

Belknap Matters

August 2011



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The State of Manufacturing in Belknap County

The purpose of this brief report is to update local policy makers and the public about the state of manufacturing in Belknap County and to highlight issues that should be addressed to strengthen our manufacturing sector and ensure that it continues to play a significant role in the Belknap County economy well into the future.

Overview

NH Employment Security data from the third quarter of 2010 show that manufacturing makes up approximately 8.5% of total employment in Belknap County, which makes it the fifth largest employment sector in the County. Among the top five, manufacturing pays the highest average wage. Overall, manufacturing is the seventh highest paying industry in the County. The table below shows the breakdown of employment among all sectors in Belknap County and average weekly wages for each sector.

Belknap County Employment - Third Quarter 2010

Industry	# of Businesses	# Jobs	Average Weekly Wage
Total	1,913	26,085	\$686.73
Retail Trade	335	5,132	\$481.05
Accommodation and Food Services	218	4,038	\$347.86
Government	103	3,640	\$737.35
Health Care and Social Assistance	154	3,291	\$893.03
Manufacturing	89	2,208	\$935.21
Construction	205	1,328	\$954.30
Administrative and Waste Services	104	899	\$619.25
Other Services Except Public Admin	164	891	\$558.67
Arts, Entertainment, and Recreation	54	882	\$354.22
Professional and Technical Service	158	751	\$1,242.03
Wholesale Trade	91	581	\$1,171.09
Finance and Insurance	69	511	\$998.19
Transportation and Warehousing	28	415	\$607.73
Management of Companies/Enterprises	11	327	\$1,329.15
Information	19	305	\$731.85
Real Estate and Rental and Leasing	67	270	\$668.83
Utilities	8	131	\$1,461.68
Agriculture/Forestry/Fishing	10	104	\$382.71
Mining	5	64	\$917.63

Source: NH Employment Security

Most of Belknap County's manufacturers fall under the definition of "Smart Manufacturing and High Technology (SMHT)" firms put forth by the NH Center for Public Policy Studies in their March 2011 report *Smart Manufacturing and High Technology: New Hampshire's Leading Economic Sector*. The SMHT sector includes "manufacturers engaged in the transformation of materials into new products using advanced technology and skilled labor." According to the report, SMHT companies statewide employ one of every six private sector workers and import wealth into New Hampshire at a rate four times that of the travel and tourism industry.

(Manufacturing supports \$18.5 billion in gross state product (GSP), while tourism supports \$4.2 billion in GSP. This is due to relatively low wages per employee in the tourism industry.) While data are not readily available to calculate these numbers for Belknap County specifically, it is clear that SMHT companies should be at the top of the business retention list statewide.

The table at right shows the breakdown of manufacturing employment in Belknap County by sub-sector. The largest sub-sector is Fabricated Metal Product Manufacturing, which includes some large firms in Laconia and a number of small machine shops scattered throughout the County, typically employing 20 to 60 people. The second largest sub-sector is Computer and Electronic Product Manufacturing with 479 employees.

The reader should bear in mind that these data are self-reported by companies, so the categorization of a firm may not reflect the full range of products they actually make. In addition, data for many sub-sectors are not reported because there are fewer than three firms in several individual categories. While the data are imperfect for these reasons, they do provide a conservative estimate of the number of manufacturing jobs here and give a sense of the wages paid in this sector.

Challenges Vary: Subsidiary of Multi-National Company vs. Small Local Firm

The following information was gathered through interviews with eight Belknap County manufacturers conducted by BCEDC in May and June 2011.

In general, the larger manufacturers (250+ employees) in our County are subsidiaries of multi-national corporations. These facilities are in a constant state of competition with other plants owned by their parent company and under intense pressure to develop more efficient ways of producing their products, or to develop newer, better versions of their products. Being competitive in this environment hinges on attracting highly educated, creative talent, particularly PhDs in science and engineering. These firms recruit this particular type of employee from all over the U.S. and internationally. Recruitment is a challenge because, while our region boasts the natural beauty of the lakes and mountains, we do not currently offer the entertainment, arts and culture, and educational opportunities this creative class seeks relative to other regions.

