



# Employment SECURITY

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## Summary of the New Hampshire Economy Fall 2000

Labor Force and Components October 2000	
Civilian Labor Force	686,480
Employed	669,310
Unemployed	17,170
Rate	2.5%

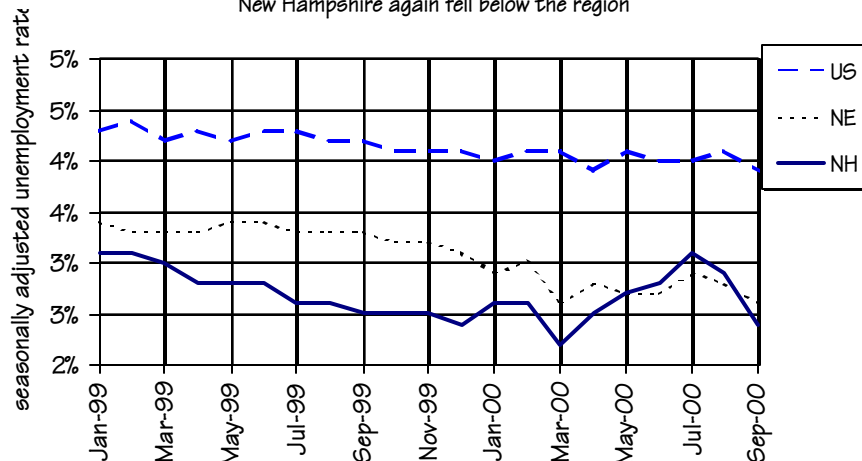
The estimate of the New Hampshire civilian labor force exceeded 700,000 for the first time in July 2000. July typically has the highest labor force levels of the year. This number will probably not be reached again until spring 2001, but then should become the rule.

The October seasonally adjusted unemployment rate (the latest available) was 2.5 percent, tied with April as the third lowest rate of 2000. The civilian labor force outnumbered that of October 1999 by

nearly 16,000. Additional employed residents accounted for all the growth. The annual average unemployment rate for 2000 will remain, in all likelihood, below 3.0 percent.

Finding people to work has become a consuming endeavor for many New Hampshire employers. Newspapers around the state have been running articles on the labor shortage. Some restaurants and coffee shops have had to cut back hours of operation because of a lack of available staff. Similarly, high-tech companies are lamenting the lack of available workers at all levels. Many are augmenting their engineering staff with foreign labor. This is seen in the escalation of requests for the computer-savvy via the H-1B Alien Labor Certification program. This program allows an alien to work temporarily, in a specialty occupation, for a U.S. company.

After briefly exceeding the New England unemployment rate,  
New Hampshire again fell below the region



Source: U.S. Bureau of Labor Statistics

The labor shortage is not projected to abate. Manpower, Inc. forecast that five of every six firms in the Dover area and a third of those in Nashua plan to add workers from October through December. The Concord area is less affected with only one in five expecting to expand labor force. This is the highest year-end demand in the 25 years of surveying.

Businesses may be able to expand their pool of available labor by enticing workers out of retirement. Congress amended the Social Security law, effective January 2000, to allow workers, aged 65 to 69, to continue to work, and still collect all their Social Security benefits. Prior to this, they had lost \$1 in benefits for every \$3 earned over \$17,000 annual earnings.

While New Hampshire employers are seeking labor, their employees are seeking housing. From the Atlantic Ocean to the Connecticut River, there are stories of housing shortages. The Housing Finance Authority showed the median rent in 2000 to be \$774, \$44 above 1999. In Rockingham County the average increase was only \$14 but upped the median to \$842. Single family construction levels are at prerecession levels, while rental housing construction lags.

New Hampshire had the second highest change, to Massachusetts, in house prices in the Fiscal Year ending June 30, 2000, according to the Office of Federal Enterprise Oversight. New Hampshire prices rose 12.5 percent. This contrasted with the national gain of 6.8 percent. Over the past five years, New Hampshire's 39.5 per-

cent increase was 5<sup>th</sup> highest in the nation. Concurrently, U.S. home prices jumped 27.6 percent.

