THE CONNECTICUT
ECONOMIC DIGEST

Vol.15 No.12 A joint publication of the Connecticut Department of Labor & the Connecticut Department of Economic and Community Development

DECEMBER 2010

IN THIS ISSUE...

In October...

Nonfarm Employment

Connecticut 1,616,400
Change over month .... +0.33%
Change over year .... -0.0%

United States 130,462,000
Change over month .... +0.12%
Change over year .... +0.6%

Unemployment Rate

Connecticut 9.1%
United States 9.6%

Consumer Price Index

United States 218.7
Change over year 1.2%

The Geography of Connecticut Labor Market Dynamics

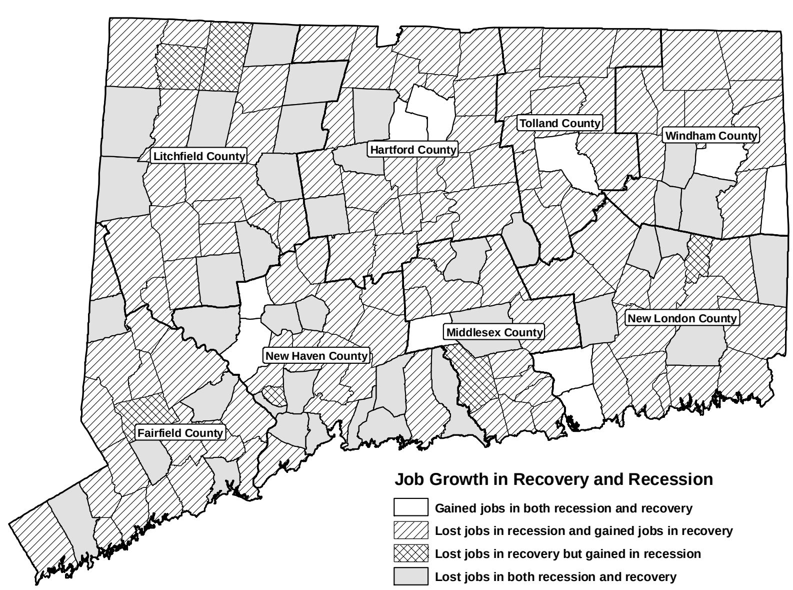
By Patrick J. Flaherty, Economist, DOL, Patrick.Flaherty@ct.gov

The labor market is dynamic. Even during the worst months of the recession, when nationally jobs on net were declining by approximately 800,000 per month, there were still approximately four million new hires. Of course, there were even more separations, which is why total employment declined on net – but the number of separations was actually lower during the recession than during the previous period of job growth. In times of strong growth, approximately five million workers lose or leave their jobs every month.[1]

One measure of the dynamic nature of Connecticut's labor market is the Business Employment Dynamics. In the fourth quarter of 2009, the low quarter of the recession, Connecticut's payroll jobs fell a net 5,500 from September to December.[2] However, during that quarter 70,506 jobs were created at 17,421 expanding establishments and 2,586 new establishments. Unfortunately, even more establishments contracted and closed causing the net decline. Even during good times, Connecticut loses approximately 70,000 jobs each quarter due to contractions and another 10,000 due to closings – but gains even more due to expansions and new establishments.[3]

Focusing only on the net may miss underlying changes in the economy. After the end of the recession in the early 2000s, the number of payroll jobs in Connecticut increased through the end of 2007. Jobs declined until the end of 2009 and have experienced a modest, yet significant, increase in 2010.

But the net job losses of the recession are not the whole story. According to the QCEW, total jobs decreased by over 118,000 from the 1st quarter of 2008 to the 1st quarter of 2010.[4] But these were net losses. Measuring changes by detailed industry by town shows that gains



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The Connecticut Economic Digest is published monthly by the Connecticut Department of Labor, Office of Research, and the Connecticut Department of Economic and Community Development. Its purpose is to regularly provide users with a comprehensive source for the most current, up-to-date data available on the workforce and economy of the state, within perspectives of the region and nation.

The annual subscription is $50. Send subscription requests to: ***The Connecticut Economic Digest***, Connecticut Department of Labor, Office of Research, 200 Folly Brook Boulevard, Wethersfield, CT 06109-1114. Make checks payable to the Connecticut Department of Labor. Back issues are $4 per copy. The Digest can be accessed free of charge from the DOL Web site. Articles from ***The Connecticut Economic Digest*** may be reprinted if the source is credited. Please send copies of the reprinted material to the Managing Editor. The views expressed by the authors are theirs alone and may not reflect those of the DOL or DECD.

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We would like to acknowledge the contributions of many DOL Research and DECD staff and Rob Damroth (CCT) to the publication of the Digest.

