

# Employment SECURITY

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## Summary of the New Hampshire Economy, Spring 2003

### Overview

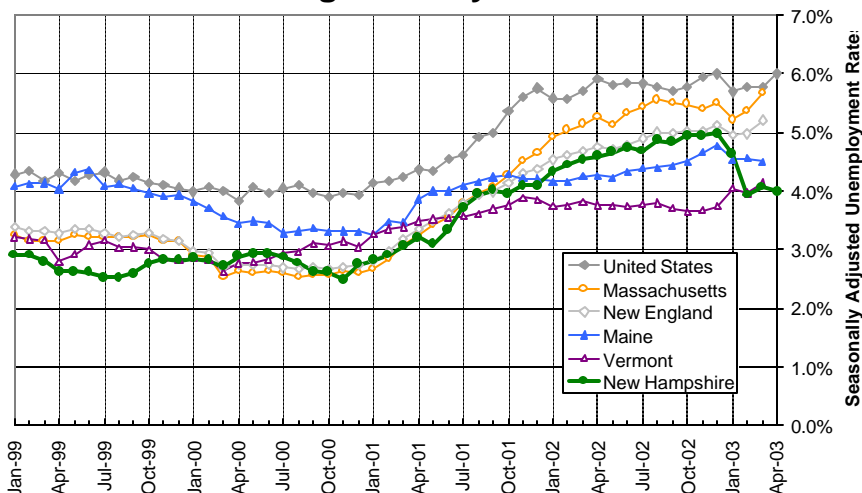
Just as New Hampshire's Great Stone Face on an early spring day plummeted, unobserved, from his mountainside perch to the floor of the notch below, a Granite State icon of more recent vintage plunged, a year earlier, from great heights into a deep valley. The state's high tech visage sagged, leading to questions about the future bedrock of the New Hampshire economy. Perhaps we would have been better off characterized as a retail state rather than a high tech state, since retail sales and consumer spending is what has seemingly kept the U.S. economy afloat during this trying period of weak stock market, diminished capital investment, and declining faith in business leaders. Historically low interest rates have kept us spending on autos and new homes and other big ticket items that go into furnishing those new homes. Low interest

rates have fed a surge of mortgage refinancing, freeing up otherwise obligated cash for consumers to spend.

Of course, with its lack of sales tax and its malls strategically located near population centers in Eastern Massachusetts, Southern Maine, and the Upper Valley portion of Vermont, New Hampshire is a retail state as well as a high tech state, and that is one of our strengths. Our economy is still highly diversified, not dependent on one industry sector.

In 2002 New Hampshire felt a major loss of manufacturing jobs, mostly in high tech related industries. In Professional and Business Services, employers in the Computer Systems Design and Related Services industry group lost nearly a fifth of their employment. The high tech sector began to look like a liability, rather than an asset. In spring 2003 there are some signs that manufacturing job losses may have leveled off and begun to turn around ever so slightly.

### New Hampshire Unemployment Rate Has Fallen Significantly So Far in 2003



New Hampshire's state rank in per capita personal income remains among the top ten, though its growth slowed. Real estate sales remain strong, and property values continue to rise. Its unemployment rate fell below the rest of New England for the first part of 2003. In April it was six tenths of a point lower than in April 2002. The unemployment compensation fund has weathered a storm of initial and continued claims activity to pay

regular and extended benefits to eligible unemployed workers. New claims activity seems to be subsiding with initial claims activity falling by 6.0 percent for the first third of 2003 compared to the same period in 2002.

## Personal Income

### Total Personal Income

In fourth quarter 2002, New Hampshire total personal income gained 3.5 percent over fourth quarter 2001. This was greater than the New England growth rate of 3.3 percent. Nationwide, personal income grew by 3.9 percent.

### Per Capita Personal Income

Ranking of per capita personal income (PCPI) by state for 2002 showed New Hampshire hanging onto its sixth position. It grew by 1.1 percent, following the trend of most of the high ranking states growing more slowly than the U.S. average. This pattern held in New England, as well. First and third ranked Connecticut and Massachusetts' PCPI grew just 0.8 and 1.0 percent respectively. Rhode Island, Vermont, and