Nonfarm* Statewide Employment (includes 14,000 presumed not covered)		
	Oct-99	Oct-00
Total	611,600	616,700

New Hampshire nonfarm employment hit 620,000 for the first time in June 2000. It fell just short of that level in October 2000 (the latest data available) with 616,700. Of that, 532,100 were in private industries. The over-the-year change was 5,100 for the total, of which 4,700 jobs were in the private sector. The data for 2000 will be benchmarked (adjusted based on the latest information available) in March 2001. Total employment will likely be benchmarked upward another one percent, indicating stronger job growth than originally estimated.

Covered** Statewide Employment		
	Jun-99	Jun-00
Total	601,323	619,832
Private	526,539	540,815

### Pease International Tradeport

As of December 31, 1999, Pease International Tradeport had nearly 2.5 million square feet occupied. The tenant companies combined to offer employment to about 5,900 persons. Since January 1,

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 : \*Nonfarm employment is estimated monthly by the Current Employment Statistics program, based on  
 : survey responses of approximately 1,800 employers. Included is employment by approximately 14,000  
 : presumed not covered workers. These include, among others, real estate agents, insurance agents, work study  
 : students, and people employed by religious institutions. Every March these estimates are benchmarked  
 : (updated with latest data) using covered employment returns.  
 :  
 : \*\*Covered employment (ES-202) comes from the employer Wage and Tax Report, filed quarterly. Total  
 : wages and monthly employment are submitted as part of the form. Employer industry and location informa-  
 : tion allow data to be subdivided.  
 : .....

2000, projects totaling nearly 800,000 additional square feet have been approved, with options held on another 450,000+ square feet. Resulting projected employment gains exceed 4,500. Total square feet occupied could reach 3.6 million and employment more than 10,000.

Two emerging companies are Flextronics, Inc. and Net to Net Technologies. Flextronics, an international company providing electronic manufacturing and design services, acquired Cabletron Systems' manufacturing unit and is relocating to Pease from Rochester. It has received approval for up to 400,000 square feet. The first phase with 200,000 square feet is under construction. Employment could reach 1,500. Similarly, Net to Net Technologies, a software development company, has 75,000 square feet approved, with another 225,000 optioned. Employment could also approach 1,500. In addition, the Brackett School building has been renovated into professional office space. Pease has approved 38,000 additional square feet for this project. Also, Celestica, Inc., for-

merly of Exeter, has opened a 206,000 square foot facility at Pease to manufacture optical network products for telecommunications and computer customers. Celestica currently employs over 800 people at their new facility.

## Consumer Confidence

Consumer Confidence for New England in September 2000, the latest data available, was indexed at 137.5. For all of 1999 and thus far in 2000, every month but one has been above 130. The components of this indicator are Present Situation and Future Expectations. Present Situation was 192.2 in September and Future Expectations was 101.0. Concurrently, Consumer Confidence for the nation was 141.9 in September, 4<sup>th</sup> highest recorded after January, May, and July all of 2000. The Present Situation was 182.9, also 4<sup>th</sup> highest, after the same months. Future Expectations was 114.7, a number exceeded many times in 1983 and 1984 and, more recently, in the past three years.

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## Construction

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Nonfarm Construction Employment		
	Oct-99	Oct-00
Total	25,600	27,200

Covered Construction Employment		
	Jun-99	Jun-00
Total	27,438	28,078
Private	25,778	26,403

Construction employment grew 6.3 percent, October 2000 over October 1999, per nonfarm estimates. This was directly in line with the 1999 annual growth over 1998. The nonfarm estimate presented a somewhat more optimistic view of the division's strength than did the covered employment numbers. June 2000 showed an over-the-year increase of 2.4 percent. Growth occurred only in special trades contractors. Both building construction and heavy construction lost jobs over-the-year. That said, the last time there were

26,000 people in covered private construction employment was in 1989.

