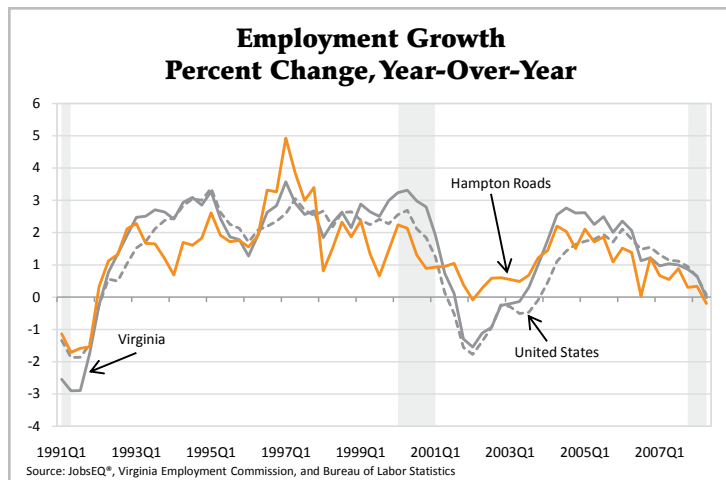


# Upheaval in the Recession

The Hampton Roads metropolitan area<sup>1</sup> is home to 1.63 million Virginians, or 21% of the state's total population. It is significant to the state as an economic driver not only because it is the second-largest metro area in Virginia, but also because of the military presence in the region, the Port of Virginia, and its tourism industry. While these resources have good potential for aiding a rebound from the recession, Hampton Roads is currently suffering through the current downturn — even though the region doesn't always follow the national trend.

## That Was Then

In the 2001 recession, Hampton Roads fared much better than average. During the national recession proper — from March to November 2001 — the United States lost 1.6 million jobs (-1.2%) and Virginia shed 47,000 jobs (-1.3%). Meanwhile, Hampton Roads expanded employment, adding 6,300 jobs (+0.9%) to the local economy.



A major reason for Hampton Roads' relative success in the 2001 recession was the region's strong shipbuilding industry and high concentration of defense contractors. These industries benefitted from an increase in federal defense and security spending that closely coincided with the recession and buffered the region against the otherwise slowing economic activity. Hampton Roads did not sail through the recession without negative effects — employment growth slowed, the unemployment rate rose, auto, home, and retail sales were all dampened — but the region certainly fared better than average.

## This is Now

The current recession, which began in December 2007, is hitting Hampton Roads quite differently. First off, there is not a similar buildup in national defense and security spending. Moreover, the housing and banking crises that precipitated this recession are quite different than the tech bust that drove the 2001 recession.

The housing slowdown has hit the metro area just as hard as the state; single-family building permits have fallen similarly in both Virginia and Hampton Roads, dropping about two-thirds from peak levels to current lows in December 2008. Unlike other areas in the state, Hampton Roads limped into the recession with the loss of over 2,000 jobs at a Ford truck plant in 2007 — not to mention hundreds more jobs lost among suppliers.

The military bases and related support industries in Hampton Roads are in a much different position in this current recession than in 2001. Instead of the climate of increased national defense spending in the early part of the decade, the theme of the latter half of the decade is realignment. The 2005 Base Realignment and Closure (BRAC) plans laid out base moves to be carried out from 2007 to 2011. Because of

