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# CHAPTER 4

## ECONOMIC CONDITIONS

### 1. Introduction

Economic growth in a community typically occurs as a result of external forces, such as expansion of the regional, state or national economy, that are usually beyond the control of the community. By contrast, economic development (the creation of new jobs, the attraction of private investment and the expansion of existing businesses) is something that a community can directly influence. In order to encourage and direct economic development, community officials and residents must have a clear understanding of state, regional and local economic trends and conditions.

The first part of this chapter focuses on historical employment and business trends during the 1990s in Conway and compares them to both Carroll County and New Hampshire. The next section provides an analysis of employment and business patterns within Conway. In addition to providing information on trends and changes in total employment and business establishments, within major industrial sectors, a summary of Conway's commercial and industrial land uses and commuting patterns (employment) is presented.

In order to obtain data and information for this chapter, three principle methods were used. The first consisted of labor and employment data provided by the New Hampshire Department of Employment Security and the U.S. Census. The second involved an analysis of property assessment records provided by the Town of Conway. The municipal assessment records were used to generate a summary of commercial and industrial land and buildings throughout the town. The third involved the use of existing literature that provided insights into the economy of the state, as well as the Mount Washington Valley.

### 2. Summary of Findings and Conclusions

The following points summarize key economic findings and conclusions identified within this chapter. Additionally, various implications associated with Conway's economic trends are briefly discussed.

In terms of the state and regional economy, New Hampshire and the Mount Washington Valley/Carroll County region have experienced strong economic activity throughout the 1990s, with most of the economic growth occurring during the later half of the decade. Indicators of economy change include:

- According to the U.S. Department of Commerce, between 1990 and 2000, the United States' Gross Domestic Product increased by 41.7%. The New Hampshire economy outperformed both the New England and United States' economy with an increase in Gross State Product of over 70% during the same time period.
- A recent report prepared for the Mount Washington Valley Chamber of Commerce indicated that the Mount Washington Valley/Carroll County region has the highest percentage of entrepreneurs (and

fastest growing) of any county in New Hampshire.

- Between 1991 and 2000, eight out of every ten employment positions created throughout New Hampshire were either service or trade related.

As the state and regional economy has experienced solid growth throughout the 1990s, so to has the local economy in Conway. As a tourist and retail destination, Conway's employment and business establishment base is concentrated within the service and trade sectors. Other economic findings include:

- Between 1990 and 2000, Conway's unemployment rate has declined by 3.6% - a decline that outperformed both the state (2.9%) and the county (2.2%) over the same time period.
- Total employment in Conway has increased from 4,421 jobs in 1990 to 5,072 jobs in 2000, representing an increase of over 650 jobs (15%).
- Collectively, about 92% of the jobs in Conway are either services or trade related – approximately 13% more than the county average and 28% higher than the state average.
- Between 1991 and 2000, Conway experienced business establishment growth in all industrial sectors.
- With the exception of the Conway School District all of Conway's largest employers are within the service or trade sectors.
- Approximately half of Conway's jobs in 1990 were filled by workers who commute in from outlying communities. Although the majority of the workers commuting to work in Conway live within Carroll County, about 35% of the workforce commutes in from outside of the region, with most coming from Fryeburg, Brownfield and other Maine communities.

Based on the economic findings and conclusions presented throughout this chapter, implications about how Conway may change in the future include:

- The growth and reliance of Conway's economy on the service and trade sector creates a situation where it may be beneficial for the town to investigate economic development incentives which encourage business diversification of the local employment and business establishment base. Without economic diversification across a range of sectors, the town may be susceptible to larger than average job losses and business closings during economic downturns.

### **3. Key Employment and Business Trends**

Throughout the mid to late 1990s, New Hampshire has experienced unprecedented economic growth which has been evident across a wide range of economic indices including employment, per capita income, population and unemployment. New Hampshire has benefited from a diversified business establishment base that outperformed both the New England region and the country across many major economic indicators. For example, growth in gross state or domestic product is widely considered to be one of the leading benchmarks in which to evaluate an economy. According to the U.S. Department of Commerce, between 1990 and 2000 New Hampshire's gross state product increased by almost 71%. New Hampshire's growth in gross state product outperformed both New England and the nation by over 30% and 29% respectively over the same time period.

Most of New Hampshire's economic activity is focused within the southern portions of the state which is