The residential construction index was 330.9 in 1999. (The index reports the dollar value of contracts indexed to 1980.) This compared favorably to the New England index of 268.6 and the surprisingly high 306.9 for the entire nation. The New Hampshire residential rate has been on a steady climb since 1995 when it was 189.6. Nonresidential construction likewise increased, but at a much slower rate.

Over the past six years, the index has increased by about 100 points every two years. The 12-point gain in 1999 was on the heels of an 88-point gain in 1998. Total construction was down from 1998, precipitated by a large, predictable drop in non-building construction. The construction of a gas pipeline had driven that category to a record level in 1998. Nonbuilding construction was the only index where New Hampshire lagged either the region or the nation.

The latest data available, September 2000, had the New Hampshire total construction index at 473.4. This lagged only Connecticut in New England. Connecticut's non-building index was the reason for the total index being larger than that of New Hampshire. In every other category, New Hampshire led the other New England states. Massachusetts, where nonbuilding was indexed at 1,003.8 in August, experienced a drop to 142.9 in October. The Big Dig, a massive construction project rebuilding Boston's highways, causes, in large part, this roller coaster.

There are many large projects either under construction or approved to begin soon. Highway construction and road repair by the New Hampshire Department of Transportation will continue unabated. The widening of Route 101 between Epping and Hampton is near completion. This was a \$200 million project. Two bypasses - Hillsborough and Conway - are on the list of major road projects. The Hillsborough project is circumventing the downtown on the north edge. In Conway there is a north and south local road to Mechanic Street. Rail stations in Dover, Durham, and Exeter will allow access to the Portland to Boston Amtrak train. The bridge on Route 25 A spanning the Connecticut River between Orford, New Hampshire, and Fairlee, Vermont, is being re-

constructed. Near approval is a \$75 million access road for the Manchester Airport.

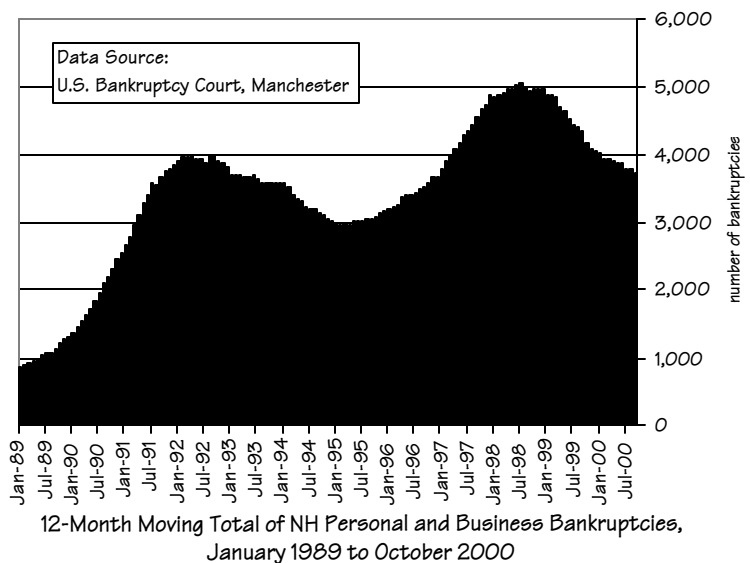
Manchester Airport continues to upgrade its infrastructure. It is finishing the parking garage/terminal connector and the extension of one of the runways. It soon will begin work extending another runway. This one will go into Londonderry. There is also runway rehabilitation costing \$1.2 million at the Lebanon Airport.

