	4.5%
New York	4.6%	5.2%	5.4%
Pennsylvania	4.7%	5.2%	5.3%

Map Key	Labor Market Areas	preliminary Aug-05	revised Jul-05	Aug-04
1	Colebrook NH-VT LMA, NH Portion	3.7%	4.1%	4.1%
2	Berlin NH MicroNECTA	3.6%	3.6%	3.5%
3	Littleton NH-VT LMA, NH Portion	3.0%	2.9%	2.7%
4	Haverhill NH LMA	3.4%	3.2%	2.8%
5	Conway NH-ME LMA, NH Portion	2.7%	2.7%	2.8%
6	Plymouth NH LMA	2.9%	2.8%	2.6%
7	Moultonborough NH LMA	2.7%	2.5%	2.7%
8	Lebanon NH-VT MicroNECTA, NH Portion	2.2%	2.3%	2.1%
9	Laconia NH MicroNECTA	3.0%	2.9%	2.8%
10	Wolfeboro NH LMA	2.6%	2.6%	2.4%
11	Franklin NH MicroNECTA	3.2%	3.3%	3.1%
12	Claremont NH MicroNECTA	3.2%	3.2%	3.2%
13	Newport NH LMA	3.2%	3.0%	3.0%
14	New London NH LMA	2.8%	2.7%	2.5%
15	Concord NH MicroNECTA	3.1%	3.0%	2.9%
16	Rochester-Dover NH-ME MetroNECTA, NH Portion	3.4%	3.4%	3.4%
17	Charlestown NH LMA	3.3%	3.5%	3.6%
18	Hillsborough NH LMA	3.6%	4.3%	3.3%
19	Manchester NH MetroNECTA	3.4%	3.4%	3.5%
20	Keene NH MicroNECTA	3.1%	3.1%	3.0%
21	Peterborough NH LMA	3.8%	3.8%	3.8%
22	Nashua NH-MA NECTA Division, NH Portion	3.9%	3.9%	4.2%
23	Exeter Area, NH Portion, Haverhill-N. Andover-Amesbury MA-NH NECTA Division	4.1%	4.1%	5.0%
24	Portsmouth NH-ME MetroNECTA, NH Portion	3.2%	3.2%	3.4%
25	Hinsdale Town, NH Portion, Brattleboro VT-NH LMA	2.4%	3.0%	3.7%
26	Pelham Town, NH Portion, Lowell-Billerica-Chelmsford MA-NH NECTA Division	4.9%	5.0%	6.0%
27	Salem Town, NH Portion, Lawrence-Methuen-Salem MA-NH NECTA Division	5.2%	5.2%	6.3%

Counties	preliminary Aug-05	revised Jul-05	Aug-04
Belknap	2.9%	2.8%	2.8%
Carroll	2.7%	2.8%	2.7%
Cheshire	3.2%	3.3%	3.2%
Coos	3.6%	3.6%	3.6%
Grafton	2.6%	2.6%	2.5%
Hillsborough	3.6%	3.6%	3.9%
Merrimack	3.0%	3.0%	2.9%
Rockingham	4.0%	4.0%	4.4%
Strafford	3.3%	3.3%	3.4%
Sullivan	3.0%	3.0%	3.0%



New Hampshire unemployment and labor force estimates are calculated using a regression model which depends on Current Population Survey (CPS) Estimates. Labor Market Area estimates are caculated using the Bureau of Labor Statistics “Handbook Method” and then adjusted to the State levels.

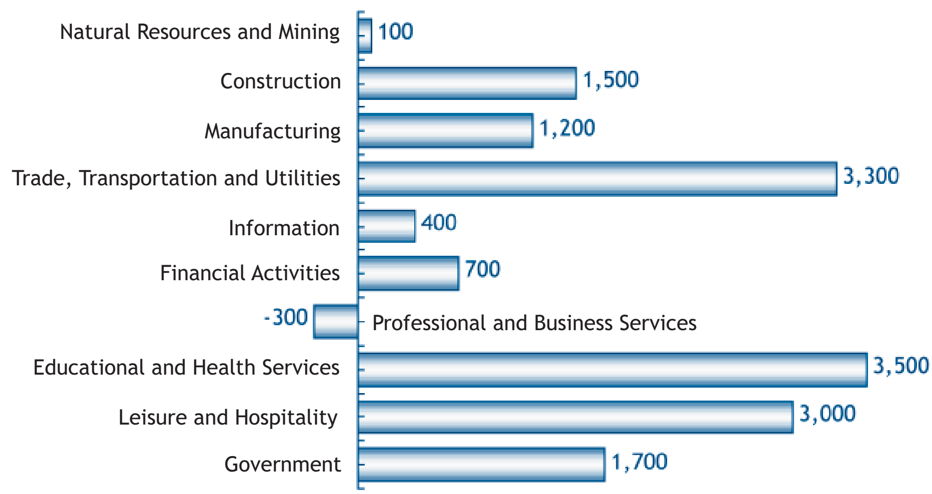
Employment in Manufacturing is overall positive. However, Non-durable goods are down 600 jobs over-the-year; a contrast to the strong growth in the Durable goods with a gain of 1,800 jobs.