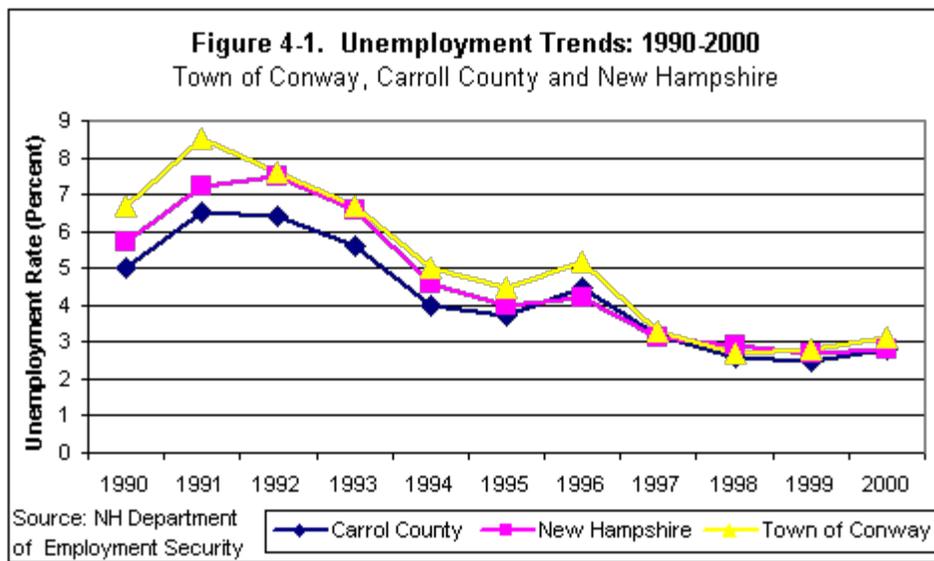
primarily the result of the close proximity of this portion of the state to the large metropolitan market of the greater Boston region. However, the state's more northerly regions, including the Mount Washington Valley for example, have contributed to the state's vibrant economy. According to a recently released report by the Mount Washington Valley Chamber of Commerce entitled *A View of the Mt. Washington Valley's Regional Contribution to the Growing New Hampshire Economy*<sup>[1]</sup>, the region makes an important economic contribution to the state. These economic contributions include:

- More net in-migration from other states and regions than any other county except Rockingham and Merrimack;
- The highest percentage of entrepreneurs (and growing faster) of any county in New Hampshire;
- Employment and business establishment growth above the New Hampshire average;
- Educational test scores and college enrollment rates that are higher than all but two counties; and
- A private sector employment and establishment base that results in the creation or support of another 16,690 full and part-time jobs outside the region and \$489 million in labor income in other areas of New Hampshire.

As any local economy is dependent upon the greater regional, state and, to a certain degree, the national economy, the following section examines unemployment, employment and business establishment trends relative to the state and Carroll County throughout the 1990s. That being said, it is intended that framing the Conway economy within the context of the regional and state economy would be most beneficial for comparative purposes.

#### A. Unemployment Trends

As New Hampshire moved from the economic recession of the early 1990s and into a strong period of economic expansion throughout the later part of the decade, the state's unemployment rate declined rapidly. Since 1993, New Hampshire's unemployment rate has dropped by 3.8 percentage points from 5.5% to its current (2000) average of 2.8%. The state outperformed the nation in declining unemployment by 2.9 percentage points with the 2000 national unemployment rate at 4%. In terms of local unemployment trends, as of 2000, Conway had an unemployment rate of 3.1% which is slightly higher than the rates for both Carroll County (2.8%) and the state (2.8%). As presented in Figure 4-1, throughout the 1990s Conway's unemployment rate modeled the same declining trend as both Carroll County and the state. Between 1990 and 2000, Conway experienced unemployment rates which are on average between one half and one full percentage point higher than both the state and the county. However, between 1990 and 2000, Conway's unemployment rate has declined by 3.6% - a decline that outperformed both the state (2.9%) and the county (2.2%) over the same time period.