Leading nonroad construction in the state is the building of a new high school and renovation of an existing one in Nashua and the development of the Civic Center in Manchester. Other notable projects include three energy-producing plants:

- ◆ A \$300 million, 525-megawatt natural gas-fired plant by Con Edison Development in Newington, scheduled to go on line in 2002. Construction began in September 2000.
- ◆ A 720-megawatt natural gas-fired facility by AES Corporation in Londonderry. Construction began in November 2000.
- ◆ A \$14 million natural gas-fired, 10-megawatt cogeneration plant at Groveton Paper Board.

These result from the completion of the natural gas pipeline from Nova Scotia.

**New Hampshire now has two years of falling bankruptcy filings**



Other major construction projects:

- ◆ Construction at the Pease International Tradeport:
  - ❖ Flextronics Inc. – 208,000 square feet facility with approval for up to 400,000 square feet.
  - ❖ Bottom Line Technologies - 100,000 square foot new facility.
  - ❖ Net to Net Technologies – 75,000 square feet approved.

- ❖ 230,000 additional square feet in three projects under construction for multi-tenant use.

- ◆ A \$15 million school expansion in Keene.
- ◆ A \$3 million expansion of Harvest Hill, the Alice Peck Day Life Care Center in Lebanon.

## Manufacturing

Nonfarm Manufacturing Employment		
	Oct-99	Oct-00
Total	106,000	105,700

Covered Manufacturing Employment		
	Jun-99	Jun-00
Total	107,256	106,199
Private	107,221	106,161

Manufacturing was the only division where employment decreased. This decrease was estimated by the Current Employment Survey and was verified by the data received on covered employment from New Hampshire's employers. The downturn in manufacturing employment in 1999 and early 2000 was slightly less than the dip shown in the previous year. Manufacturing employment during the 1990s peaked at 110,156 in March 1998. Within a few short months, manufacturing employment slipped by 2,000 and has hovered between 105,600 and 106,600 since. (July employment is not used as a barometer, as that is when many manufacturers close their plants for retooling and company-wide vacations. Those not yet eligible for vacations are not considered employed during the shutdown.)

High-tech manufacturing employment is growing at a considerable rate. (See our publication *Vital Signs, Economic and Social Indicators for New Hampshire* for industries included in high-tech manufacturing.) Employment in June 2000 was over 900 more than June 1999. Wage gains were even more dramatic. There was over \$70 million more in wages paid in second

quarter 2000 than in second quarter 1999. Tremendous growth occurred in the manufacture of electronic components and accessories. Its employment was up by about 1,600, with 500 jobs added just between April and June 2000. Employees in that industry received over \$32 million more in wages and salaries over-the-year.

News positively impacting manufacturing employment:

- ◆ Pease International Tradeport (see introduction).
- ◆ Teradyne Inc. plans to add 200 workers in a backplane (slotted circuit board) assembly factory in Hudson.
- ◆ Cisco Systems, Inc. purchased a Salem plant from Compaq to manufacture optical networking equipment. It will add 300 to 500 jobs in a year and up to 2,500 jobs within three to five years. Compaq had employed approximately 900 in that facility.
- ◆ Corning, Inc. plans to build a 300,000 square foot plant and hire 850 people in Nashua.
- ◆ Bancroft Products will double the size of its manufacturing plant in Concord.

- ◆ Intel Corp opened a satellite facility, housing engineers, in Nashua.
- ◆ Timken Aerospace has expanded its workforce to manufacture ball bearings for regional jets.
- ◆ Velcro USA Inc. is opening a facility in Somersworth in early 2001 and projects employment there to be around 225.
- ◆ Freudenburg-NOK expanded its New Hampshire presence by opening a Laconia facility in June 2000.

News negatively impacting manufacturing employment:

- ◆ Claremont Foundry, Inc. with 43 employees will close in 2001. The company cited lack of business and high utility costs as reasons for the decision.
- ◆ Annalee Dolls has restructured its business and intends to lay off some of its work force.