## Layoffs and Closures in Hampton Roads during the Recession

Firm/Entity	Jobs Lost	Announcement Date
Smithfield Packing	630	Feb-09
USAA	475	Feb-09
Cox Auto Trader Auto Mart	153	Jan-09
Franklin Equipment	60	Dec-08
International Paper	100	Dec-08
Virginian-Pilot	125	Nov-08
Upstream	95	Nov-08
UtiliQuest	60	Nov-08
Colonial Williamsburg	140	Nov-08
Roofing & Restoration	200	Nov-08
BAE Systems	134	Oct-08
General Dynamics Electric Boat	23	Oct-08
Lear Siegler	51	Oct-08
The ARS Group	75	Sep-08
Spectrum Healthcare Resources	50	Aug-08
TeleTech	532	Jul-08
HSBC Mortgage Services	48	Jun-08
Chesapeake Hardwood Products	129	Jun-08
Amerigroup Corp.	40	Jun-08
Mitsubishi Kagaku	80	Feb-08
Cox Auto Trader Auto Mart	50	Feb-08
Lillian Vernon Corp	185	Feb-08
Maersk	70	Feb-08
Continental AG	51	Jan-08
<b>TOTAL</b>	<b>3,556</b>	

Source: Virginia WARN notices, Opportunity Inc., and various news outlets

<sup>1</sup> The Hampton Roads metropolitan area is equivalent to the Virginia Beach-Norfolk-Newport News VA-NC Metropolitan Statistical Area.

BRAC, Hampton Roads is expected to lose about 5,400 jobs.<sup>2</sup> The biggest contraction will be at Fort Monroe which will lose close to 1,400 military personnel. Not all of the changes are negative for the region, but in net the area is shedding jobs because of the realignment. Even more impactful than 2005 BRAC, the U.S. Navy officially recommended in January 2009 to move a nuclear-powered aircraft carrier from Norfolk to the Mayport Naval Station in Florida. If the move goes forward, it is not likely to occur until at least 2014, but it is estimated to cost the region 11,000 jobs and \$650 million annually.

Since the recession began, over 3,500 jobs in the metropolitan area have been impacted by layoffs, closures, or transfers out of the region. Two of the largest events were recently announced in February 2009. USAA, a provider of insurance to military personnel and veterans, is moving 475 jobs from Norfolk to offices elsewhere in the country. USAA employs a local workforce of about 850 which is down from 1,300 in 2004. Smithfield Packing, a pork processor employing over 3,500 in the Smithfield area, announced the closing of a plant eliminating 630 jobs. Smithfield is also closing five plants in five other states.

While the Port of Virginia is a powerhouse economic driver, it will not shield the region from the effects of the

recession. The Port of Virginia is the third-largest port on the East Coast, handling export and import cargo in 2007 worth \$53 billion.<sup>3</sup> The economic impact of port operations supports 35,600 jobs in Virginia with compensation of \$1.6 billion.<sup>4</sup> Unfortunately, the port is not immune to the recession. Between 2003 and 2007, the number of container units handled by the port increased each year for a total 28.8% expansion over the four years. In 2008, however, with the recession dampening global trade, the number of container units fell 1.7%.<sup>5</sup>

### *A Great Place to Grow*

Despite the recession, economic development has been strong in Hampton Roads — a testament to the desirability of the region as a place to do business. Since the recession

<sup>2</sup>The total impact of 5,400 includes direct losses (military and civilian personnel and contractors) and indirect losses due to ripple effects — that is, job losses in support industries and job losses due to decreased spending from the directly lost employment. Also, the impact shown here includes the region keeping the Naval Air Station Oceana — which in BRAC recommendations was possibly moving away. Source: 2005 Defense Base Closure and Realignment Commission Report.

<sup>3</sup>Source: Virginia Port Authority

<sup>4</sup>Furthermore, “The total Virginia economic activity produced or facilitated by the FY 2006 VPA port operations was revenues of \$41.1 billion, with Virginia employee compensation of \$13.5 billion to 343,001 employees.” Source: “The Fiscal Year 2006 Virginia Economic and Fiscal Impacts of Virginia Port Authority Operations,” William & Mary Mason School of Business, January 2008.