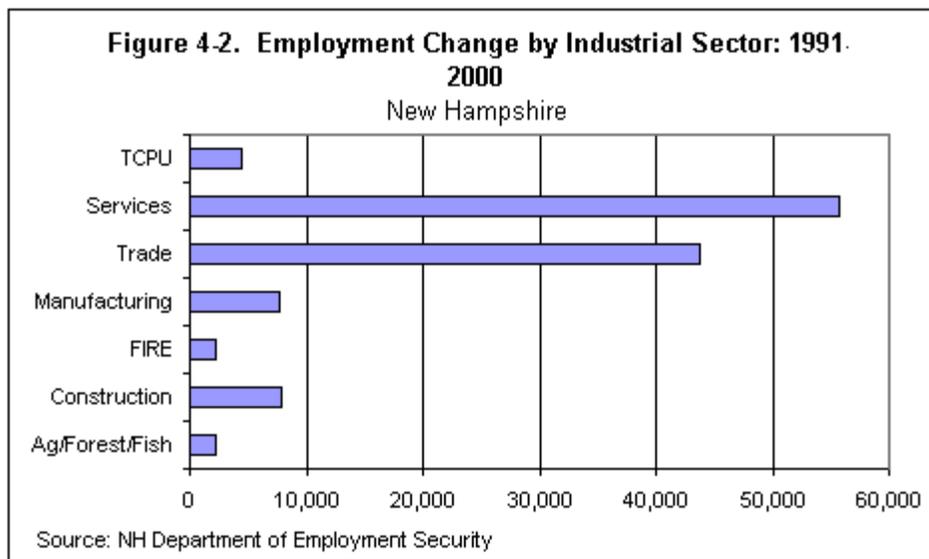
### and Business Patterns

### B. Regional Changes in Employment

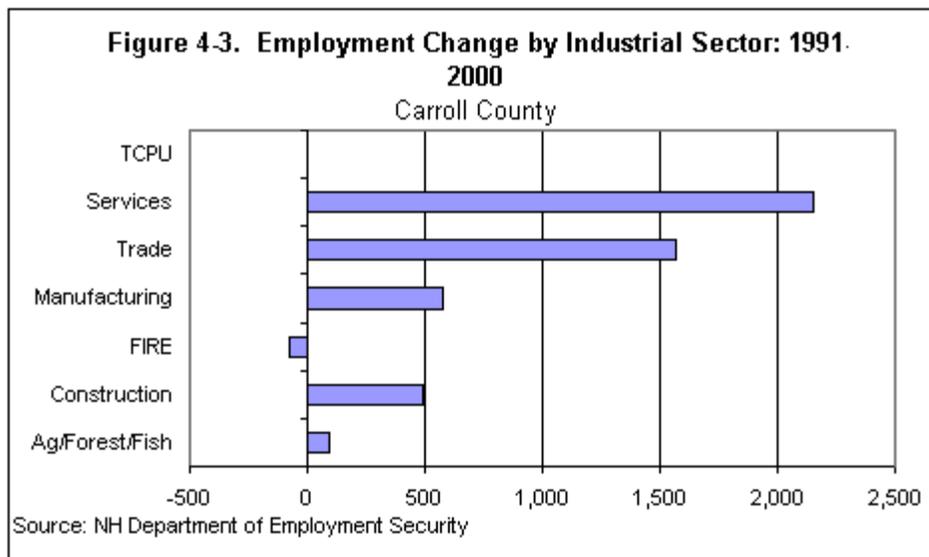
As indicated by data provided by New Hampshire's Department of Employment Security, between 1990 and 2000, total employment in New Hampshire increased from 592,000 to 666,000 jobs – representing an increase of approximately 74,000 jobs (12.5%). On a countywide basis, Carroll County's 2000 employment base of 21,276 jobs represents an increase of approximately 2,700 jobs (14.5%) since 1990. Approximately 3% of New Hampshire's employment base is located in Carroll County.

As job growth in New Hampshire experienced significant gains throughout the 1990s, so to did the number of business establishments. The number of new businesses in New Hampshire increased by more than 9,600 from 1991 (30,353 businesses) to 2000 (40,005 businesses) – representing an increase of 32%. Carroll County experienced solid business establishment growth over the same time period increasing from approximately 1,332 businesses to 1,678 representing an increase of 356 businesses (27%). At approximately 1,700 businesses, Carroll County contains about 4% of the statewide business establishment base.

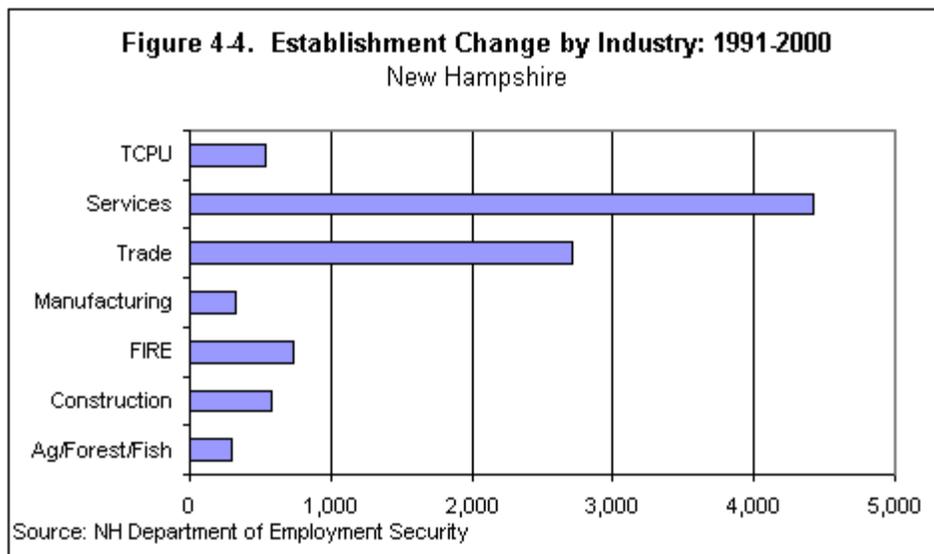
Although examining total job and establishment growth provides a good indication for economic direction, an analysis of the types of jobs and establishments created provides a clearer economic picture. Similar to many states, most of New Hampshire's jobs are concentrated within the trade and services sectors. As of 2000, approximately 64% of New Hampshire's jobs were either service or trade related – representing an increase of 5% since 1991. As indicated in Figure 4-2, between 1991 and 2000, approximately 100,000 trade and service jobs were created in New Hampshire representing 80% of the total employment positions created. Employment growth was also strong within the construction (7,800 jobs) and manufacturing (7,700) sectors over the same time period.