Breakdown of Manufacturing in Belknap County 3rd Quarter 2010

Manufacturing Sub-sector	# Jobs	Average Weekly Wage
Total	2,208	\$935.21
Food Manufacturing	31	\$224.59
Beverage and Tobacco Product Manufacturing	n	n
Textile Mills	n	n
Textile Product Mills	15	\$363.15
Apparel Manufacturing	n	n
Leather and Allied Product Manufacturing	0	\$0.00
Wood Product Manufacturing	47	\$372.90
Paper Manufacturing	n	n
Printing and Related Support Activities	22	\$757.76
Petroleum and Coal Products Manufacturing	n	n
Chemical Manufacturing	0	\$0.00
Plastics and Rubber Products Manufacturing	n	n
Nonmetallic Mineral Product Manufacturing	54	\$890.64
Primary Metal Manufacturing	n	n
Fabricated Metal Product Manufacturing	809	\$872.44
Machinery Manufacturing	n	n
Computer and Electronic Product Manufacturing	479	\$1,251.31
Electrical Equipment/Appliances Manufacturing	63	\$1,749.04
Transportation Equipment Manufacturing	75	\$981.03
Furniture and Related Product Manufacturing	n	n
Miscellaneous Manufacturing	158	\$832.12

Source: NH Employment Security

Note: any sub-sector with "n" jobs listed did not meet federal disclosure standards, meaning there were fewer than three firms reporting jobs in that subsector or a single establishment in that sub-sector accounted for 80% or more of employment in that subsector. In such cases, NH Employment Security does not release data on specific sub-sectors.

The other top challenge articulated by both large and small manufacturers is that our region does not possess enough semi-skilled workers to fill production positions at local plants. Modern manufacturers need workers with basic math skills, a good work ethic, and the "soft skills" required to be successful (e.g., knowing that you have to show up on time, how to dress appropriately for the workplace, etc.). Most of our manufacturers struggle to find such individuals locally and these are not the types of high-wage jobs that attract people from outside the region. This dynamic creates an environment in which our manufacturers compete fiercely with one another for quality employees.

Many of our small manufacturers are not able to offer competitive benefits relative to other employment sectors due to the sky-rocketing cost of health insurance, which puts them at a distinct disadvantage in the scramble for semi-skilled workers. One interviewee stated that many job applicants now care more about the health insurance package than the wage being offered and that good candidates had turned down job offers for this reason.

Ironically, this challenge is exacerbated by a recent increase in manufacturing activity. The recession weakened the U.S. dollar and this has changed the perspective of many large corporations who had previously outsourced manufacturing of components to other countries. The savings due to

outsourcing are no longer significant enough to justify the extra quality control efforts required when dealing with foreign manufacturers. As a result, many companies are switching back to U.S. based manufacturers to produce components. Some of the small manufacturers interviewed for this report are struggling to meet contract obligations because they cannot find enough qualified job applicants to produce the quantities demanded.

Economic Development Implications

While globalization will continue to change the face of domestic manufacturing, it is clear that manufacturing represents a critical segment of the Belknap County economy and there are concrete things that we as a community can do to support the viability of this sector in the long-run.



1. Invest in Development of the Creative Economy
Economists and economic development practitioners across the U.S. are coming to understand the importance of the creative sector as a key economic driver. In today's economy, talented workers are highly mobile and in search of communities that can satisfy their practical needs, as well as their desire for creative outlets and experiences. Community investments in the arts and in the development of cultural facilities are investments in the future health of our local economy and should be discussed in this context.

2. Invest in Training in Advanced Manufacturing
We have a tremendous workforce development asset in Lakes Region Community College. The College, as part of a statewide consortium, recently submitted a grant application for \$20 million in federal funding for New Hampshire to increase and enhance training in advanced manufacturing at the community college level. If successful, the grant would provide funding to Lakes Region Community College to establish two new advanced manufacturing degree programs as well as a workforce readiness credential. While the outcome of this grant will not be known until this fall, finding a way to support this type of training will be critical to ensure that our manufacturers, both large and small, have access to a well-trained labor pool.

