*Short-Term Employment Projections Through 2022*

*By Matthew Krzyzek, Economist, Department of Labor*

**CURRENT SITUATION**The past year is certainly one that won’t be forgotten. The economy fell from record highs to record lows over the course of two months. From February to April 2020, the US and Connecticut economies fell respectively by 14.7 and 17.2 percent. In the year since, both have recovered just over 58% of the jobs lost from the February US employment peak to the April employment trough.The table below shows the impact of COVID-19 on northeast states through February 2021. When compared to other states, Connecticut’s employment recovery rate (April 2020 to Feb. 2021) has been larger than the adjacent states of New York and Massachusetts but lower than Rhode Island’s.

**Connecticut Short-Term Projections** Each year, the Office of Research at the Connecticut Department of Labor produces short-term employment projection by industry and occupation. The current projections are for the period from the second quarter of 2020 to the second quarter of 2022. This base quarter coincides with the April 2020 employment trough and illustrates where we project employment to be two years after the start of the pandemic. Through 2022Q2, we project overall employment in Connecticut to increase by 13.5% from 1,541,793 to 1,750,039, as is shown in the industry table. This projected growth suggests that the state will rebound through 2022Q2 and recover most of the employment lost during the pandemic.

**Projections by Industry**

The largest major sectors that show significant projected employment increases are Accommodations & Food Services (+96,111 projected), Other Services (+22,522 projected), Transportation & Warehousing (+18,052 projected), and Arts, Entertainment, & Recreation (+15,830 projected). Two of the industries with the largest increases are also among the hardest hit by the pandemic, Accommodations & Food Services and Arts, Entertainment, & Recreation. They are projected to rebound to above their pre-pandemic levels and have total employment within 4 percentage points of their corresponding 2019Q2 levels. The Transportation & Warehousing gains reflect a continuation of long-term trends coupled with increased short-term demand as online commerce grew due to social distancing.
 The four largest sectors, Health Care, Educational Services, Manufacturing, and Retail Trade are all projected to add jobs through 2022Q2. These four sectors comprise about 40% of Connecticut employment but are projected to contribute less than 20% of projected total employment change. This reflects the varied impact of COVID-19 on industry employment, as essential industries such as Manufacturing and Educational Services had more muted losses than industries such as Accommodation & Food Services or Retail Trade, which were more impacted by pandemic mitigation efforts and had larger 19Q2 to 20Q2 employment declines.
 Health Care is expected to grow by 7.1%, driven by gains in its Ambulatory Health Care Services Industry (+17,000 jobs or +21.6%) and dampened by declines in its Nursing & Residential Care Facilities industry (-4,300 jobs or -7.3%).
 Educational Services is projected to increase by 2.1% to within a thousand of its 2019Q2 employment, a year before the pandemic. Long-term demographic trends that have challenged this sector in recent years were heightened in the short term by the pandemic, which caused more parents to homeschool their children or delay pre-K enrollment.1 Conversely, the pandemic-induced inflow into the state from major metropolitan areas might bolster the school-aged population in coming years.
 Manufacturing is the third largest sector in the state. As with other industries deemed essential, the sector had lower year-over-year losses than other major sectors but was nonetheless impacted by the pandemic. It was down 7.1% during the second quarter of 2020 year over year and was still down 6.3% year over year during the third quarter of 2020. Projections are for employment gains through 2021, but still below industry peak levels. Of the various types of manufacturing that comprise that sector, the Transportation Equipment Manufacturing component industry is driving sector gains, comprising 30% of 2020Q2 employment and 52% of overall sector change.
 The employment swings experienced over the past year by Retail Trade have been the largest among the four largest sectors. It was down 34,000 or 19.3% from 19Q2 to 20Q2. The only sector to fall more was Accommodation & Food Services, which fell by 72,000 from 19Q2 to 20Q2. Although longer term trends in Retail Trade employment are down, the 2022Q2 projection of 152,722 (+8.6%) may understate gains in that sector. Monthly employment reports show strong growth in this sector in the first three months of 2021.
 Over the two-year projections period, all but three sectors are projected to add jobs. Utilities and Information are projected to decline by 242 and 35 respectively, while Finance & Insurance is expected to decline by 4,411 jobs or 4.4%. Employment in that sector held relatively flat during the 2020Q2 lockdown quarter, down 2.4% from a year before. This projected decline continues longer-term trends, the sector has declined since its 2007 employment peak. The Insurance Carriers & Related Activities industry accounts for 57% of Finance & Insurance employment and 49% of projected declines, indicating that the smaller Finance component industries are projected to have larger proportional losses.