In other Manufacturing news:

- ◆ Cabletron has been, for a number of years, one of the largest employers in

New Hampshire. The company split itself into four subsidiaries. They are Enterasys, Riverstone Networks, Global Network Technology, and Aprisma Management. Enterasys Networks bought Indus River of Acton MA, where it will stay until it outgrows the facility. Cabletron sold its manufacturing business to Flextronics, Inc.

- ◆ Alliance Aircraft has put on hold its plans to manufacture planes at Pease while they continue to secure financing commitments. They had cited an unfriendly business atmosphere. They have, however, relocated their personnel to Pease and continue to negotiate with the Pease Development Authority. Alliance's office space in Dover is being leased by Relyco Sales, a printing and business equipment company.
- ◆ American Tissue credited increased profits to, among other things, synergism resulting from the integration of the Berlin-Gorham mills.

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## Transportation, Communications, and Public Utilities

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Nonfarm TCU Employment		
	Oct-99	Oct-00
Total	21,600	21,700

Employment in this division has been changing only minimally. Although all industries except transportation services added jobs June-to-June, the largest gain, with only about 370 additional jobs, was in communications.

### Transportation news

- ◆ The Manchester Airport continued into the year 2000 as one of the top economic stories in the state. Passenger count topped 300,000 (301,386) in a single month for the first time in

Covered TCU Employment		
	Jun-99	Jun-00
Total	25,929	26,402
Private	20,835	21,576

August 2000. Passenger traffic was up more than 14 percent and cargo business up about nine percent over August 1999. From 1995 to 1999 total passengers increased 215 percent – from 893,326 to 2,809,200.

- ◆ In other air transportation news, there are now four flights a day to New York LaGuardia Airport from Lebanon.
- ◆ Pan American Airways has incorporated Allentown, Pennsylvania, into its schedule out of Pease Tradeport. They

- ◆ have also begun flying to St Louis.
- ◆ The Federal Aviation Administration plans to build an air traffic control facility in Merrimack. It will employ about 150 people.
- ◆ Amtrak is advertising for workers on the Portland, Maine, to Boston run, scheduled to begin service in April 2001. There will be stops in Dover, Durham, and Exeter.
- ◆ Cooperative Alliance for Seacoast Transportation (COAST) runs buses and trolleys in the Portsmouth/Pease and Rochester area. It will serve about 130,000 passengers in 2000.

### Communication News

- ◆ The Executive Council approved a \$250,000 grant to improve broadband telecommunications and Internet services. Coos County officials are working on a two-year plan to cover the county with the necessary high-speed telecommunications infrastructure needed to attract high-tech companies. Monadnock Business Ventures, Inc. and the Monadnock Economic Development Corporation have combined in an attempt to secure broadband service in the Monadnock Region.

- ◆ Communities throughout the state are debating the construction of communication towers. Esthetic viewpoints of residents and concerns of environmentalists are being weighed against the desires of cell phone users.
- ◆ Verizon Communications workers were on strike for two weeks in August. Of the approximately 17,000 workers affected in New England, about 1,450 were in New Hampshire.

### Utilities News

- ◆ Changes in the supply of natural gas may alter the landscape in energy. The energy generation plants mentioned in Construction should cause the blend of oil/petroleum/nuclear power/natural gas/coal/hydro, all used to produce electricity, to change significantly.
- ◆ An 18 percent rate hike was granted to Granite State Electric effective November 15, 2000. They requested the hike because oil and natural gas prices had doubled in the past year.

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## Trade

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Nonfarm Trade Employment		
	Oct-99	Oct-00
Wholesale	31,900	32,400
Retail	129,700	130,100

Next to the Services division, the largest employment growth has been in the trade divisions – Wholesale and Retail. Although Wholesale trade encompasses only about five percent of the state’s employment, it has been responsible for about ten percent of growth. Retail, on the other hand, claims over a fifth of employment, and has had about the same percentage of growth.