### Per Capita Personal Income

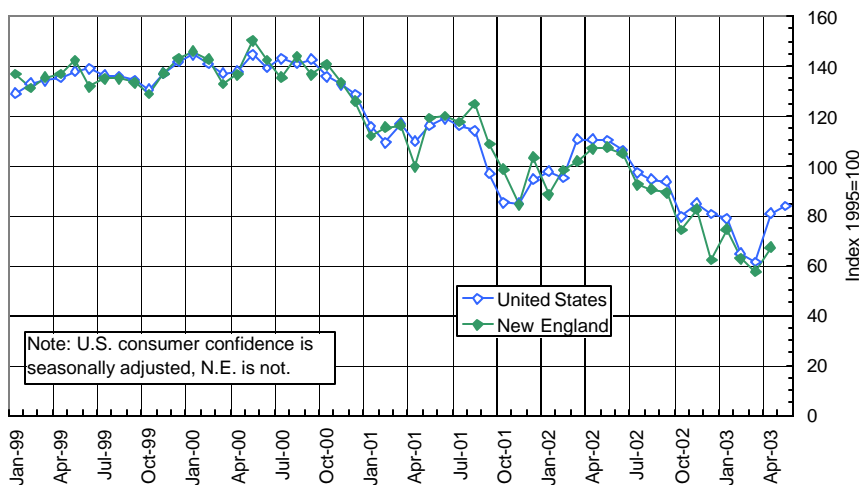
Area	2002		2001		01 to 02 Change
	PCPI	Rank	PCPI	Rank	
United States	\$30,941	-	\$30,413	-	1.7%
New England	37,575	-	37,096	-	1.3%
Connecticut	42,706	1	42,377	1	0.8%
New Jersey	39,453	2	38,625	2	2.1%
Massachusetts	39,244	3	38,864	3	1.0%
Maryland	36,298	4	35,279	4	2.9%
New York	36,043	5	35,878	5	0.5%
New Hampshire	34,334	6	33,969	6	1.1%
Minnesota	34,071	7	33,059	7	3.1%
Illinois	33,404	8	32,990	8	1.3%
Colorado	33,276	9	33,455	9	-0.5%
California	32,996	10	32,655	10	1.0%
Other New England States					
Rhode Island	31,319	16	30,256	16	3.5%
Vermont	29,567	24	28,756	24	2.8%
Maine	27,744	33	26,853	34	3.3%

Maine each grew at more than double the U.S. rate while ranking 16, 24, and 33 in per capita income.

## Consumer Confidence

According to the Conference Board's monthly survey, U.S. consumer confidence bounced up sharply by 20.4 points in April as both current situation and future expectations spurred. The March level had been the lowest since October of 1993. New England consumer confidence gained 9.6 points, as the swift conclusion to the war in Iraq buoyed consumers' outlooks. The U.S. index drifted up slightly higher in May.

### April Consumer Confidence Showed Some Spring for Both New England and the U.S.



## Housing

Seasonally adjusted estimates prepared by the National Association of Realtors showed total sales of single-family apartment, condos, and co-ops in New Hampshire fell from 42,700 in 2001 to 41,000 in 2002. Fourth quarter sales in 2002 were up 7.9 percent from the previous fourth quarter, however.

The Office of Federal Housing Enterprise Oversight's index of home prices showed New Hampshire's prices increasing by 11.0 percent – faster than the U.S. and New England.

## Employment and Unemployment

### Labor Force by Place of Residence

#### ◇ Unemployment Rate

After plateauing at a nine-year peak of 5.0 percent for October, November, and December 2002, the New Hampshire seasonally adjusted unemployment rate fell off dramatically. April's rate of 4.0 was six tenths of a percentage point lower than a year earlier. This brought the state's rate from the middle of the pack in New England to the region's lowest rate. All New England states' rates remained below the U.S. rate throughout 2002 and through the latest estimates in 2003. In April, the New Hampshire unemployment rate was two full points below the national average of 6.0 percent.

### Employment by Place of Work

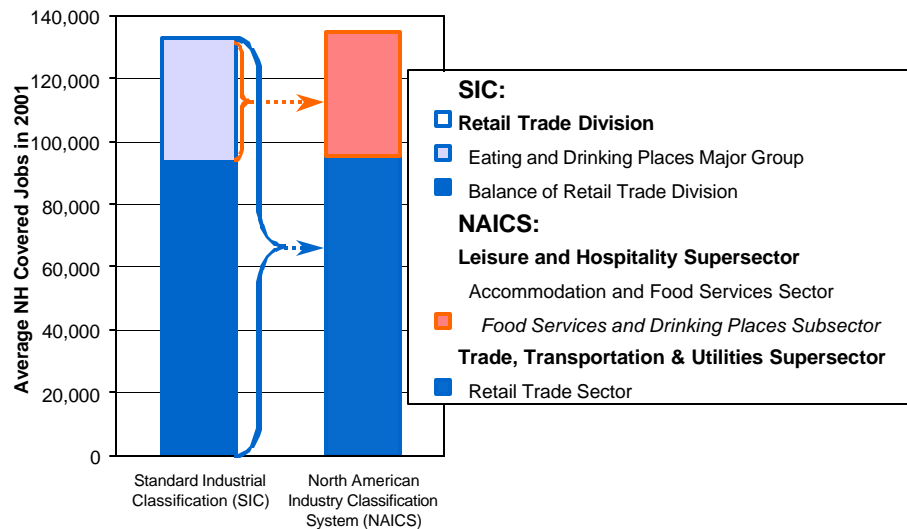
#### ◇ NAICS Represents a Series Break

Beginning with January 2003 numbers, all industry employment data and estimates, except for projections, are being published using the North American Industrial Classification System (NAICS). NAICS is the new federal standard. It represents a significant improvement over the Standard Industry Classification system which had