<sup>5</sup>Source: Virginia Port Authority

### **Economic Development Announcements in Hampton Roads during the Recession**

<b>Company Name</b>	<b>Location</b>	<b>Business Description</b>	<b>Announcement Date</b>	<b>New/Expansion</b>	<b>Jobs Created</b>	<b>Investment (M\$)</b>
Continental AG	Newport News	Diesel and gasoline fuel injectors	Dec-08	E	318	194.0
Virginia Provisions	Virginia Beach	Distribution center, food products	Dec-08	N	45	1.8
VT Milcom	Virginia Beach	Telecommunications contractor for the Department of Defense	Dec-08	E	1,000	1.0
AREVA Newport News LLC	Newport News	Manufacture equipment and pressure vessels for the nuclear industry	Oct-08	N	540	363.5
Capital Group	Norfolk	Financial consultation services	Oct-08	E	50	18.8
Gateway Financial Holdings, Inc.	Virginia Beach	Financial services; headquarters	Sep-08	N	67	6.3
Kogok Corporation	Chesapeake	Manufactures spiral duct	Jul-08	E	40	5.3
A&R Logistics, Inc.	Chesapeake	Bulk transportation, packaging, distribution and logistics	Jul-08	N	70	8.5
Safco Products Company	Isle of Wight County	Distributes organization- and comfort-enhancing products	Jul-08	N	40	17.9
Liberty Tax Service	Virginia Beach	Corporate HQ, tax accounting services	Jul-08	E	144	6.4
NCO Financial Systems, Inc.	Virginia Beach	Provide customer service/collections services	Jul-08	E	150	0.6
Icelandic USA, Inc.	Newport News	Seafood processing; U.S. HQ	Jun-08	E	125	0.0
LifeNet	Virginia Beach	HQ; tissue and organ bank	Jun-08	E	100	2.0
NCO Financial Systems, Inc.	Hampton	Provide customer service/collections services	Jun-08	E	571	1.2
Canon Virginia, Inc.	Newport News	Repair and refurbishing operations for select Canon products	May-08	E	1,035	623.5
E&E Enterprises	Hampton	Communications and communications equipment	Mar-08	E	121	0.1
Kimley-Horn and Associates, Inc.	Virginia Beach	Engineering and land planning services	Feb-08	E	55	2.0
DLBA Robotics, Ltd.	Suffolk	Molds/patterns for marine, rail, aerospace, wind generation equipment	Jan-08	E	50	3.0
Sixty-seven other firms	-	-	-	-	794	180.3
<b>TOTAL</b>					<b>5,315</b>	<b>1,436.2</b>

Source: Virginia Economic Development Partnership

began, economic investments of at least \$1.4 billion have been announced that will create over 5,300 jobs in the metropolitan area. Highlight developments include Canon's investment of over \$600 million in both Newport News and Gloucester County that would create over 1,000 jobs and AREVA Newport News' \$363.5 million investment creating 540 jobs. Defense-related developments include VT Milcom's expansion of 1,000 jobs, and — though not included in the table shown here — the contract award of Northrop Grumman Shipbuilding in Newport News and General Dynamics Electric Boat to construct eight additional nuclear-powered submarines. Because of the contract, Northrop Grumman will invest about \$250 million in facility and equipment and create 2,000 new jobs between 2011 and 2015.

### Switching Jobs

The high churn of layoffs and economic development in Hampton Roads can create a gap in the workforce. Unemployed and first-time workers cannot fill expansion and new growth needs if they do not have the proper background and training. Workforce developers and educators can have quite

a task in Hampton Roads with the high level of layoffs and expansions such as is occurring in the region.

The experience of the workforce in Hampton Roads is skewed according to the industries already present in the region. Compared to Virginia, the Hampton Roads metropolitan area has more workers in the occupation groups of food preparation and serving related, production, and sales and related occupations. The metro area has fewer workers in the computer and mathematical group as well as in business and financial operations occupations.<sup>6</sup> First-time workers in Hampton Roads are more likely to enter the workforce with a 2-year degree than workers in the state — in 2009, 33.8% of the metro region's first-time workers are estimated to have a 2-year degree or equivalent compared to 25.0% in the state. Hampton Roads' emerging workers, however, are less likely to have a 4-year degree or higher — 31.0% of the metro area's first-time workers are estimated to have this education level in 2009 compared to 37.3% in Virginia.<sup>7</sup>

