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In October...

Nonfarm Employment

Connecticut.....	1,624,900
Change over month	+0.07%
Change over year	-0.2%

United States	133,755,000
Change over month	+0.13%
Change over year	+1.5%

Unemployment Rate

Connecticut.....	9.0%
United States	7.9%

Consumer Price Index

United States	231.317
Change over year	2.2%

Job Polarization in Connecticut

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In recent months, much has been written of the hollowing out of the middle class during the recovery. A New York Times article partially attributes this to long-term trends of automation and globalization that cause a polarization of labor to high and low wage employment.¹ The same article extensively reports on the findings by The National Employment Law Project (NELP).² Their work analyzed nationwide Current Population Survey (CPS) data and found middle wage jobs incurred a majority of job losses during the recession, while low-wage jobs experienced a majority of post-recession job growth. The report also found the share of high wage job losses and subsequent gains to be 19 and 20 percent.

When employment changes were analyzed by industry, NELP found a majority of low-wage industry growth has occurred in Food Services, Retail, and Employment Services. It also found that industries with higher median wages such as Construction, Manufacturing, and Finance experienced little growth.

To examine how Connecticut compares to these national trends, The Census Bureau's Local Employment Household Dynamics (LEHD) data was used to examine the shifts by industry that have occurred from 2002 through 2010, the last year of annual data. Mirroring the NELP report methodology with state level CPS data was not appropriate given the smaller state-level sample size in

Connecticut. The LEHD has three wage tiers like the NELP report, but the scales are different. Despite these variations, the LEHD is the best data source to examine short-term industry change by wage-tier in Connecticut.

Explaining the Data

The LEHD database encompasses all Unemployment Insurance (U.I.) covered jobs in Connecticut. The data is available by two-digit NAICS sectors and also by various demographic breakdowns. This article focuses on the three income tiers: the Low Tier encompasses jobs with monthly wages below \$1,250, the Medium Tier is between \$1,251 and \$3,333, and the High Tier includes jobs with wages above \$3,333 per month. The data are also divided into numerous job types, namely *All Jobs* and *Primary Jobs*. All Jobs is every U.I. covered job held by people working in Connecticut. Because All Jobs includes multiple jobs worked by individual workers, the Primary Job category includes only the highest income job and shows the total workforce of U.I. covered employment in Connecticut. Through simple subtraction, 'secondary' positions can be determined by industry.

Employment Change 2002-2010

All Jobs

From 2002 through 2010, Connecticut saw All Jobs employment first trough in 2004 at 1,567,641. It then peaked at

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1,657,550 in 2008 and fell to 1,575,309 by 2010. During this period high tier employment steadily increased, comprising 39.3 percent of total employment wages in 2002 and rising to 49.1 percent of all wages by 2010. The two lower wage tiers both experienced declines in their share of Connecticut employment. The middle tier declined the most, dropping 6.3 percent from 35.3 percent of employment in 2002 to 29 percent in 2010. The low tier had a smaller decrease, losing 3.4 percent from 25.4 percent in 2002 to 22 percent in 2010. The heaviest employment decline occurring in the middle tier corresponds with the NELP findings, namely of polarization to the upper and lower bounds.

It must be noted that the Census-derived wage tiers are inherently low for Connecticut. The High Tier threshold equates to an annual wage of at least \$39,997. Connecticut's per capita income in 2010 was \$54,239, whereas that for the U.S. was \$39,937. The other issue with the fixed tiers lies with the 27 percent rise in Connecticut per capita income during the eight year period, while the U.S. saw a 29 percent increase. Even with these two issues recognized, the eight-year change through 2010 shows that middle-tier employment in Connecticut declined the most.

Primary Jobs

From 2002 through 2010 total primary jobs was down 2.6 percent, shifting from 1,496,329 to 1,457,513 workers. This obviously does not represent peak-to-peak or trough-to-trough comparison as 2002 was a year after peak employment, and 2010 was the trough for the most recent contraction. During those eight years Health Care, Education, and Accommodations all posted the largest total primary employment increase, respectively rising by 15.5, 13.5, and 10.1 percent. Industries that posted the largest primary job employment declines were Manufacturing, Construction, and Information, falling by 22.7, 21.8, and 18.9 percent, respectively.