been virtually unchanged since 1987. NAICS accounts for the many changes in industries that have occurred since 1987 due to new technologies and evolving ways of doing business. The change from SIC to NAICS, however, results in a significant break in the historical series, since there is not a one-to-one relationship in the industry structure of the two coding systems. In preparation for the change-over, dual coding of New Hampshire covered employers in both SIC and NAICS began in 1998. SIC coding was dropped after the second quarter of 2002. To establish some history, several key time series have been reconstructed back to 1990 using NAICS.

A look at New Hampshire covered employment data from 2001, the last full year of dual coding, illustrates some of the hazards of comparing SIC data with NAICS data. A major departure, for instance, is in Retail Trade. In SIC Eating and Drinking Places was the largest "major industry group", based on employment numbers, in the Retail Trade division. In NAICS, Retail Trade becomes the dominant sector in the Trade, Transportation, and Utilities supersector, while Food Services and Drinking Places is a subsector under the Leisure and Hospitality supersector. The subsector differs slightly from SIC Eating and Drinking Places because at the industry group level in NAICS some industries are viewed differently.

NAICS Retail Trade is not Comparable to SIC Retail Trade



Even Manufacturing is not directly comparable from SIC to NAICS. The primary difference is that NAICS classifies corporate headquarters of manufacturers in the Professional and Business Services supersector. In SIC they were classified under Manufacturing. Logging fell under Manufacturing in SIC. In NAICS it is found under Agriculture, Forestry, Fishing and Hunting.

For more information on NAICS see the November issue of *Economic Conditions in New Hampshire* in print or on the Web at:

<http://www.nhes.state.nh.us/elmi/econanalys.htm>

◇ **Total Employment**

Preliminary counts show the total number of jobs covered by unemployment compensation insurance was down 1.2 percent in 2002 to 603,180, a loss of 7,070 jobs. Nonfarm employment estimates showed a slightly larger loss of 1.4 percent from 2001 to 2002. January through April 2003, not seasonally adjusted estimates suggest slowing losses with total employment averaging just 0.1 percent less than during the same period in 2002.

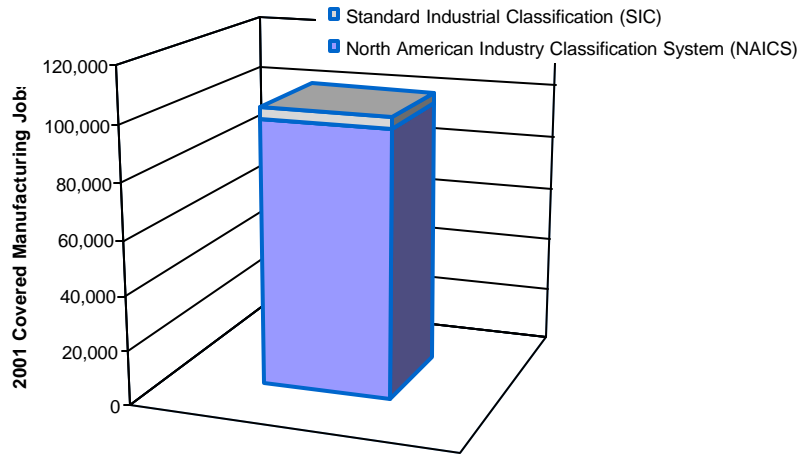
◇ **Private Employment**

Covered private employment slipped by 1.8 percent from 2001 to 2002, losing almost 10,000 jobs. Through April, unadjusted nonfarm estimates were just 0.2 percent lower than during the first four months of 2002.

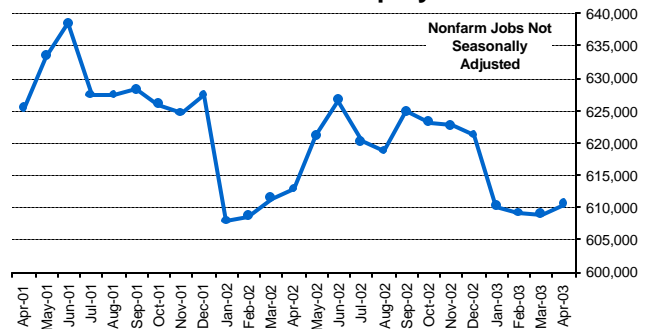
◇ **Goods Producing Employment**

The recent declines in New Hampshire's private employment have been driven primarily by losses in Goods Producing industries. These industries lost nearly 12,000 jobs from 2001 to 2002, declining by 9.3 percent.