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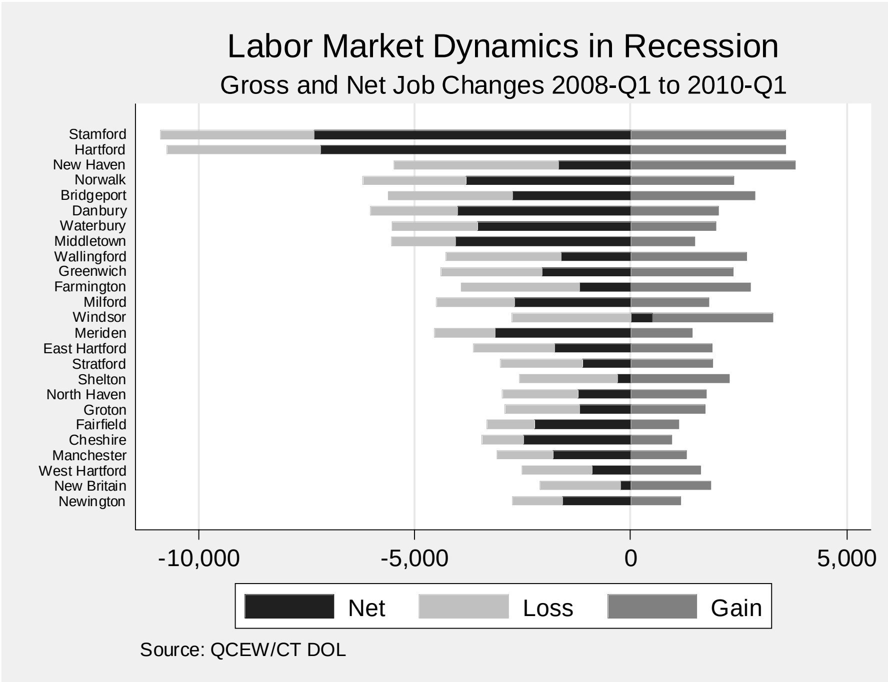
Recession Period (1st Quarter 2008 to 1st Quarter 2010)

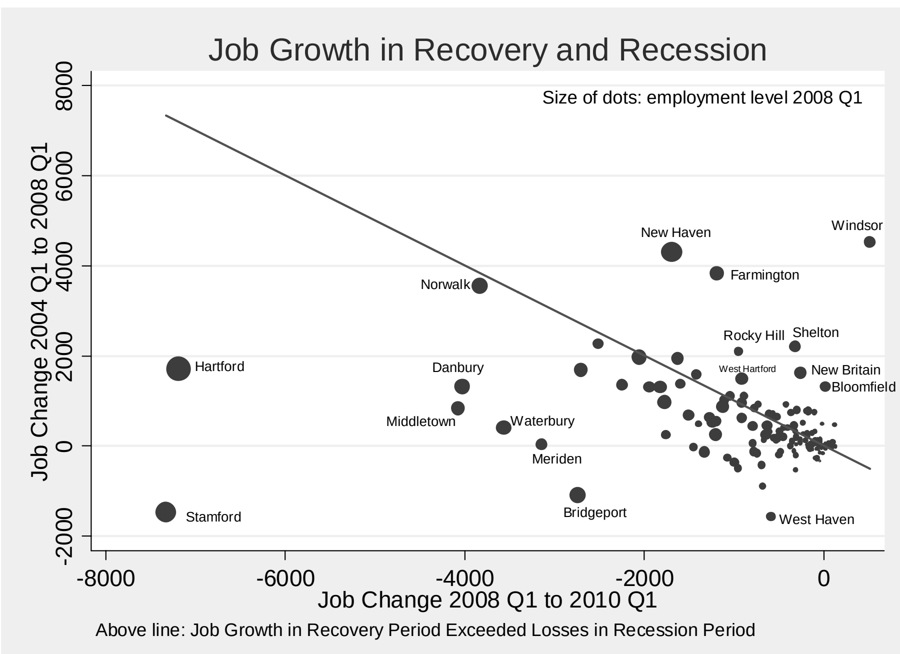
Examples of Industries with Employment Gains and Losses