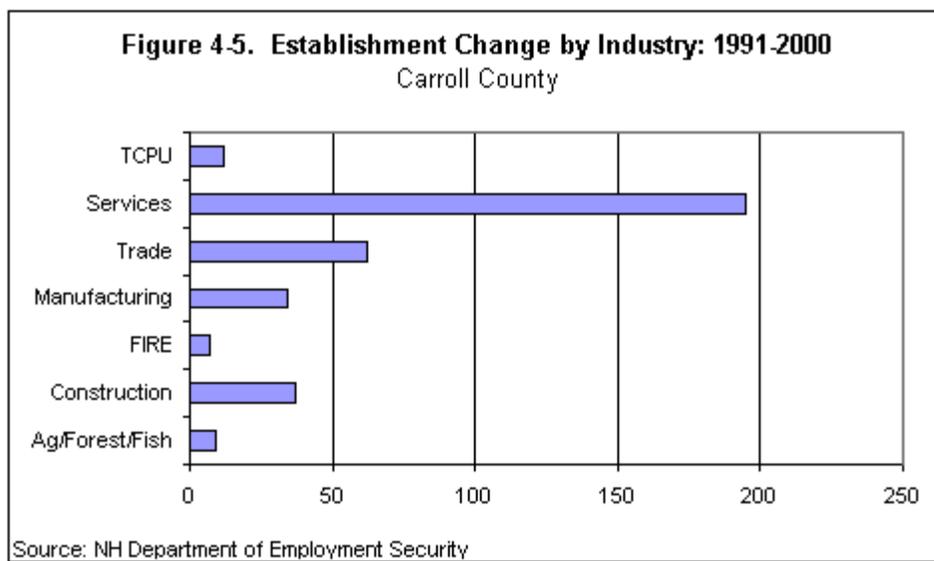
Similar to the growth within the service and trade sectors throughout the state, between 1991 and 2000, 77% of the jobs created in Carroll County fell within these industrial sectors. Significant employment gains were also experienced within the manufacturing (574 jobs) and the construction (494 jobs) sectors. While most sectors experienced job growth, employment within the transportation, communications and public utilities (TCPU) sector remained flat while the number of financial, insurance and real estate (FIRE) jobs decreased by 77. Interestingly, almost 80% of Carroll County's employment base is within the service and trade sectors – 16% more than the statewide average. The large percentage of jobs within the service and trade sectors is likely attributed to Carroll County being a primary destination for tourists. Figure 4-3 shows employment growth in Carroll County by industrial sector between 1991 and 2000.



A change in the number of new businesses in New Hampshire primarily reflects growth in statewide employment (see Figure 4-4). Similar to statewide employment growth, three of every four businesses that were created between 1991 and 2000 were service or trade establishments. In terms of business distribution, currently 70% of business establishments statewide are service or trade related – representing an increase of 1% since 1991. Besides the growth in service and trade establishments, New Hampshire's FIRE and construction sectors also experienced significant growth increasing by 730 (33%) and 576 (18%) business establishments respectively over the same time period.

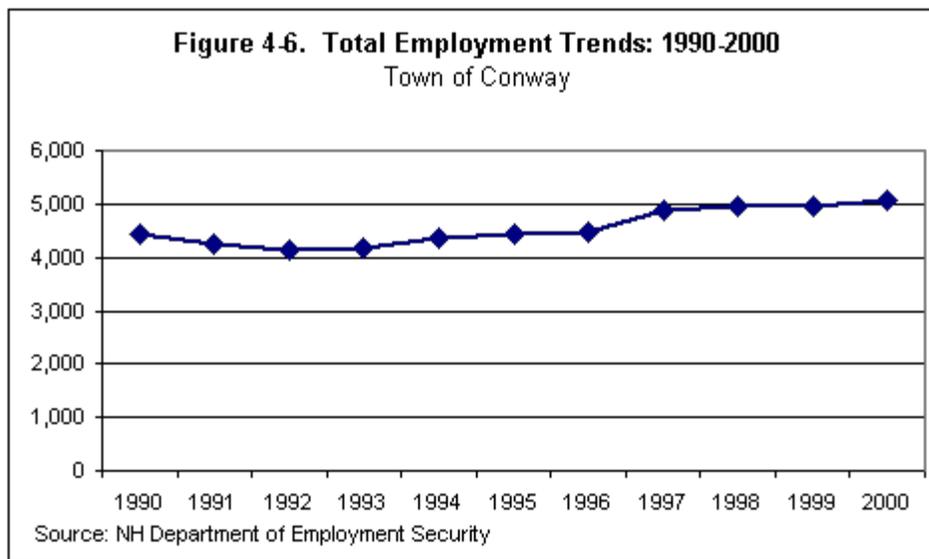


Of the 356 businesses created in Carroll County between 1991 and 2000, almost 55% (195) were service industry establishments. Other sectors that experienced significant growth include the trade (62 businesses or 12%), construction (37 businesses or 22%) and manufacturing (34 businesses or 53%) sectors. Interestingly, although employment within the TCPU sector was flat and the FIRE sector lost jobs between 1991 and 2000, the number of businesses within these two sectors increased by 12 and 7 establishments respectively. This finding would potentially indicate that both of these sectors are experiencing growth in very small or “start-up” businesses. Figure 4-5 presents the growth in businesses by industrial sector for Carroll County between 1991 and 2000.