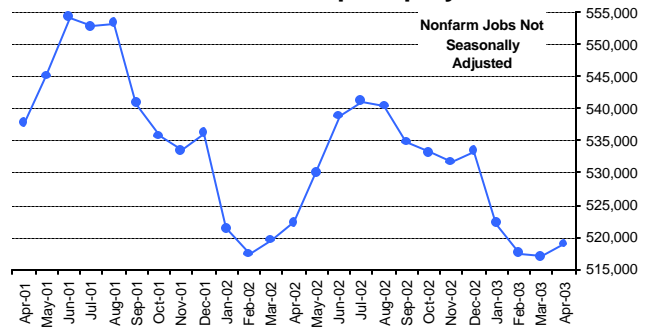
## The Change from SIC to NAICS Shrinks 2001 NH Manufacturing Jobs by 4,300



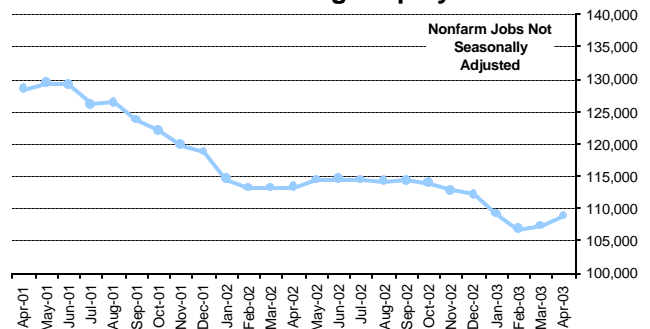
### Total Nonfarm Employment



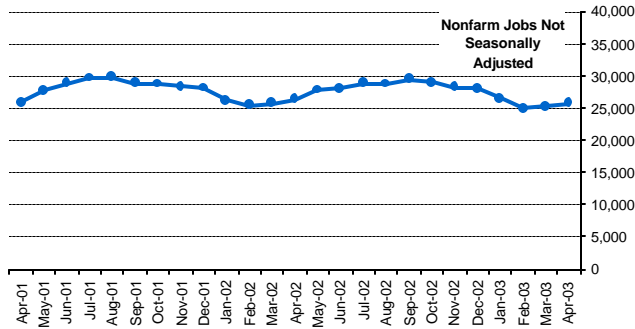
### Private Ownership Employment



### Goods Producing Employment



### Construction Supersector



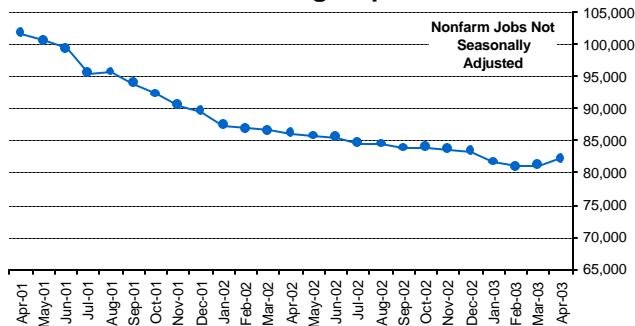
#### ◇ Construction

The number of covered Construction jobs grew by 2.8 percent from 2001 to 2002. Not seasonally adjusted nonfarm estimates through the first four months of 2003 show construction jobs down slightly from the same period in 2002. It is too early to read any significance in this trend considering the long and harsh winter of 2002 – 2003.

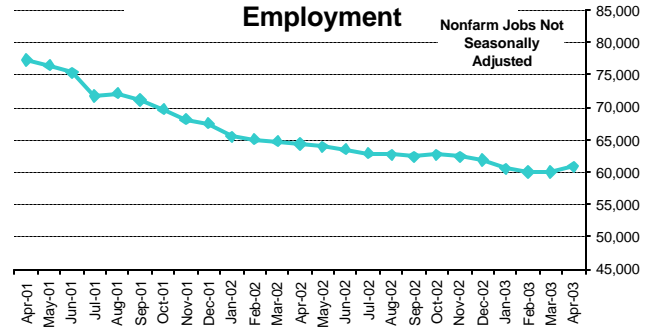
#### ◇ Manufacturing

Employment in covered Manufacturing industries fell off by 12.8 percent from 2001 to 2002. The most recent nonfarm estimates suggest that the decline in Manufacturing may be easing. Average nonfarm Manufacturing employment January through April was down just 6.0 percent from the same period a year earlier and the April figures showed a 1,000-job gain from March.