Gains	Losses
Stamford	
Motion Picture and Video Production	Temporary Help Services
Continuing Care Retirement Communities	Offices of Lawyers
Hospitals	Investment Banking & Security Dealing
Commercial Banking	Portfolio Management
Pet and Pet Supplies Stores	Investment Advice
Hartford	
Pension Funds	Direct Life Insurance Carriers
Hospitals	Temporary Help Services
Private Elementary & Secondary Schools	Commercial Banking
Medical Laboratories	
Home Health Care Services	
Retail Bakeries	
Sign Manufacturing	
New Haven	
Several Education-related industries	Hardware Manufacturing
Several Health Care-related industries	Telecommunications
Offices of Certified Public Accountants	Newspaper Publishing
Full-Service Restaurants	
Norwalk	
Convention and Trade Show Organizers	Temporary Help Services
Wine and Spirit Merchant Wholesalers	Managing Offices
Shellfish Farming	Full-Service Restaurants
Software Publishing	Landscaping Services
Bridgeport	
Supermarkets and Other Grocery Stores	Elementary and Secondary Schools
Motor and Generator Manufacturing	Savings Institutions
Police Protection	Newspaper Publishers
Hospitals	Automobile Dealers
	Collection Agencies
Danbury	
Irradiation Apparatus Manufacturing	Managing Offices
Janitorial Services	Hotels and Motels
Colleges and Universities	Temporary Help Services
Windsor	
Direct Life Insurance Carriers	Gasoline Engines and Engine Parts Manufacturing
General Warehousing and Storage	Confectionary Merchant Wholesalers
Elementary and Secondary Schools	Business Associations
Home Health Care Services	
All Other Insurance Related Activities	
Commercial Building Construction	

during this period of over 113,000 exceeded losses of more than 231,000.

A measure of industry dynamics by town can be constructed by adding the losses and the gains. By this measure, the most dynamic cities in Connecticut were also among the largest: Stamford, Hartford, New Haven, Norwalk, Bridgeport, Danbury, and Waterbury. Middletown, Wallingford, and Greenwich round out the top 10. The table above shows selected industries with gains and losses in the top six as well as Windsor, the most dynamic town to show a net gain of jobs during the recession period. The gain in Windsor is part of an overall pattern of suburbanization of employment in the Hartford area. As mentioned, overall losses in the recessionary period were severe. The 118,000 net loss statewide was significantly more than the 73,000 net gain during the four years 2004 Q1 to 2008 Q1 following the end of the previous recession. Still, 56 towns either had greater job gains during the recovery period than were lost in the later recession period or, like Windsor, gained in both periods. Four of the towns with the largest net gains over both periods are Hartford suburbs: Windsor, Farmington, Bloomfield, and Rocky Hill. (The other three are New Haven, Shelton and New Britain.)





Connecticut is now at the beginning of another recovery. A monthly report of increased employment means that the number of gains outpaced the losses for that month. The unemployment rate both nationally and in Connecticut is unacceptably high and it will take many months of strong job growth to bring it down. Currently there is debate as to whether the high unemployment rate is "cyclical" or "structural." "Cyclical" unemployment would suggest that job loss was caused by the drop in overall demand and the unemployed will be rehired once demand picks up, while "structural" unemployment would be caused in part by a mismatch between the skills of workers and the needs of employers. For example, if a plant in an obsolete industry shuts down those particular jobs will never return no matter how fast the economy grows and the former factory workers may not have all the skills needed by employers that are hiring.

Of course every recession (and every recovery) has both cyclical and structural components. As the high unemployment rate persists for months longer than anyone had expected, it is possible that the "cyclical" is becoming "structural." At first, job loss may have been the result of the sharp drop in overall demand, and if demand had recovered quickly those workers might have been rehired. There are signs that in some industries the cyclical losses have begun to reverse. Monthly figures show that, as of October, the business and professional services sector (which includes temporary help agencies) was up from one year prior. On the other hand, some traditionally cyclical sectors (such as construction) continue to contract.[5] If the economy avoids a double-dip, they will turn around as well. Structural change is also occurring. Connecticut will not likely see enough gains in the industries and places where large losses occurred to achieve sustained job growth and a falling unemployment rate. Projections show that Connecticut's employment level will eventually surpass its previous peak, but with a different industrial pattern. There is continued structural change in every phase of the business cycle. The economy is dynamic - in good times and bad -- both in terms of industry composition and geography. ■

Source for all charts: Quarterly Census of Employment and Wages (QCEW), Connecticut Department of Labor

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[1] "Job Openings and Labor Turnover" published each month by the U.S. Bureau of Labor Statistics – www.bls.gov.
[2] Current Employment Statistics (CES), Connecticut Department of Labor
[3] "Business Employment Dynamics" — http://www1.ctdol.state.ct.us/lmi/bed.asp
[4] The most commonly cited measure of Connecticut employment is the monthly payroll numbers (the "Current Employment Statistics"). However, detailed statistics by industry by town are available from the Quarterly Census of Employment and Wages (QCEW). These statistics are not seasonally adjusted, so when using QCEW data it is important to compare to the same period of each year analyzed. This article uses data from the first quarter and identifies the first quarter of 2004 to first quarter of 2008 as the "recovery period" and the first quarter of 2008 to the first quarter of 2010 as the "recession period" even though these dates do not exactly match the official beginning and ending points of the business cycle.
[5] Current Employment Statistics (CES), Connecticut Department of Labor