According to unemployment insurance filings for January 2009, the skills of the unemployed in Hampton Roads dif-

<sup>6</sup>Source: [www.jobseq.com](http://www.jobseq.com)

### Top Twenty Unemployed Occupations, January 2009

Title	Hampton Roads		Title	Virginia	
	Number	Percent		Number	Percent
Sales Representatives, Services, All Other	420	2.7%	Production Workers, All Other	3,367	4.7%
Customer Service Representatives	359	2.3%	Construction Laborers	1,980	2.7%
Cashiers	270	1.8%	Truck Drivers, Heavy and Tractor-Trailer	1,649	2.3%
Managers, All Other	266	1.7%	Sales Representatives, Services, All Other	1,571	2.2%
Retail Salespersons	266	1.7%	Carpenters	1,493	2.1%
Construction Laborers	261	1.7%	Customer Service Representatives	1,223	1.7%
Maids and Housekeeping Cleaners	257	1.7%	Managers, All Other	1,214	1.7%
Production Workers, All Other	236	1.5%	Helpers—Production Workers	1,092	1.5%
Carpenters	232	1.5%	Office and Administrative Support Workers, All Other	1,041	1.4%
Office and Administrative Support Workers, All Other	227	1.5%	Retail Salespersons	1,039	1.4%
Military Enlisted Tactical Operations and Air/Weapons Specialists and Crew Members, All Other	222	1.4%	Construction and Related Workers, All Other	1,035	1.4%
Sales and Related Workers, All Other	219	1.4%	Executive Secretaries and Administrative Assistants	1,029	1.4%
Executive Secretaries and Administrative Assistants	211	1.4%	Cashiers	912	1.3%
Truck Drivers, Heavy and Tractor-Trailer	202	1.3%	Laborers and Freight, Stock, and Material Movers, Hand	911	1.3%
Construction and Related Workers, All Other	199	1.3%	Electricians	874	1.2%
Painters, Construction and Maintenance	195	1.3%	Sales and Related Workers, All Other	796	1.1%
Electricians	194	1.3%	Assemblers and Fabricators, All Other	717	1.0%
Cooks, Restaurant	174	1.1%	Operating Engineers and Other Construction Equipment Operators	674	0.9%
Installation, Maintenance, and Repair Workers, All Other	169	1.1%	Landscaping and Groundskeeping Workers	673	0.9%
Stock Clerks and Order Fillers	163	1.1%	Stock Clerks and Order Fillers	655	0.9%

Source: JobsEQ® and Virginia Employment Commission

fer significantly compared with the unemployed throughout Virginia. The most dominant unemployed workers in Virginia were production occupations. "Production workers, all other" was the top unemployed occupation in the state and Virginia's top twenty occupations included two production occupations not found in Hampton Roads' top twenty: "helpers — production workers" and "assemblers and fabricators, all other." In contrast, the top unemployed occupations in Hampton Roads were more service oriented, such as the top two occupations: "sales representatives, services, all other" and "customer service representatives." Two in the top twenty in Hampton Roads not included among the top in the state were "maids and housekeeping cleaners" and "military enlisted tactical operations and air/ weapons specialists and crew members" — occupations not surprising given the high concentration of lodging and military in the region.

Comparing the occupations of the unemployed workers with the pending economic development expansions shows some opportunities. For example, VT Milcom is a wired telecommunications carrier scheduled to add 1,000 jobs in the region. According to the typical occupation needs of a firm in this industry, such an expansion would require 95 "customer service representatives" and 55 "sales representatives, services, all other" — the top two unemployed occupations in Hampton Roads.<sup>8</sup>

Other occupations may not match exactly, but close enough for transfer with the proper retraining. The occupation "electrician" is high among the most unemployed in the region but not high among the typical occupation structure of wired telecommunications carriers. However, for every 1,000 employees in this industry, there are typically about 17 "electrical power-line installers and repairers." Electricians have skills similar to, though not completely sufficient for the electrical power-line installer and repairer occupation. Retraining electricians to cover the skill deficiencies to make this career change would possibly be attractive for some electricians since the target occupation, on average, makes higher wages, \$48,000 versus \$43,800 for electricians.<sup>9</sup>