### Manufacturing Supersector



### Durable Goods Manufacturing Employment



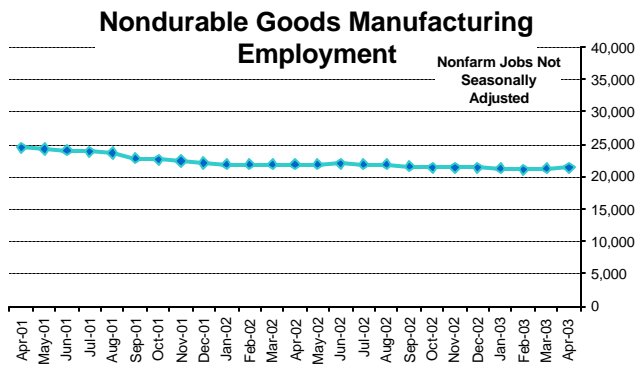
#### ◆ Durable Goods

Covered employment in manufacturing industries producing durable goods fell by 14.3 percent from 2001 to 2002. As might be expected in the high tech meltdown that has occurred, the more technology-related the industry sector, the greater the job losses. Thus the largest rate of loss was in the Computer and Electronic Product Manufacturing subsector — 22.0 percent. This was followed by Electrical Equipment, Appliance, and Component Manufacturing — 19.9 percent. Every durable goods subsector declined, but losses in the relatively low tech Wood Product Manufacturing, Furniture and Related Product Manufacturing, and Miscellaneous Manufacturing subsectors were three percent or less each.

Not seasonally adjusted nonfarm estimates recorded a March to April increase of 800 jobs in durable goods manufacturing. This compares to a 400-job reduction from March to April last year.

#### ◆ Nondurable Goods

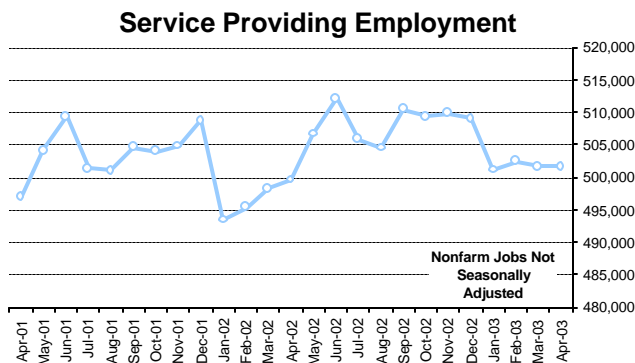
Though smaller than the loss in durable goods, industries producing nondurable goods nevertheless experienced an 8.3 percent fall-off in employment. Eight of the eleven industry subsectors had fewer covered jobs in 2002 than in 2001. In spite of the reopening of the Berlin paper mill during 2002 by a new owner, Fraser Paper, employment in the Paper Manufacturing subsector dropped by 610 covered jobs. This was the largest net loss among nondurable goods sectors. Though hundreds of paper workers returned to the



Berlin mill, the subsector, statewide, employed dozens fewer workers in each month September through December 2002 than it had during the same months in 2001 when the Berlin mill was shut down. Unadjusted nonfarm monthly estimates of Paper Manufacturing employment show remarkable stability from the time that the full impact of the shutdown was felt in September 2001 to the most recent April 2003 estimates. That period started and ended with employment of 3,100. In between it fell as low as 2,900 only once and climbed as high as 3,200 only once.

### ◇ Service Providing

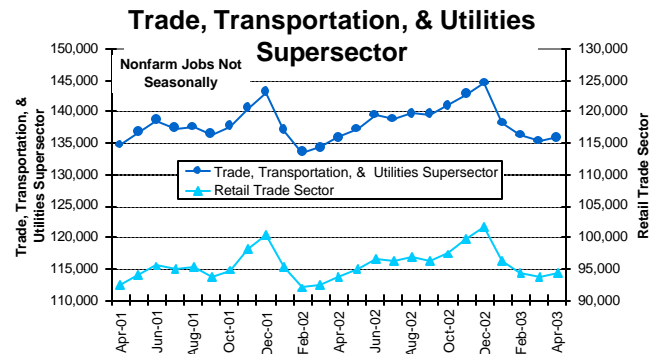
Service Providing industries have long been the engine of New Hampshire's economic growth. Well the engine has been sputtering, as of late. The gain from 2001 to 2002 of 0.5 percent, to 407,700 covered jobs, could hardly be characterized as robust, but it was a gain, nevertheless. The first four months of 2003 had estimated, not seasonally adjusted, nonfarm service-providing employment growing by 1.0 percent.