3. Invest in School-to-Work Programming
The most common complaints heard from manufacturers are that the young people they interview and hire are typically not prepared for the workforce and that fewer and fewer young people are entering the field of manufacturing. A project called the 200 x 2020 initiative recently launched by the Lakes Region Chamber of Commerce, Lakes Region United Way, Belknap County Economic Development Council, Huot Technical Center, Lakes Region Community College, NH Works and the Laconia Shared Youth Vision Team seeks to address these issues by establishing a regional school-to-work program that coordinates internships for high school students. The goal is to create meaningful opportunities for students to experience the work world to inspire them to pursue a course of study that will prepare them for life after graduation, whether they are headed to work or to college. This program will require ongoing community support in order to be successful.



Lakes Region Business Resource Fair!

BCEDC and the Lakes Region Chamber of Commerce are pleased to announce the first annual Lakes Region Business Resource Fair on Wednesday, September 28th from 7:30 to noon at The Margate, 76 Lake Street (US Rt. 3), Laconia, NH. The program offers informative workshops and networking opportunities that will provide local entrepreneurs and businesses with tools to help them succeed. Visit <http://lakesregionchamber.org> to register.

Workshop sessions include:

- “Ideas to Income: Realizing the Entrepreneurial Dream”
- “Commercial Credit: Getting the Financing You Need to Grow”
- “Marketing & Promotion: New Strategies and Tactics”

Invited guests and speakers include: NH Community Loan Fund, NH Community Development Finance Authority, NH Business Finance Authority, US Small Business Administration, US Department of Agriculture – Rural Development, SCORE Lakes Region, Small Business Development Center, several local banks and other regional service providers.

The Fair will end with a 75-minute networking session where participants can seek information and advice from invited guests and speakers and sign up for free 15-minute consultations with lawyers, accountants and IT service providers.





BELKNAP COUNTY

ECONOMIC DEVELOPMENT COUNCIL

One Mill Plaza | Laconia, NH 03246 | www.bcedc.org

Together we make a difference

Leadership Lakes Region Appoints McLean

The Leadership Lakes Region Board of Directors is pleased to announce that Jennifer McLean has accepted the position of Program Coordinator. McLean and her family reside in Gilford, where she volunteers with the school system and is a substitute teacher. Her past experience includes serving as interim grants officer of the New Hampshire State Council on the Arts and she was the events coordinator for the Governor’s Arts Awards. She succeeds Marian Gill, who resigned in May after four years of service. McLean will assume her new responsibilities on September 1.



Accepting Applications

Modeled after the Leadership NH Program, Leadership Lakes Region is designed to educate and inform area individuals about numerous issues at work in the Lakes Region and to foster a climate of greater volunteerism among its graduates. The program begins in October and consists of

seminar days covering the history/culture, health, social issues, politics, economic issues and educational opportunities in the Lakes Region and concludes with an informational day on Lake Winnepesaukee. To learn more about the program, contact Leadership Lakes Region at One Mill Plaza, Laconia, NH 03246 by calling 524-6791 or by visiting the website:

www.leadershiplakesregion.org



Lakes Region

One Mill Plaza
Laconia, NH 03246
603-524-0137

UPCOMING WORKSHOPS:

September 21

Introduction to On-Line Marketing
5:00 – 8:00 p.m.
Pease Public Library, Plymouth

October 5

Introduction to Quickbooks for Small Businesses
5:00 – 8:00 p.m.
One Mill Plaza, Laconia

November 2

How Do I Position My Retail Business for Success
5:00 – 8:00 p.m.
One Mill Plaza, Laconia

December 7

Social Media and Your Business
5:00 – 8:00 p.m.
One Mill Plaza, Laconia

January 11

Develop a Tax Strategy for Your Small Business
5:00 – 8:00 p.m.
One Mill Plaza, Laconia

Register at <http://lakesregion.score.org>

Workshop schedules are subject to change. Please check website for updates.