## Military Exits

The Hampton Roads metropolitan area has the additional resource of skilled labor among exiting military personnel. Data from the Department of Defense, based upon the exiting addresses given by military separatees, shows that many workers exit the military with skills in demand by Hampton Roads employers. Skilled occupations such as "computer support specialists," "medical records and health information technicians," "ship engineers," and "fire fighters" are among the top twenty occupations of military separatees in Hampton Roads that are also projected to be in undersupply — based on a long-term projection of supply versus demand.

Military separatees are a great source of certain skills — such as modeling and simulation experience — needed by defense contractors and other industries in the region; but some workers leaving the military may not have skills aligned with regional industries. As the table shown here indicates, some frequent occupations of separatees, such as "general maintenance and repair workers," are projected to be in oversupply. Retraining may be an option some separatees would consider, but others may simply not choose to stay in the region.

## Top Twenty Occupations of Military Exits in Hampton Roads, Oct-07 to Sep-08

Description	Annual Military Exits	Annual Demand Gap (or Oversupply) <sup>10</sup>
Maintenance and Repair Workers, General	437	(20)
Detectives and Criminal Investigators	415	2
Aircraft Mechanics and Service Technicians	381	(1)
Computer Support Specialists	329	12
Medical Records and Health Information Technicians	309	17
Artillery and Missile Crew Members	299	N/A
Captains, Mates, and Pilots of Water Vessels	273	(6)
Electrical and Electronics Repairers, Commercial and Industrial Equipment	265	(7)
Cooks, Institution and Cafeteria	260	(34)
Shipping, Receiving, and Traffic Clerks	233	(87)
First-Line Supervisors/Managers of Mechanics, Installers, and Repairers	225	(12)
Avionics Technicians	225	(1)
Command and Control Center Specialists	222	N/A
Explosives Workers, Ordnance Handling Experts, and Blasters	183	0
Ship Engineers	178	11
Human Resources Assistants, Except Payroll and Timekeeping	176	0
Electric Motor, Power Tool, and Related Repairers	165	(5)
Fire Fighters	160	18
Office Clerks, General	124	(275)
Sailors and Marine Oilers	112	(6)

Source: JobsEQ® and Department of Defense

## Transformation

Even before the recession began, the Hampton Roads area had a need for significant workforce transformation. This was recognized when the Southeastern Virginia region<sup>11</sup> received a federal WIRED<sup>12</sup> grant in 2007 to help prepare workers for new jobs in the port, transportation, and modeling and simulation industries. Now that the recession has taken hold, however, the task of workforce transformation has been multiplied, with the likelihood of new or deeper occupation gaps because of the high degree of layoffs and economic development. The entire state will be affected by how well these challenges are handled in this region due to its significance as a strategic gateway and economic engine of Virginia.

<sup>7</sup> Ibid

<sup>8</sup> Industry/occupation needs from Jobs EQ®.

<sup>9</sup> Wages for the Hampton Roads metropolitan area and skill comparisons are per JobsEQ®.

<sup>10</sup> The annual demand gap is based on a 10-year projection of supply versus demand. Positive numbers indicate further supply is needed to meet demand, negative numbers (in parenthesis) indicate a projected oversupply of that occupation. Source: JobsEQ®. These gaps are long-term and may not reflect short-term fluctuations due to the recession. Further, these are based on an industry/occupation structure that may be transformed because of the recession which would alter the long-term demand trend.

<sup>11</sup> The Southeastern Virginia region is similar to but not identical to the Hampton Roads metropolitan area.

<sup>12</sup> The Workforce Innovations in Regional Economic Development (WIRED) grant is a three-year \$5 million award from the U.S. Department of Labor.