It is clear that the high tech bust that dragged down goods producing industries, specifically in manufacturing, was a drag on service providing industries as well. Four of the six supersectors showed gains from 2001 to 2002, but the Professional and Business Services, dominated by high tech related industries, had losses that virtually wiped out the gains, elsewhere.

### ◇ Trade, Transportation, and Utilities

The Trade, Transportation, and Utilities supersector grew by just 0.7 percent from 2001 to 2002 to 138,180 covered jobs. Nonfarm not seasonally adjusted estimates through April showed 0.9 percent growth, compared to the first four months of 2002.



### ◆ Retail Trade

The Retail Trade sector, which dominates this supersector's employment, accounts for nearly 70 percent of the covered employment total. Retail Trade added nearly 1,000 jobs, growing 1.0 percent from 2001 to 2002. The latest unadjusted nonfarm estimates show Retail Trade employment growth accelerated by 1.4 percent comparing the first four months of 2003 to the same period in 2002.

### ◇ Information

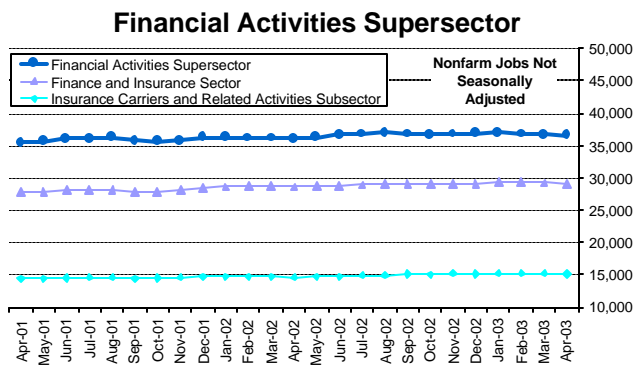
Information is the service providing supersector with the smallest number of covered jobs in New Hampshire. Its employment lost 5.2 percent between 2001 and 2002 falling to 12,820 jobs. Its losses accelerated

during the first third of 2003 with unadjusted nonfarm employment falling 5.7 percent compared to January through April of 2002.

The largest Information subsector is Publishing Industries (except Internet). It shrunk from 7,490 to 7,170 covered jobs from 2001 to 2002. The largest net loss in 2003, however was in the Telecommunications subsector which dropped by 420.

### ◇ Financial Activities

Covered employment in the Financial Activities supersector grew by 2.2 percent from 2001 to 2002. Its growth has continued during the first third of 2003 according to nonfarm estimates, though slowing slightly to 1.6 percent. This supersector includes the Finance and Insurance; and Real Estate and Rental and Leasing sectors.



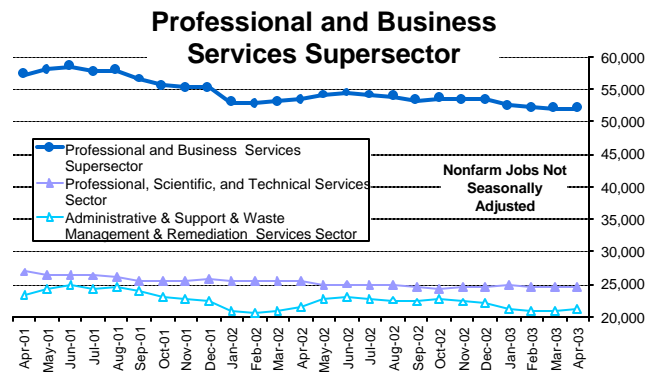
### ◆ Finance and Insurance

The Finance and Insurance sector grew by 3.3 percent or 870 covered jobs from 2001 to 2002. Covered 2002 employment was 27,160. Insurance salespersons on straight commission, in the Insurance Carriers and Related Activities subsector, represents a group of uncovered workers in the sector. Nonfarm employment in Finance and Insurance, which includes these commissioned workers, was 28,900. Nonfarm estimates show employment growth of 2.1 percent for the first third of 2003.

After Insurance Carriers and Related Activities, Credit Intermediation and Related Activities is the next largest Finance and Insurance subsector. This subsector grew by 9.5 percent, adding 770 covered jobs from 2001 to 2002; 650 of this gain was in the Depository Credit Intermediation industry group (banks and credit unions).

### ◇ Professional and Business Services

Professional and Business Services is the other supersector (besides Manufacturing) that has taken a severe hit as a result of the high tech bust. This supersector lost 3,100 covered jobs from 2001 to 2002, a 5.4 percent decline. In 2003, not seasonally adjusted nonfarm estimates for January through April show an average 1.6 percent job loss from the same period last year.