Covered Trade Employment		
	Jun-99	Jun-00
Wholesale	32,168	33,894
Retail	131,914	135,419

Almost all the growth in Wholesale trade was in either computer equipment or electrical goods. Retail growth has been across the board with the exception of apparel stores. General merchandise stores led Retail with nearly 1,300 additional jobs.

- ◆ P&C Foods opened grocery stores in Lebanon and Hanover where Grand Union stores had been located. P&C had been leasing the locations to Grand Union for the last ten years.
- ◆ Target now has three New Hampshire stores – Concord, Nashua, and Salem.
- ◆ Poore Simon’s filed for bankruptcy and has closed its New England stores, including 15 New Hampshire locations.
- ◆ Staples, Inc. opened its 16<sup>th</sup> store in New Hampshire with the addition of a Seabrook outlet in July. Another is slated for 2001 in Dover.
- ◆ Bickford’s Family Restaurant opened in Dover in September and another is to open in Keene in mid-December.
- ◆ Lahout’s North Face Patagonia opened another outlet in Littleton.
- ◆ Paddy’s, An American Grill reopened a 180-seat restaurant at Pease. Barnstormers had been there previously.

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## Finance, Insurance, and Real Estate

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Nonfarm FIRE Employment (includes 920 presumed not covered)		
	Oct-99	Oct-00
Total	32,800	32,800

Employment in this division has remained static throughout the past year. Within the division, however, there has been a shift. Employment has decreased among insurance carriers. The slack has been absorbed by depository institutions and security and commodity brokers.

- ◆ Fidelity will build a 250,000 square feet addition with room for 1,200 more employees.

Covered FIRE Employment		
	Jun-99	Jun-00
Total	32,128	32,191
Private	32,042	32,104

- ◆ For the third time in the past 4 years First Colebrook Bank has been rated one of America’s “Best Banks for Small Business” by *Entrepreneur* magazine. Other banks in New Hampshire on the list are Bank of New Hampshire, Granite Bank, and First & Ocean National Bank.

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## Services

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Nonfarm Services Employment (includes 8,700 presumed not covered)		
	Oct-99	Oct-00
Total	179,300	181,700

Services has dominated employment growth in New Hampshire. More than three in five jobs added to the work force were in this division. Within Services, two large-growth industries are education services and business services. Education added 4,000 jobs from June 1999 to

Covered Services Employment		
	Jun-99	Jun-00
Total	206,998	218,293
Private	169,346	177,391

June 2000. About 3,300 of those were in public education.

The private major group industry to grow most during that period was business services. It gained more than 3,500 jobs. Nearly 2,500 were in computer services,

the fastest growing industry group in the state. Personnel supply services, once the dominant industry in the major group, added over 1,500 jobs. Two years ago personnel supply employees outnumbered computer service workers by 2,300 jobs. In June 2000 computer services held a 1,166 job advantage.

Health services almost single-handedly kept the economy afloat in the early 1990s. It remains the largest major group, but growth there has slowed. A shift in patient care is one reason. The compelling issue, however, is a shortage of workers. Projections of the number of registered nurses, needed over the next ten years, exceed considerably the projected supply from existing training programs.

Among the stories affecting employment in Services are:

- ◆ Marriott Courtyard Hotel and conference center in Concord has opened.

U.S. Social Security Administration offices and Primavera Systems Inc. are in the complex. Aavid Thermal Products, Inc. is in the adjoining office park.

- ◆ Trustees of the Dartmouth Hitchcock Medical Center approved a budget to include construction of an addition and the hiring of 150 people, including 20 physicians.
- ◆ Dartmouth College plans to move about 2,000 employees to a new facility in Lebanon.
- ◆ Mountain View House, a Littleton hotel, is being restored.
- ◆ The Sargent Museum Center for Connecticut River Archaeology opened in Newport. It will serve as a center for field studies, research, and public education programs focused on the Connecticut River Valley.
- ◆ Easter Seals special education school opened in Lancaster.

