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Where has Nashua's middle class gone?

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At age 53, Craig Phillips of Hudson was laid off from his job at a manufacturing plant.

By his early 30s, Ed Rogers of Milford was the chief operating officer of a high-tech company that grew 70 percent last year.

Both have the local economy to thank.

The decline in manufacturing jobs, coupled with the booming high-tech industry, is depleting New England's middle class. While people such as Rogers are catapulting ahead, those like Phillips are starting from scratch.

In few cities is that more evident than Nashua.

A recent study by the University of New Hampshire's Carsey Institute ranks Nashua among the top 20 metropolitan areas in the nation with the highest spike in income disparity from 1989-2004.

Of the 250 metropolitan areas in the United States, Nashua ranked No. 11. Six of the top 20 cities were in New England.

The pattern isn't unique to New England – it reflects a national shift from manufacturing to technology, or knowledge-based, businesses – but the

effects are more pronounced here, according to the study.

Here, high-tech companies are still thriving – the industry having survived the dotcom bust of 2001 – while manufacturing continues to fade.

High-tech employees are moving beyond the middle class, while manufacturing workers are losing well-paying jobs, mostly to offshoring.

"What's happened is that a lot of places that have had the greatest income disparity have booming high-tech industries," study co-author Ross Gittell said.

"In other words, technology-based economies have the most income disparity."

That's because the population is highly educated, the research and development base is strong and the cost of operating a business is high, which pushes low-skilled jobs elsewhere, the study reports.

Phillips, a Vietnam-era veteran, lost his manufacturing job in January 2006 after spending about 30 years working in the printed-circuit industry, holding positions as a technician and a production manager.

His company, M.E. Baker, moved its Cambridge, Mass., operations to Vermont. Phillips searched for a job in the same field, but turned to Nashua-based Southern New Hampshire Services for help after discovering circuit technicians were no longer in demand, he said.

The community action program's work-force department has partnered with the New Hampshire Workforce Opportunity Council to help job seekers gain skills and education they need to find employment.

Phillips found work this February after going back to school to train as a medical technician. He has interest in the field and believes it's stable, but he's making far less than he was at the manufacturing plant.

"You build up all these years of pay raise, and in my case, it was cut in half," Phillips said.

On the flip side of the coin is Rogers, now 41, the chief operating officer of a software company that has seen explosive growth over the last decade. Rogers and his brother, Chief Executive Officer Bill Rogers, started Ektron in 1998 with three employees working out of a basement.

Ektron produces software that allows companies to manage the content on their Web site – including interactive features such as blogs, forums and maps – with little or no help from technical staff.

Today, Ektron has 110 employees and satellite offices in Australia and the United Kingdom. The company just moved its headquarters to a sprawling office building on Northwest Boulevard in Nashua.

Ektron's high-profile clients include Wal-Mart, Pfizer and the Seattle Seahawks National Football League team.

Because of that success, Ektron is now able to provide its employees with opportunities to climb the high-tech-industry ranks, Rogers said.

The company is designed so that some departments are feeder mechanisms for others, Rogers said. An employee can begin in the support department, and after gaining the necessary technical skills, move up to engineering, he said.

Familiar story

In Nashua, news of a declining middle class isn't surprising.

"That is a trend that we are aware of," city economic development director Jay Minkarah said. "We have seen it happening."

In addition to a boom in technology jobs and the loss of manufacturing jobs, Nashua is also seeing increases in low-paying retail and service jobs and a boom in high-

paying health-care and engineering jobs, Minkarah said.

In fact, a report commissioned by the city in 2005 showed the city's middle class began to erode as early as the 1990s. Between 1990 and 2000, the number of middle-class households in Nashua dropped by about 1,700.

That's twice as fast as the state and about three times as fast as the U.S., according to the 2005 report "Beyond the Crossroads: Positioning Nashua to Compete in the Global Economy."

One of the report's prime authors, Stephen Michon, a senior associate at the economic development consulting company Mt. Auburn Associates, said Nashua's middle class also suffered during the 2001 recession.

When the dotcom bubble burst, Nashua was hit hard because of its heavy reliance on manufacturing, particularly high-tech manufacturing, Michon said. Companies downsized and plants closed, he said.

For example, Teradyne Connections Systems, a Nashua-based company that makes connectors and backplane systems for the high-tech industry, laid off thousands of manufacturing workers from 2001-05, moving production to lower-cost countries.

Michon, who lives in Nashua, said the economy has since adjusted and the city has regained a fair amount of high-tech manufacturing and technology jobs.

"The manufacturer that has stayed around and has been able to survive is the manufacturer that's high-skilled," Michon said. "And those jobs pay really well."

It's the lower-skilled middle-class jobs that left and haven't come back, he said.

Case in point: the 2005 closing of Nashua's Batesville Casket Co. plant. More than 200 workers, many of them immigrants, lost well-paying jobs when the company relocated its operations to Mississippi, where costs are lower.

Troubling trend

However, according to Fred Kocher, president of the New Hampshire High Technology Council, New England's stronghold in technology is threatened by competition from other markets and the exodus of young workers.

"We're not the only game in town anymore," Kocher said.

About 50 percent of New Hampshire's college-bound seniors are attending out-of-state schools and young, bright technology workers are leaving the state, particularly because of the high cost of living, Kocher said.

New Hampshire is in a better position than most, having had the biggest rebound in its tech sector of any New England state, but the state has to find a way to attract entry-level tech-industry workers and let college students know there are business opportunities in New Hampshire, Kocher said.

Rogers said the high-tech industry isn't immune to offshoring – the phenomenon that led to the demise of local manufacturing plants.

Rogers said he gets two or three calls a week from someone offering to offshore his company's engineering to India.

"Ten years ago, if you were a software engineer, you had a secure job," Rogers said.

The good news is New England's economy is still strong.

"There's a lot of good economic opportunity," Gittell said. "The trouble is the disconnect between certain sections of the population."

Possible solutions for restoring the middle class include training and education for low-skilled workers and providing broad support such as health care and quality day care for working people, Gittell said.

Michon said New Hampshire needs to rethink its economic structure. The state needs to build local incentive to balance the desire for immediate property tax revenue from retail development with the more arduous task of attracting and retaining middle- and high-wage industries, he said.

The state also needs to promote wealth building among low-income families, focusing on home ownership or building bank accounts to boost them into the middle class, Michon said.

"That's traditionally been the way people have moved themselves up," he said.

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