### ◆ Professional, Scientific, and Technical Services

The Professional, Scientific, and Technical Services sector lost 5.6 percent of its jobs from 2001 to 2002 and shows additional losses of 3.0 percent in nonfarm estimates for the first third of 2003. But the big story within that sector is that the Computer Systems Design and Related Services industry group lost a fifth of its employment. Being a high tech state appears to have not been an asset in the last year and a half or so.

◆ **Administrative and Support and Waste Management and Remediation Services**

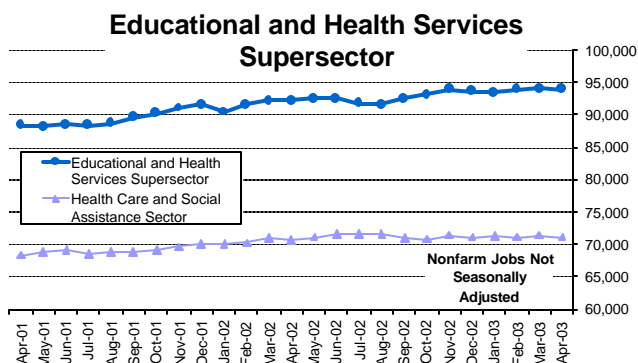
Covered jobs in the Administrative and Support and Waste Management and Remediation Services sector fell by 3.7 percent, losing 870 jobs. This sector has two subsectors.

The Administrative and Support Services subsector employment dipped by 4.5 percent – a loss of 1,010 covered jobs. For the first third of 2003 this subsector actually shows a tiny 0.4 percent gain according to unadjusted nonfarm estimates. In 2002, 960 of the jobs lost were in the Employment Services industry group, dropping its workforce by 10.1 percent. In recent years this group has boomed by providing temps and staffing services to high tech industries and other growing businesses. The latest 2003 nonfarm employment estimates show an average 6.6 percent job loss January through April.

The small Waste Management and Remediation Services subsector posted an impressive 10.1 percent covered job gain from 2001 to 2002. This gain, netting just 140 jobs, was like shoveling sand against the tide of woe in the entire supersector.

◇ **Educational and Health Services**

The Educational and Health Services supersector grew by 3.1 percent from 2001 to 2002, adding 2,580 covered jobs. Nonfarm estimates, not seasonally adjusted, through the first third of 2003, show an average monthly gain of 2.5 percent over the year.

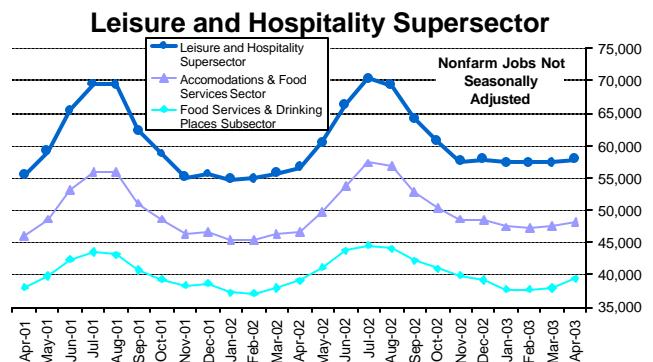


◆ **Educational Services**

The Educational Services sector showed a modest gain from 2001 to 2002, adding 250 covered jobs.

◆ **Health Care and Social Assistance**

The Health Care and Social Assistance sector added an average 2,330 covered jobs in 2002. Nonfarm estimates in 2003 suggest slowed growth in this sector. Not seasonally adjusted employment averaged 1.1 percent higher during the first four months of the year. The largest 2002 covered employment gain was in the Ambulatory Health Care Services subsector up 1,010 jobs and 4.3 percent. The Hospitals subsector gained 760 jobs growing by 3.6 percent.



◇ **Leisure and Hospitality**

From 2001 to 2002, 1,440 covered jobs (a 2.4 percent growth) were added in the Leisure and Hospitality supersector. Unadjusted nonfarm estimates show that job growth averaged 3.6 percent over-the-year for the first four months of 2003.

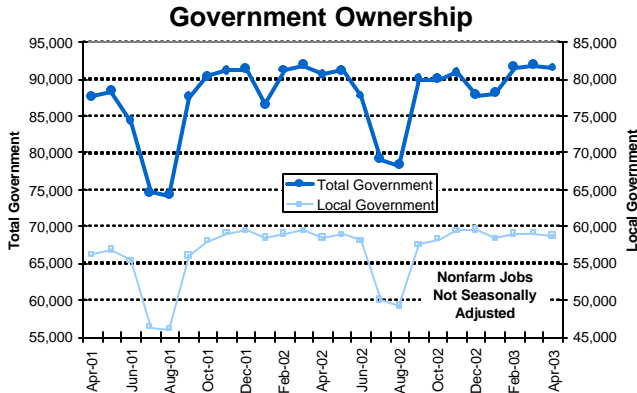
◆ **Arts, Entertainment, and Recreation**

The Arts, Entertainment, and Recreation sector added 340 jobs in 2002 – up 3.2 percent.