Health Care and Education employment growth occurred mostly

in their respective high wage tiers. The Accommodations and Food Services industry had a vast majority of its primary employment growth within the middle and lower tiers; high tier wages comprise less than ten percent of its primary employment, but that share has steadily increased from 6.7 to 9.4 percent over the term. For contracting industries, the employment change occurred mostly within the middle wage tier in concordance with the NELP findings.

Secondary Jobs

For Connecticut, secondary jobs appear to be very cyclical overall, having reached a low of 109,562 positions in 2004 and peaking in 2008 with 128,944 jobs. In the years since peak employment, Secondary Jobs growth has lagged behind All Jobs and Primary Jobs in terms of recouping post-peak losses. In 2010, Secondary Jobs was at 91.4 percent of its peak 2008 level whereas All Jobs and Primary Jobs were respectively at 95 and 95.3 percent.

In 2010, the industries with the highest share of Secondary Jobs employment were Accommodations and Food Services (NAICS 72), Other Services (NAICS 81), Administrative (NAICS 56), and Arts, Entertainment, and Recreation (NAICS 71). These industries respectively had Secondary Jobs comprise 15.5, 15.2, 12.6 and 11.7 percent of their total employment (All Jobs). The lowest Secondary Jobs employment share industries were Finance and Insurance (NAICS 52), Manufacturing (NAICS 31-33), and Utilities (NAICS 22). Those three industries had Secondary Jobs comprise less than 2 percent of their total employment.

The Recession and Primary Jobs

Table A shows Primary Job employment change during the recession by wage tiers. Only Health Care and Social Assistance (NAICS 62) and Management (NAICS 55) posted significant employment increases over the period. Health Care is the largest

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TABLE A PRIMARY JOBS CHANGE 2008-2010 by Wage Tier

NAICS		All Tiers			Low Tier			Medium Tier			High Tier		
Code	Industry	2008	'08-'10	Change %	2008	'08-'10	Change %	2008	'08-'10	Change %	2008	'08-'10	Change %
62	Health & Soc. Assistance	218,315	13,179	6.0%	35,683	-23	-0.1%	90,090	1,987	2.2%	92,542	11,215	12.1%
55	Management	27,890	996	3.6%	1,850	-282	-15.2%	6,039	-284	-4.7%	20,001	1,562	7.8%
22	Utilities	8,317	6	0.1%	236	-40	-16.9%	370	-111	-30.0%	7,711	157	2.0%
92	Public Administration	55,992	-208	-0.4%	4,930	-412	-8.4%	8,332	-1,187	-14.2%	42,730	1,391	3.3%
11	Agriculture	4,112	-43	-1.0%	841	-136	-16.2%	2,351	29	1.2%	920	64	7.0%
61	Education	169,958	-2,323	-1.4%	30,958	-4,975	-16.1%	42,164	-2,148	-5.1%	96,836	4,800	5.0%
72	Accom. & Food Service	91,385	-1,749	-1.9%	47,673	-2,610	-5.5%	35,457	714	2.0%	8,255	147	1.8%
52	Finance & Insurance	118,612	-2,947	-2.5%	4,553	-1,190	-26.1%	21,260	-3,691	-17.4%	92,799	1,934	2.1%
81	Other Services	49,078	-1,827	-3.7%	15,440	-584	-3.8%	19,945	-1,313	-6.6%	13,693	70	0.5%
44-45	Retail Trade	164,992	-7,455	-4.5%	61,502	-3,052	-5.0%	61,888	-2,913	-4.7%	41,602	-1,490	-3.6%
71	Arts Entertain. & Rec.	39,686	-2,323	-5.9%	9,466	194	2.0%	16,512	-734	-4.4%	13,708	-1,783	-13.0%
53	Real Estate	19,259	-1,289	-6.7%	3,445	-758	-22.0%	7,085	-899	-12.7%	8,729	368	4.2%
54	Professional Service	89,656	-7,039	-7.9%	8,054	-1,124	-14.0%	17,857	-2,743	-15.4%	63,745	-3,172	-5.0%
48-49	Transport. & Warehousing	39,289	-3,174	-8.1%	6,305	-1,115	-17.7%	16,916	-2,455	-14.5%	16,068	396	2.5%
42	Wholesale Trade	68,588	-6,600	-9.6%	5,254	-1,254	-23.9%	19,476	-2,692	-13.8%	43,858	-2,654	-6.1%
56	Administrative Service	73,046	-7,273	-10.0%	21,159	-3,249	-15.4%	29,577	-2,529	-8.6%	22,310	-1,495	-6.7%
31-33	Manufacturing	187,538	-20,753	-11.1%	9,346	-2,755	-29.5%	52,462	-10,042	-19.1%	125,730	-7,956	-6.3%
51	Information	39,521	-5,275	-13.3%	4,404	-484	-11.0%	8,689	-1,788	-20.6%	26,428	-3,003	-11.4%
21	Mining	679	-127	-18.7%	44	-14	-31.8%	167	-37	-22.2%	468	-76	-16.2%
23	Construction	62,693	-14,869	-23.7%	6,658	-1,728	-26.0%	17,398	-5,329	-30.6%	38,637	-7,812	-20.2%
**	All Industries	1,528,606	-71,093	-4.7%	277,801	-25,591	-9.2%	474,035	-38,165	-8.1%	776,770	-7,337	-0.9%