Monthly Not Seasonally Adjusted New Hampshire Nonfarm Wage and Salary Employment

Current Employment Statistics Employment by Super Sector by place of establishment	Number of Jobs			Change from previous:	
	Aug-05 preliminary	Jul-05 revised	Aug-04	Month	Year
Total All Super Sectors	645,000	643,800	630,600	1,200	14,400
Private Employment Total	565,000	562,700	552,300	2,300	12,700
Natural Resources and Mining	1,100	1,100	1,000	0	100
Construction	33,200	33,100	31,700	100	1,500
Manufacturing	81,900	81,200	80,700	700	1,200
Durable Goods	62,800	62,200	61,000	600	1,800
Non-Durable Goods	19,100	19,000	19,700	100	-600
Trade, Transportation and Utilities	144,500	143,700	141,200	800	3,300
Wholesale Trade	28,100	28,100	27,800	0	300
Retail Trade	100,500	99,700	98,400	800	2,100
Transportation and Utilities	15,900	15,900	15,000	0	900
Information	12,900	12,900	12,500	0	400
Financial Activities	38,900	38,800	38,200	100	700
Professional and Business	57,700	57,500	58,000	200	-300
Educational and Health	96,700	96,700	93,200	0	3,500
Leisure and Hospitality	77,700	77,200	74,700	500	3,000
Other Services	20,400	20,500	21,100	-100	-700
Government Total	80,000	81,100	78,300	-1,100	1,700

Change in Nonfarm Employment

Aug 2004 to Aug 2005



Monthly Analysis of Current Employment Statistics (CES) Data

For further analysis please read the *Detailed Monthly Analysis of Industry Employment Data* on our Web site at <www.nhes.state.nh.us/elmi/nonfarm.htm>

Seasonally Adjusted:

New Hampshire employers increased the state's total number of nonfarm jobs by 2,400 in August according to the preliminary seasonally adjusted estimates. Leisure and hospitality (supersector 70) led the pack with a 600-job expansion. Construction (supersector 20) chipped in 200 jobs, while trade, transportation, and utilities (supersector 40) and government (supessector 90) each added 100 jobs.

In those same August estimates, manufacturing (supersector 30), financial activities (supersector 55), and other services (supersector 80) each held their respective employment totals at the previous month's level.

Professional and business services (supersector 60) pared back its ranks by 200 jobs during the month.

Unadjusted:

August's unadjusted estimates showed that the state's economy grew by 1,200 jobs. Trade, transportation, and utilities (supersector 40) expanded its force by 800 jobs, as manufacturing bounced back from its midsummer shutdown with a 700-job addition. Firms doing

Monthly Unadjusted Nonfarm Wage and Salary Employment by Metropolitan Statistical Areas

Employment by Sector number of jobs by place of establishment	Manchester NH MetroNECTA preliminary Aug-05	Change from previous: Month	Year	Nashua NH-MA NECTA Division, NH Portion preliminary Aug-05	Change from previous: Month	Year	Portsmouth NH-ME MetroNECTA, NH Portion preliminary Aug-05	Change from previous: Month	Year	Rochester-Dover NH-ME MetroNECTA, NH Portion preliminary Aug-05	Change from previous: Month	Year
Total All Sectors	101,200	1,400	2,300	127,900	-600	1,500	57,100	0	1,000	53,200	-100	300
Private Employment Total	90,200	500	1,600	117,800	-300	1,200	48,300	-300	700	42,700	100	-100
Natural Resources and Construction	5,700	0	200	6,400	0	100	1,900	-100	0	2,300	0	0
Manufacturing	9,600	0	100	26,100	100	-300	4,000	0	0	6,500	100	100
Trade, Transportation and Utilities	21,400	200	700	31,400	100	1,000	11,800	0	0	11,200	0	-300
Wholesale Trade	5,300	100	0	5,700	0	100	1,900	0	-100	1,400	0	-100
Retail Trade	13,000	100	400	21,200	100	400	8,400	0	0	8,800	0	-200
Transportation, Warehousing and Utilities	Information will be made available in January 2006			4,500	0	500	1,500	0	100	1,000	0	0
Information	3,300	0	0	2,000	0	0	1,800	-100	100	1,400	0	100
Financial Activities	8,900	0	100	8,300	0	200	4,900	0	0	2,800	0	100
Professional and Business	11,800	300	-400	13,300	-400	400	8,100	0	0	3,800	0	0
Educational and Health	16,200	-100	400	15,000	0	-100	5,500	0	0	7,400	0	200
Leisure and Hospitality	9,000	100	300	10,800	-100	-100	8,600	-100	500	5,400	0	-300
Services	4,300	0	200	4,500	0	0	1,700	0	100	1,900	0	0
Government Total	11,000	900	700	10,100	-300	300	8,800	300	300	10,500	-200	400