◆ **Accommodation and Food Services**

An addition of 1,100 covered jobs in the Accommo-

ation and Food Services sector grew it by 2.2 percent from 2001 to 2002. The larger subsector, Food Services and Drinking Places, added 1,260 jobs or 3.2 percent. That left the remaining subsector, Accommodation, with a 160-job loss.



◇ **Government Ownership**

The average number of covered Government jobs increased by 2,580 from 2001 to 2002. Of these 2,000 were in Local government which grew by 3.9 percent. State government added 670 jobs. Federal government employment fell by 90 over the year in spite of a boost of several hundred jobs when the new Homeland Security Act changes went into effect. The increase occurred in December, and thus had little effect on the annual average. Unadjusted

nonfarm estimates for 2003 through April show Government employment averaging just 0.8 percent higher than for the same period in 2002. Federal jobs are up by 5.7 percent, however, likely due to homeland security hiring. A cut of 84 workers to the federal security force at the Manchester Airport announced recently by the Transportation Security Administration will ramp back some of this growth. Pease International Airport in Portsmouth will gain 11 screeners to offset some of Manchester's loss.

**Unemployment Compensation**

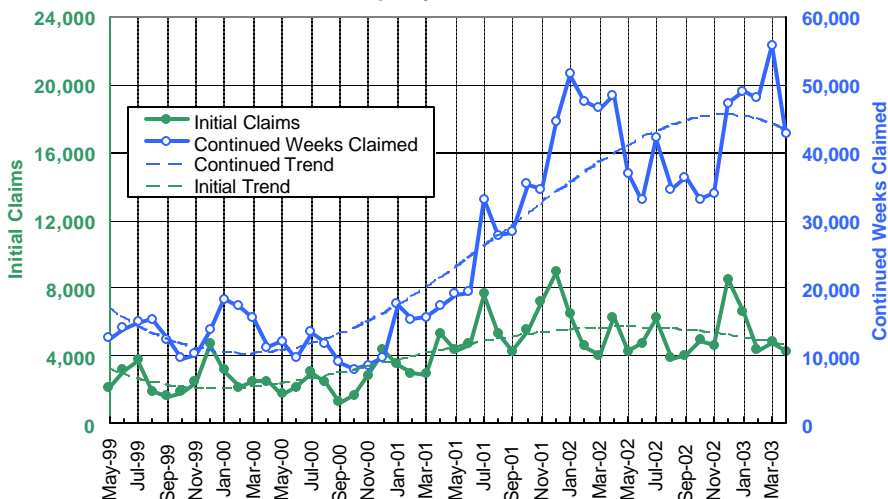
◇ **Claims**

The average number of initial claims filed for unemployment compensation in New Hampshire from January to April 2003 was down by 6.0 percent compared to the same period in 2002. The average number of weeks claimed for that period was up just 0.8 percent from the same period in 2002. In April, initial claims fell to 4,258, down by 31.6 percent from April 2002. Continued weeks claimed were down 11.9 percent from a year before.

◇ **Trust Fund**

After peaking in June of 2001, the unemployment compensation trust fund, under the load of high claims volume, has fallen steadily but for an infusion of federal Reed Act funds in the first quarter of 2002. When it fell below \$275 million early in 2003, a circuit breaker provision in New Hampshire law designed to protect the fund's solvency triggered an automatic increase in employer taxes effective in the second quarter. Since the fourth quarter of 1996, New Hampshire employers had benefited from the maximum rate reduction discount.

**New Hampshire Initial and Continued Unemployment Claims**



## Conclusion

Do the parallels between the Old Man's demise and New Hampshire high tech go further than the fall? Should we be thinking about memorializing high tech, or can we reconstruct it? Unlike the Old Man, who has weathered thousands of years, and whose underpinnings were rife with cracks and fissures, the bedrock of New Hampshire's high tech industry remains solid. We have a highly trained and motivated workforce and business policies that encourage entrepreneurship and innovation. We have a good system of highways and interstates that connect us to Boston and other major regional and U.S. markets, a

vibrant airport at Manchester that has become the prime alternative to Boston's overcrowded Logan, and a seaport for access to global markets. In short, we are well positioned for a recovery, but we cannot go it alone. If the end of the Iraqi conflict brings new confidence in U.S. and world markets, spawning renewed capital investment, New Hampshire is positioned to lead New England and the nation into full recovery, not the fitful jobless recovery that we have been experiencing over the last year. We can hope that the stirrings of Consumer Confidence detected by the Conference Board's survey are well founded, and that business leaders gain confidence and begin to reinvest in the economy.

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