-continued from page 2-

industry by primary job count and has resiliently added jobs throughout the business cycle. Both NAICS sectors added jobs primarily in the high tier.

The industries that incurred the most job losses during the recession were Manufacturing (-20,753 jobs, -11.1%) and Construction (-14,869 jobs, -23.7%). A majority of Manufacturing job losses occurred in the Medium Tier while

Construction shed mostly High Tier Jobs.

All Primary Jobs were down 4.7 percent during the period, a total loss of 71,093. The Medium Wage Tier had the largest share of employment loss, shedding 38,165 primary jobs from 2008 to 2010. This middle-wage concentration of employment loss mirrors the findings in the NELP Report. Annual 2011 and 2012 LEHD data will not be available for some time,

but given the available data it would seem reasonable to conclude that job polarization may be an issue for the state in upcoming years. ■

¹ Rampell, Catherine. "Majority of New Jobs Pay Low Wages, Study Finds." *New York Times* [New York] 30 Aug. 2012.

² "The Low-Wage Recovery and Growing Inequality." *National Employment Law Project*. Aug. 2012.

GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	3Q	3Q	CHANGE		2Q
	2012	2011	NO.	%	2012
General Drift Indicator (1986=100)*					
Leading	NA	NA	NA	NA	NA
Coincident	NA	NA	NA	NA	NA
Farmington Bank Business Barometer (1992=100)**	125.9	124.7	1.2	1.0	125.6
Philadelphia Fed's Coincident Index (July 1992=100)***					
<i>(Seasonally adjusted)</i>	OCT	OCT			SEP
	2012	2011			2012
Connecticut	152.76	150.77	1.99	1.3	152.55
United States	152.09	147.90	4.19	2.8	151.79

Sources: *The Connecticut Economy, University of Connecticut **Farmington Bank ***Federal Reserve Bank of Philadelphia

The Connecticut Economy's **General Drift Indicators** are composite measures of the four-quarter change in three coincident (Connecticut Manufacturing Production Index, nonfarm employment, and real personal income) and four leading (housing permits, manufacturing average weekly hours, Hartford help-wanted advertising, and initial unemployment claims) economic variables, and are indexed so 1986 = 100.

The **Farmington Bank Business Barometer** is a measure of overall economic growth in the state of Connecticut that is derived from non-manufacturing employment, real disposable personal income, and manufacturing production.

The **Philadelphia Fed's Coincident Index** summarizes current economic condition by using four coincident variables: nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average).