

The Impact Closure of the Portsmouth Naval Shipyard Would Have on the Maine Portion of the Local Labor Market

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Portsmouth Naval Shipyard in Kittery, Maine is among the largest, highest paying employers in Maine and New Hampshire. Closure would have a major impact on the immediate region in which it is located, as well as the Maine economy overall.

The Local Population and Labor Force

Maine towns centered within 20 miles of Kittery reported 56,300 residents in the 2000 Census. The 2004 average civilian labor force totaled 35,000 workers with an average number of unemployed workers of 1,200. The direct loss of 2,771 jobs by Maine residents would increase the number of unemployed in the region three-fold and cause the unemployment rate to spike from 3.5 to 8.1 percent.

When we examine direct employment impacts for Maine towns centered within 30 miles of Kittery, the number of unemployed would increase two-fold and the unemployment rate would spike from 3.9 to 7.7 percent. These numbers do not include the obvious secondary job losses that would occur as the displaced workers reduced their spending on goods and services in the local economy.

Regional Employment and Wages of PNSY Workers

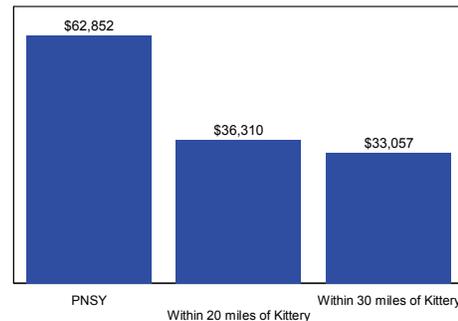
Figures for 2004 from the Seacoast Shipyard Association indicate that the civilian workforce of 4,803 was paid a total of \$318.3 million in wages, with an average wage of \$62,852. Maine residents accounted for 58 percent of the jobs and 59 percent of payroll.

The military payroll was an additional \$29.3 million.

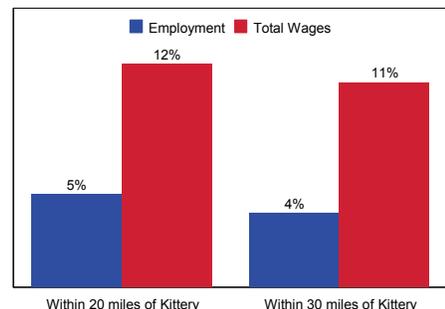
High levels of pay have attracted workers from throughout Maine to work at the yard. However, 55 percent of the workers who reside in Maine live in towns centered within 20 miles and 79 percent live in towns centered within 30 miles of Kittery (see map A). Among those two commuting regions, the Maine resident PNSY workers earned \$105.2 million and \$148.1 million in wages in 2004.

PNSY workers accounted for five percent of all

Average wages at the Portsmouth Naval Shipyard are nearly double those found among Maine employers in the region



The estimated share of employment and wages of Portsmouth Naval Shipyard workers in the residing in the primary Maine commuting region is quite high



employed Maine residents living in towns centered within 20 miles of Kittery in 2004, and four percent of employed residents in towns within 30 miles of Kittery (see map B).

With pay levels nearly twice the average of the region, we estimate that PNSY workers accounted for 12 percent of total wages paid in the 20 mile region and 11 percent of wages paid in the 30 mile region.

Industry Structure of Employment and the Regional Job Outlook

Many of the PNSY workers have accumulated high-value, advanced skills in trades such as pipefitting, welding, and marine electronics. The knowledge, skills, and experience of those workers are not directly transferable to most industries in the region. As the attached table indicates, the share of jobs in the manufacturing sector is relatively low, and PNSY workers account for more than half of the manufacturing employment in the region.

The Maine Department of Labor's employment projections to 2012 for southern Maine indicate that jobs in most manufacturing industries are likely to continue the long-term pattern of decline. Based upon past experience with base closings, plant closings, and major workforce reductions, it is likely that most of the displaced workers will experience a substantial drop in earnings upon re-employment and that some will choose to move to another region in order to find suitable employment.

Compounding the situation is the age and educational profile of the PNSY workers, most of whom are men, suggesting they will face formidable re-employment challenges. Data from the yard indicates that 43 percent of the workers are age 50 or over and 77 percent are age 40 or over. The highest level of educational attainment of nearly two-thirds of them (63 percent) is high school, and 78 percent have achieved less than a bachelor's degree. Facing a weak job market demanding entirely different skill sets, the path to re-employment will be long and costly.