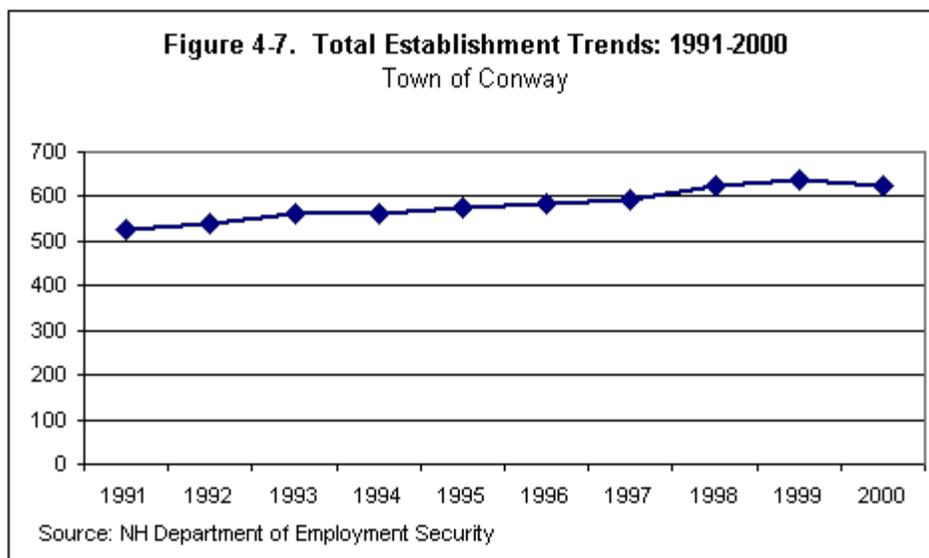


### C. Changes in Employment and Business Establishments in Conway

As noted earlier, employment in Carroll County increased significantly during the 1990s. Conway has also benefited from these changes. Total employment in Conway has increased from 4,421 jobs in 1990 to 5,072 jobs in 2000, representing an increase of over 650 jobs (15%). As indicated in Figure 4-6, most of these employment gains occurred during the mid 1990s.



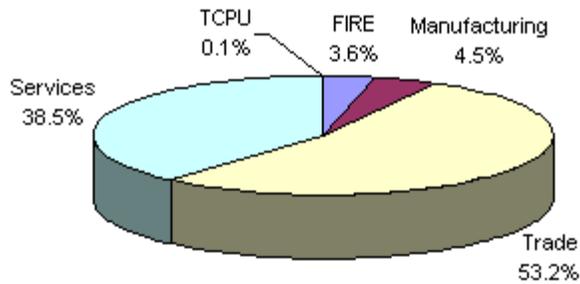
The growth in business establishments in Conway also reflected the significant business growth found throughout Carroll County. The total number of establishments in Conway increased from 493 in 1991 to 602 in 2000, representing an increase of 22% or 4% below the county establishment growth rate. As noted in Figure 4-7, most of the growth in business establishments came with the upsurge in economic growth during the late 1990s. Furthermore, as the national and statewide economy started to show signs of contraction in 2000, the number of businesses in Conway declined by twelve establishments during that year – the first period of negative establishment growth between 1991 and 2000.



As illustrated in Figure 4-8, over half of the jobs in Conway are within the trade sector, with almost 40% of the remainder being within the services sector. Collectively, about 92% of the jobs (over 6,200 jobs)<sup>[2]</sup> in Conway are either service or trade related – approximately 13% more than the county average and 28% more than the state average. The manufacturing and FIRE sectors comprise a small portion of Conway's employment base with 309 (4.5%) and 247 (3.6%) jobs respectively.

**Figure 4-8. Distribution of Private Employment: 2000**

Town of Conway

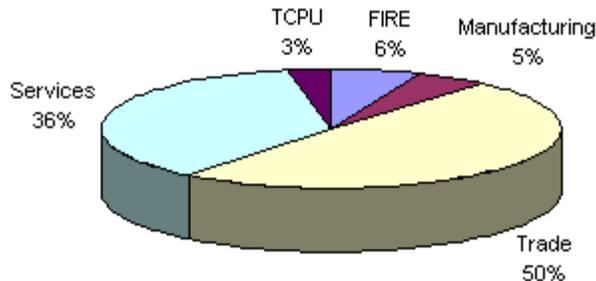


Source: NH Department of Employment Security

Compared to the distribution of employment in Conway, the types of businesses located in Conway are slightly more diverse. As indicated in Figure 4-9, trade (296) and service (219) businesses account for nearly 86% of the town's establishment base, followed by FIRE (39 or 4% of the total) and manufacturing (30 or 5% of the total) establishments.

**Figure 4-9. Distribution of Business Establishments: 2000**

Town of Conway



Source: NH Department of Employment Security

As illustrated in Table 4-1, it is not surprising that with over 80% of the town's establishment base is concentrated within the trade and service sector, and most of the largest employers are all within these sectors. The only exception to this finding is the inclusion of the Chuck Roast (clothing manufacturer) that is within the manufacturing sector.