**Projections by Occupation**

 As noted above, overall employment is projected to grow by 208,246 or +13.5% from 2020Q2 through 2022Q2. Every occupational group is projected to add jobs through 2022Q2, with growth ranging between 2.9% for Architecture & Engineering Occupations to 71.2% for Food Preparation & Serving Related. The four occupational groups with the largest gains are Food Preparation & Serving Related (+57,200 or +71.2%), Transportation & Material Moving (+22,000 or +19.5%), Personal Care & Service (+21,600 or +58.4%), and Sales & Related Occupations (+16,600 or +12.5%). These four major occupational employment increases echo the aforementioned industry projections, and they represent a combined 24% of base quarter employment and 56% of projected growth as they were hardest hit by the pandemic.
 Other large occupational groups, all with employment of 100,000 or more had much more muted growth. Office & Administrative Support is projected to grow by 6.8% to 221,600, Management is up 7.4% to 139,400, and Education, Training, & Library Occupations is up 5.6% to 120,800.

Each occupation is assigned an education value based on the minimum education necessary to enter an occupation. The table above shows the breakdown of occupational projections by education value and the specific occupation by educational level with the largest employment change. Over the two years that span the projections period, 23% of job growth will be in occupations that require a credential or degree beyond high school. This share of occupational growth is half what it has been in recent years and reflects the impact of the pandemic on base-quarter employment and subsequent growth — industries and occupations that have lower levels of required educational attainment fell the most due to the pandemic and therefore have a stronger rebound. A shift of employment growth to higher levels of educational attainment can be expected in future rounds of short term projections as the economy recovers from the pandemic.

 **Connecticut’s Projections Compared to Other States**

 Connecticut’s projected 2020-2022 job growth is projected to grow at a higher rate than Massachusetts but slightly below the rate of New York. The two-year projected growth rates vary in accordance with percent employment declines in the preceding two-year period. From 2018Q2 to 2020Q2, New York, Connecticut, Massachusetts, and New Hampshire had employment change of -16.9%, -15.1%, -14.8%, and -12.4% respectively.
 The table also includes average annual openings to help illustrate how total net change doesn’t fully capture the amount of churn in the labor market. The projections methodology used by all 50 states and territories calculates openings due to separations (people leaving the labor market), transfers (leaving one job for another), and expansions (total employment growth).2 The total annual opening figures included in the table are the sum of those three annualized variables to highlight that the labor market will have hundreds of thousands of job openings in the coming year.

**Conclusions** The past year has been memorable, for reasons we all hope to forget. The employment projections noted in this article reflect the unprecedented economic conditions that were derived from a pandemic that quickly and drastically altered social and economic foundations. Due to this, there are numerous known and unknown “risks to the projections” that may impact their accuracy. These include COVID-related variables such as vaccination rates and virus mutations, both of which have the potential to drastically shift how the economy functions. The significant economic stimulus policies conducted last year and currently underway will likely continue to avoid the prolonged economic downturn that was feared a year ago. Other behavioral shifts such as permanent widespread adoption of remote work could alter many areas of the economy. At the U.S. level, the highest GDP projections in almost 40 years and concerns of possible inflation could additionally impact the state labor market over the short term in currently unforeseen ways. An upside of many of these risks is that, unlike last year, it seems more likely that they would positively impact the labor market than function as drags on the recovery.
 Connecticut’s short term projections show that the state is well on its way to rebound from the economic downturn that began early last year. The highest growth industries and occupations are those that were most impacted by shutdown orders and other COVID-mitigation policies. As the recovery continues, we expect that future rounds of employment growth projections in the state will realign to more proportional growth with less drastic industry variance. Key takeaways are that the hardest hit industries and occupations are recovering and we project total statewide employment will rebound through 2022Q2 and recover most of the employment lost during the pandemic. n

**Data Limitations:** The Department of Labor’s short-term projections in this report have been carefully prepared to ensure accuracy, but by nature are subject to error. For more detail on the short-term occupational projections, visit https://projectionscentral.org/Projections/ShortTerm

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

1 CT Department of Education: Preliminary Data Indicates Three Percent Decline in Statewide Student Enrollment for 2020-21. November 4, 2020. https://portal.ct.gov/SDE/Press-Room/Press-Releases/2020/Preliminary-Data-Indicates-Three-Percent-Decline-in-Statewide-Student-Enrollment-for-2020

2 For more information on the projections methodology, see: https://www.bls.gov/emp/videos/understanding-bls-projections-of-occupational-separations.htm