

yard. To soften the blow, the Defense Department provided a 10-year phaseout period.

Because of the demands of the Navy yard, the workers in the area are more educated and more skilled than the average for New Hampshire or Maine. The average educational level of the area's population is a half year above that of either State. Also the proportion of skilled workers to total manufacturing employment is 40 percent in the area as compared to 15 percent in Maine and New Hampshire.

Few government jobs are available within a commuting range of Portsmouth. If the Navy yard workers choose to remain government employees, as a majority did at the Watertown Arsenal, outmigration will be substantial and cause serious economic dislocation in the area.

The Portsmouth area well illustrates the varying impact of different types of defense installations on employment, for the area is dependent on the Pease Air Force Base as well as on the Navy yard. To compare their effects on the area's economy, this bank made an analysis of the secondary employment derived from each installation and from private manufacturing activities in the area. The results of the analysis suggest that the employment multiplier for Pease is 1.4 while that for the Navy yard is 1.6, and that for private manufacturing is 1.8. Thus, the loss of a job at Pease results in eliminating the support for 0.4 of a job in local employment, while the loss of each employee at the Navy yard causes a reduction of 0.6 of a job.

Using this analysis, if half the present Portsmouth Navy Yard labor force—about 3,650 workers—choose to accept other government jobs and migrate from the region, the support for some 2,200 jobs will be lost. Although these losses are not as great as they would be if a private manufacturing firm closed, the Portsmouth area will nevertheless need to do an exceptional job of industrial development promotion to prevent substantial outmigration.

If such outmigration does occur the real estate market will undoubtedly suffer some adverse effects. Several factors, however, should help prevent a complete collapse of this market. New residential construction in the area has been cut substantially since the announcement of the shipyard's closing. Over the 10-year phaseout period, continued cutbacks of building activity will limit the amount of surplus housing. In addition, some of the housing might be sold to people who work in northeastern Massachusetts.

In a few communities where defense bases have already closed, the Federal Housing Administration refrained from the immediate resale of the houses it repossessed. It thus helped to stabilize the local market. However, such action may not be needed in the Portsmouth area if industrial promotion efforts are successful.

A majority of the shipyard workers could take early retirement, remain in the area and supplement their benefits by taking other jobs. In the last 2 years private manufacturing employment has increased substantially in the area. In fact, employers complain of a labor shortage. Most of the growth in manufacturing employment, however, is concentrated in industries that pay considerably lower wage rates than shipbuilding. As shown in table 3, the average annual manufacturing wage in the area is \$4,800 as compared to \$7,000 for the Navy yard. However, some better-paying jobs may be available to Navy yard workers willing to commute 30 to 45 miles to northeastern Massachusetts.