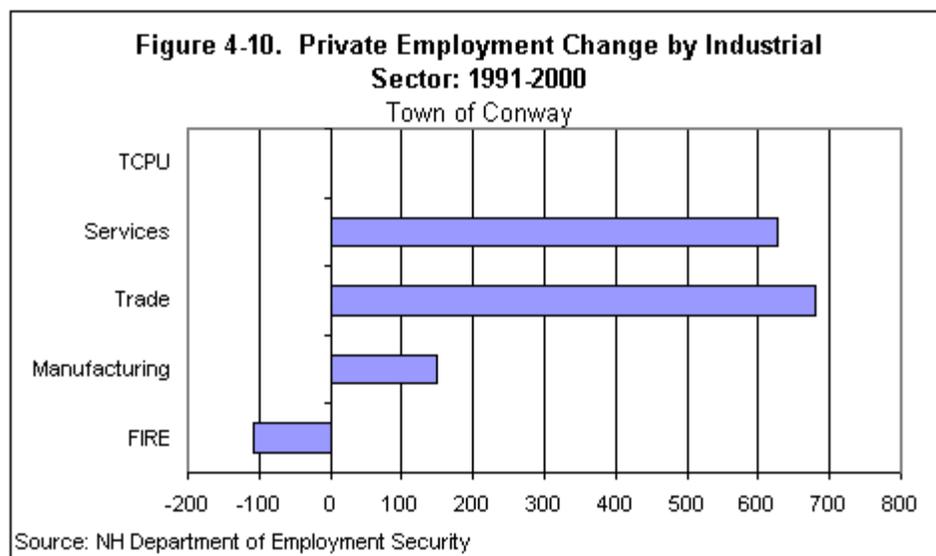
**Table 4-1. Largest Employers (2000/2002)**

Town of Conway

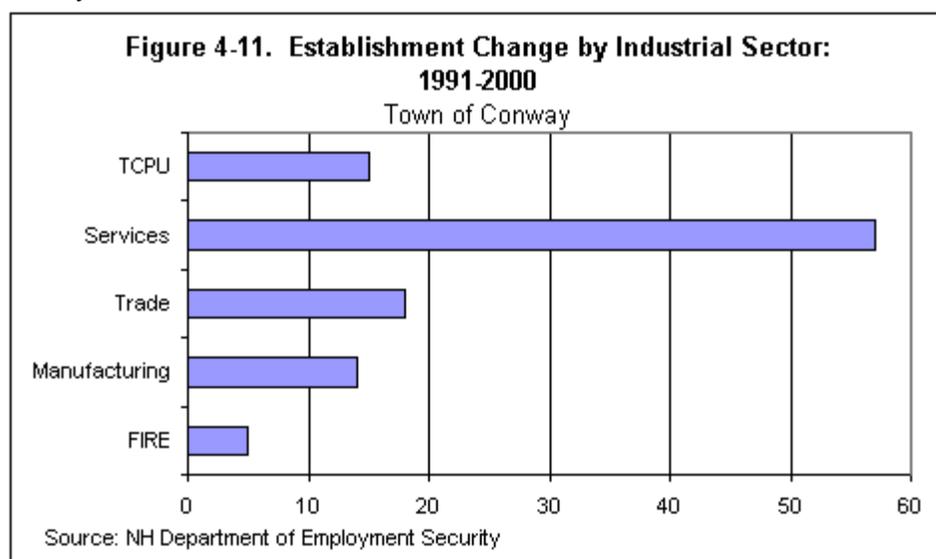
| Employer Name            | Product/Service | # Employees |
|--------------------------|-----------------|-------------|
| Memorial Hospital        | Healthcare      | 350         |
| Conway School District   | Education       | 274         |
| Hannaford                | Supermarket     | 175         |
| Red Jacket Inn           | Hotel           | 156         |
| Wal-Mart                 | Retail          | 140-170     |
| Sheraton/Four Seasons    | Hotel           | 138         |
| North Conway Grand Hotel | Hotel           | 80-100      |

Source: Mount Washington Valley Economic Council

An examination of changes in Conway's employment patterns between 1991 and 2000 indicates that employment in trade and services experienced the most gains with the addition of 680 (23%) and 628 (32%) jobs respectively. The only other industrial sector to add jobs was the manufacturing sector which added 149 jobs representing an increase of 93%. As shown in Figure 4-10, Conway emulated the employment pattern exhibited by the county by losing FIRE jobs and zero TCPU job growth.



A slightly different pattern was exhibited in the number of new businesses created, as all sectors experienced positive business growth between 1991 and 2000. Specifically, services and trade led in business growth with 57 (35%) and 18 (7%) new establishments. TCPU and manufacturing businesses experienced strong growth with the addition of 15 and 14 new establishments over the same time period. Although TCPU exhibited strong establishment growth between 1991 and 2000, the lack of any TCPU job growth indicates that these new businesses are highly automated or small operations. Figure 4-11 indicates the growth in business establishments in Conway between 1991 and 2000.