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## Government

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Nonfarm Government Employment		
	Oct-99	Oct-00
Total	84,200	84,600

Covered Government Employment		
	Jun-99	Jun-00
Total	74,784	79,029

Employment in the public sector increased at all levels during the first six months of 2000. The largest increase came in Local Government where an average of 1,731 jobs were added. State Government employment was up 753, mostly in state education. At the federal level, where employment has held steady around 8,000 for many years, there was an increase of 680 jobs, primarily because of the 2000 Census.

- ◆ The Northern New Hampshire Correctional Facility in Berlin should hit its capacity of 500 in December 2000. Lack of staff has prevented this from happening sooner.
- ◆ The Portsmouth City Council is questioning some aspects of the proposed expansion of the Park and Ride at the south entrance of Pease. The 500-space facility is attracting 700 vehicles a day. The state proposed 550 more spaces. The City of Portsmouth and the Department of Transportation reached a compromise of 487 spaces.

# Conclusion

The unemployment rate has been among the lowest in the nation. There has been consistent growth in employment, slightly above the national level. Average weekly wages have been increasing well above the changes in the Consumer Price Index. The recently released Gross State Product showed this state as leading the nation in percent growth. (*Economic Conditions*, November 2000) The Granite State led the region in percentage growth in exports and was ten percentage points ahead of the nation. (*Economic Conditions*, November 2000) The state led the region in in-migration, and those moving to New Hampshire brought with them considerably more income than those leaving took out. (*Economic Conditions*, September 2000) Granite Staters are the Healthiest in the nation (*Economic Conditions*, June 2000), Safest in the nation, Most Kid Friendly (*Economic Conditions*, May 2000), and the fifth Most Livable State (*Economic Conditions*, September 2000).

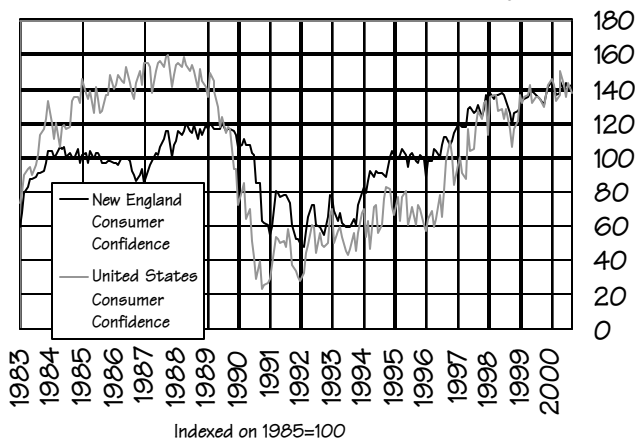
The New England Economic Project concluded that the New England economy is showing signs of cooling. As hot as the New Hampshire economy has been over the past three years, cooling might be a

relief. The civilian labor force is growing at a pace nearly twice the rate of population growth. Companies are in search of workers. Engineers and computer programmers are in such demand that many companies are applying for permits for foreign workers. Mom and Pop operations are cutting back on hours of operation because of an inability to find workers. Housing is in short supply.

Much of the recent growth has been in technology-oriented organizations. Investors and venture capitalists may be scrutinizing these types of firms more closely. Given recent uncertainty in the financial markets, there may be less opportunity for initial public offerings. Without an infusion of capital, some companies may cut back and this could affect employment. All other divisions of the economy attribute much of their recent windfall to value added from expanding manufacturing and business services firms. Nonetheless, worldwide demand for software, hardware, and communications equipment continues. The more permanent Most-Favored-Nation (Normal-Trade-Relations) status given to China could increase this demand.

New Hampshire is well-placed in the U.S. and world economies. This, along with the industrial diversity of the state's economy, makes it unlikely that New Hampshire will experience a recession in the near future.

New England and the U.S. have been showing similar Consumer Confidence levels for about three years



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