Note: Employment estimates for the Lawrence-Methuen-Salem MA-NH NECTA Division, NH Portion, will be available with January 2006 data.

Average Earnings and Hours of Production Workers in Manufacturing

Sector	Average Weekly Earnings Aug-05 preliminary	Jul-05 revised	Aug-04	Average Weekly Hours Aug-05 preliminary	Jul-05 revised	Aug-04	Average Hourly Earnings Aug-05 preliminary	Jul-05 revised	Aug-04
New Hampshire									
All Manufacturing	$651.25	$644.01	$617.40	40.3	40.1	39.2	$16.16	$16.06	$15.75
Durable Goods	$658.53	$662.97	$621.31	40.7	41.0	39.7	$16.18	$16.17	$15.65
Nondurable Goods	$627.51	$587.55	$602.73	39.0	39.0	37.6	$16.09	$15.71	$16.03
Manchester NH MetroNECTA									
All Manufacturing	$684.43	$679.10	$667.19	39.2	39.3	38.7	$17.46	$17.28	$17.24
Nashua NH-MA NECTA Division, NH Portion									
All Manufacturing	$750.39	$718.25	$637.60	43.4	42.5	40.0	$17.29	$16.90	$15.94

Note: Production workers and information for Portsmouth and Rochester will be available with January 2006 data.

business in the leisure and hospitality (supersector 70) brought 500 extra workers on board during the month. Professional and business services (supersector 60) added 200 positions to its roster, and construction (supersector 20) and financial activities (supersector 55) each increased their personnel strength by 100 jobs.

August saw natural resources and mining (supersector 10), information (supersector 50), and educational and health services (supersector 65) maintaining employment at the revised July level.

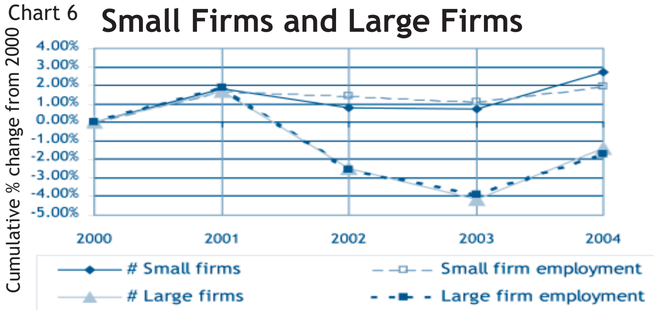
The completion of another school session permitted educational services in the public sector to take a vacation. Because of this hiatus, government (supersector 90) fell by 1,100 jobs.

Other services (supersector 80) also cut back its labor force by 100 places.

B. G. McKay

Chart 6

Comparison of Change Between Small Firms and Large Firms



number of small firms in professional and business services to climb over the 2000-2004 period, as is demonstrated in Chart 5. Companies looking to cut costs have increasingly used the contingent workforce concept.

Comparing the cumulative percent change, from 2000, of the number of small firms and large firms (firms with 50 employees or more) can provide useful insight. Because larger firms cover approximately 5 percent of the firms in the state, it follows that changes to that smaller base will reflect larger percentage changes.

Overall smaller firms showed more consistency in recent years. The cumulative change from 2000 to 2002, and continuing into 2004, indicated that small businesses were the key to net positive economic growth in the state economy. Although they had a slight decline between 2001 and 2002, they were less affected by the recession than the large firms which have experienced an overall negative net change.

In summary, small firms play an important part in the New Hampshire economy, employing over 40 percent of all private employment. Also, about 95 percent of total private firms are small businesses, as we have defined it. The employment trends of these small firms, by their sheer volume, help direct the trend lines for firms of all sizes, thus illustrating how valuable their presence is to the total economy of the state.

Scott Gessis

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