#### D. Location, Acreage and Building Size in Conway

The town of Conway contains approximately 42,780 acres of land of which about 2,180 (5%) are used for commercial activities and 1,367 (3%) are used for industrial purposes. Combined, commercial and industrial land accounts for over 3,500 acres of land (8.3%) in Conway. Most of Conway's commercial and industrial areas are concentrated along major roadways. For example, commercial areas are primarily along Route 16 in Conway Village and North Conway and along Route 302 in Redstone. Industrial activity is concentrated in two areas – along East Conway Road and along Hobbs Street in Conway Village. All land uses in Conway are categorized by property use codes in Conway's Property Assessment database. For example, a selection of commercial and industrial uses include:

##### *Commercial*

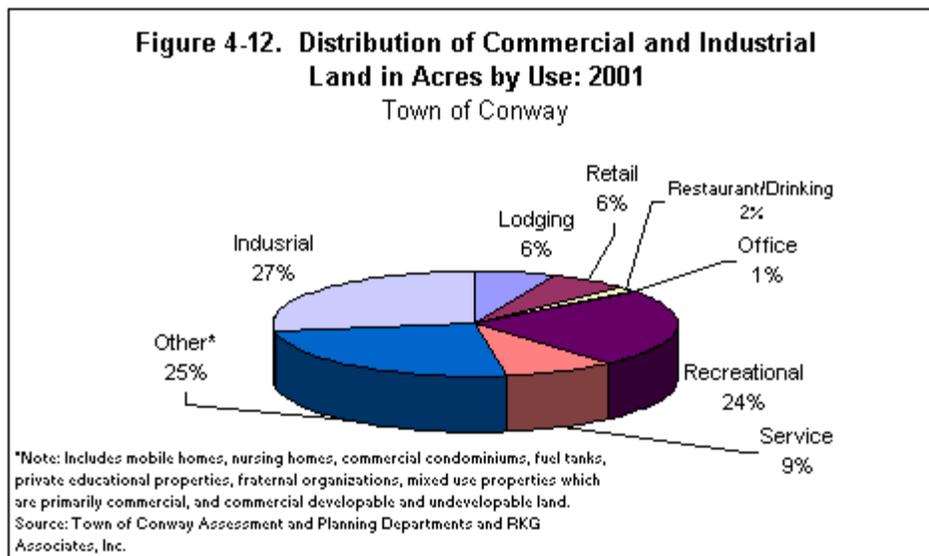
- Hotels/Motels/Inns/Resorts
- Nursing Homes
- Commercial Hospitals
- Commercial Greenhouses
- Retail Stores
- Shopping Malls
- Restaurants/Drinking Establishments
- Auto Sales/Service/Supplies/Repair
- General Office Buildings
- Banks
- Daycare Facilities
- Fraternal Organizations
- Funeral Homes
- Theatres
- Bowling Lanes
- Storage Facilities
- Mixed Use (Primarily Commercial)

##### *Industrial*

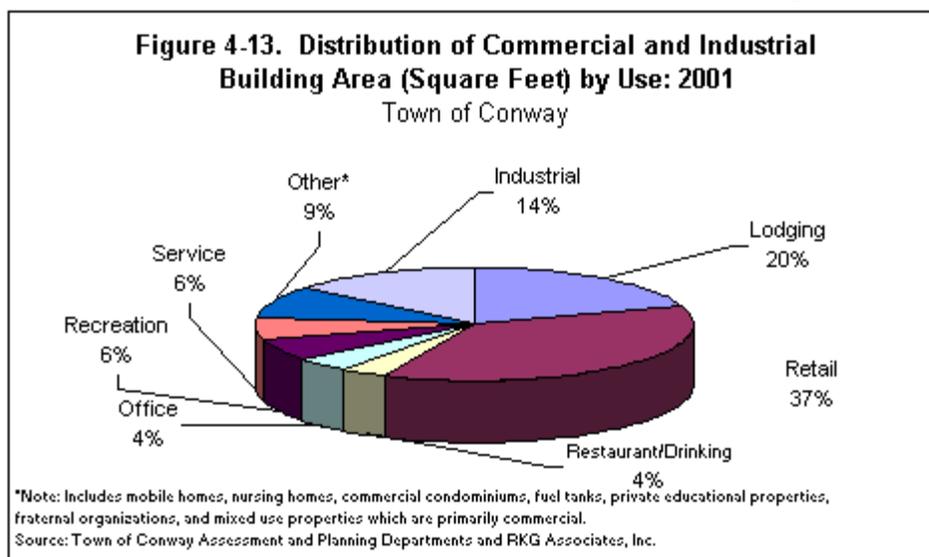
- Manufacturing Building
- Warehouses
- Sand and Gravel Operations
- Electric Substations
- Gas Storage
- Telephone Exchange Stations
- Cable Television/Radio Transmitters

It is interesting to note the differences in the distribution of commercial and industrial land and building area by use in Conway. As shown in Figure 4-12, retail and lodging uses each account for 6% of the total commercial and industrial land area in Conway. The proportion of land used for these respective uses is relatively small compared industrial (27%) and private recreational uses such as Cranmore ski area, etc

(24%).



Although lodging and retail each account for 6% of the total commercial and industrial land in Conway, lodging accounts for 20% and retail accounts for 37% of the commercial and industrial building area (in square feet) in Conway. The difference lies in building density with lodging, retail and office uses having the highest building density compared to the other respective commercial and industrial uses. Figure 4-13 shows the distribution of commercial and industrial building area (square feet) by use in 2001 for Conway.



#### 4. Commuting Patterns

Understanding where people live and work is a key factor in evaluating patterns of economic development. Although only 1990 census data was available during the preparation of this master plan to describe employment commuting patterns in Conway, it is assumed that commuting patterns have not changed drastically between the 1990 and 2000 U.S. Census. It is intended that 1990 commuting data should provide a basis for comparing where people who work in Conway live, as well as key employment locations for Conway residents.

As described in Table 4-2, of the roughly 6,200 employment positions in Conway, approximately half of the workers who fill those jobs commute in from outlying communities. The percentage of workers commuting in

from other communities represents an increase of about 7% since 1980. Although the majority of the workers commuting to work in Conway reside within Carroll County, about 35% of the workforce commutes in from outside of the region with most coming from Fryeburg, Brownfield and other Maine communities.

| Place of Residence               | #     | %     |
|----------------------------------|-------|-------|
| Within NH                        |       |       |
| Bartlett                         | 508   | 16.6% |
| Madison                          | 399   | 13.0% |
| Tamworth                         | 208   | 6.8%  |
| Albany                           | 143   | 4.7%  |
| Freedom                          | 125   | 4.1%  |
| Jackson                          | 112   | 3.7%  |
| Ossipee                          | 96    | 3.1%  |
| Eaton                            | 75    | 2.4%  |
| Fryeburg, ME                     | 438   | 14.3% |
| Outside of NH                    |       |       |
| Brownfield, ME                   | 157   | 5.1%  |
| Other ME                         | 444   | 14.5% |
| Other States                     | 47    | 1.5%  |
| Total Non-Residents Commuting In | 3,068 |       |
| Total Conway Employment Base     | 6,211 |       |
| % of Non Residents Commuting In  | 49.4% |       |

Source: NH Department of Employment Security

In terms of resident employment commuting patterns, of the roughly 3,950 Conway residents who are employed, approximately 80% (3,140) work in Conway. This represents a decrease of approximately 4% since 1980. As indicated in Table 4-3, the remaining 20% generally commute to neighboring communities (Bartlett, Madison and Albany) within Carroll County for work. Approximately 21% of the Conway residents who work outside of Conway are employed outside of New Hampshire with roughly 17% being employed in Maine.

|  |       |       |
|--|-------|-------|
| Estimated Residents Working              | 3,948 |       |
| Conway Workers Commuting to Another Town | 805   |       |
| Commuting Rate                           | 20.4% |       |
| Work Destination                         | #     | %     |
| Within NH                                |       |       |
| Bartlett                                 | 235   | 29.2% |
| Madison                                  | 68    | 8.4%  |
| Albany                                   | 57    | 7.1%  |
| Tamworth                                 | 39    | 4.8%  |
| Ossipee                                  | 35    | 4.3%  |
| Jackson                                  | 32    | 4.0%  |
| Concord                                  | 26    | 3.2%  |
| Eaton                                    | 18    | 2.2%  |
| Outside of NH                            |       |       |
| Fryeburg, ME                             | 71    | 8.8%  |
| Paris, ME                                | 10    | 1.2%  |
| Other ME                                 | 52    | 6.5%  |
| Other States                             | 38    | 4.7%  |

Source: NH Department of Employment Security

Although the commuting pattern data is over ten years old, the information does reveal some trends that are probably still relevant today. For example, as Conway is the regional economic hub of the Mount

Washington Valley, workers who reside outside of Conway fill approximately half of the jobs in the town. With the continued upward price pressure and low supply of affordable housing within the Conway real estate market, it could be anticipated that workers who live outside of Conway could fill a higher percentage of Conway's employment positions in the future. These types of trends will be better understood after the release of the Census 2000 commuting data for Conway.

## 5. Implications for the Future

During the past several decades, as obvious to most town residents, Conway's role within the state and regional economy has been one which has been based almost exclusively on tourism. Data and information presented within this chapter reinforces this notion and indicates that Conway's economy may have become even more reliant on tourism over the past decade. To this end, most of Conway's employment and establishment growth has been within the services and trade sectors.

New Hampshire experienced a very strong economy throughout the 1990s (mostly between 1995 and 2000) primarily because of a transition from an economy which was based on resource extraction and manufacturing, to one which is diversified across many industrial sectors. The diversification of New Hampshire's economy has helped the state "weather the storm" during economic downturns which has crippled other states that are more reliant on a select few sectors. However, because Conway's economy is focused across a much more narrow group of sectors, it may be beneficial for the town to investigate economic development incentives that encourage some diversification of local employment and business establishments. A more diverse economy in Conway could alleviate some job losses and business closings during economic downturns. One area of focus may be to build upon the entrepreneurial spirit within the region with incentives to encourage the "incubation" of new small manufacturers and the growth of the existing cluster of small manufacturers and light industrial operations.

If diversification of the local economy is one area where the town identifies a need for attention, it may be beneficial to examine regional approaches to expanding the economic base.

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[1] Prepared for the Mount Washington Valley Chamber of Commerce by Brian Gottlob of Polecon Research.

[2] It should be noted that employment estimates at the major industrial level is provided on an "average employment" basis and therefore may differ slightly from the total employment estimate for a community.