THE CONNECTICUT
ECONOMIC DIGEST

Vol.15 No.2 A joint publication of the Connecticut Department of Labor & the Connecticut Department of Economic and Community Development

FEBRUARY 2010

IN THIS ISSUE...

Last but not Dead

By Patrick J. Flaherty, Economist, DOL

Several media stories have reported that "Connecticut's job growth ranks dead last in the nation."[1] The truth of this statement depends on the answer to the question, "since when?" For example, if the period used to calculate job growth is February 1989 to December 2009 then the statement is true. Payroll employment in Connecticut is down more than 3.5% from where it was more than 20 years ago, giving us the worst job performance in the country. On this measure, Connecticut is below even Michigan (down about 1.4%) and Rhode Island (down 2.1%) with the rest of the nation showing gains.

However, February 1989 is not a random date. This is the month in which jobs peaked prior to Connecticut's great recession. The national recession that began in December 2007 has been called the "great recession" for the U.S., but Connecticut's experience in the late 80's and early 90's deserves that title for our state. A series of events pummeled Connecticut's economy and labor markets. For example, while we rightly celebrate the end of the Cold War, there is no question that better relations between the U.S. and Russia and the end of the Soviet Union hurt the jobs picture in defense-dependent Connecticut. In addition to defense declines, a real estate speculative bubble burst. This bubble had been fueled by what turned out to be (in hindsight) irresponsible lending and some outright criminal fraud – epitomized by the high-flying Colonial Realty which was exposed as a criminal enterprise (See Chart 1 below). "Restructuring" and "downsizing" entered the business lexicon, hitting Connecticut particularly hard with its concentration of corporate headquarters and staff jobs. During the worst days of that recession, some expressed fears that Connecticut would never recover at all.

While not a fast-growing state by any measure, Connecticut did recover from the depths of its great

In December...

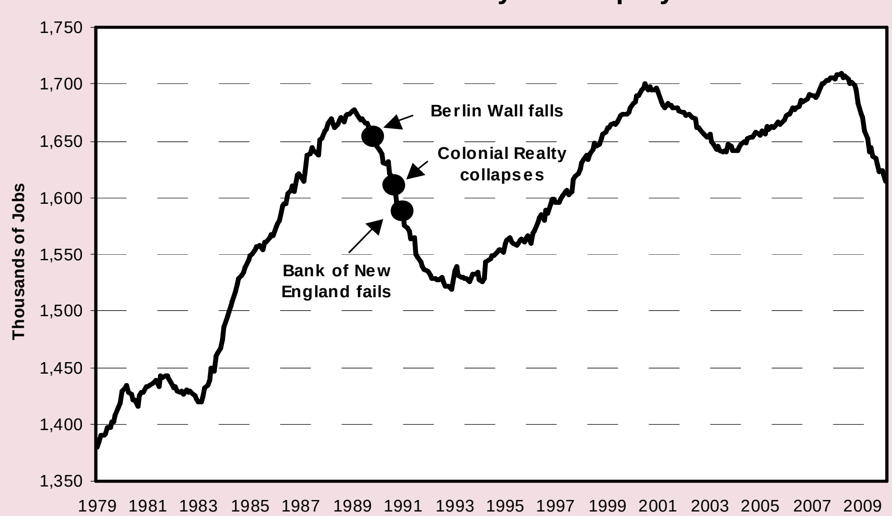
Nonfarm Employment
Connecticut................................ 1,6
Change over month .... -0.16%
Change over year .... -3.7%

United States 130
Change over month .... -0.01%
Change over year .... -3.5%

Unemployment Rate
Connecticut................................. 8.
United States 10.0%

Consumer Price Index
United States 2
Change over year 1.8%

CHART 1: Connecticut Payroll Employment



THE CONNECTICUT
ECONOMIC DIGEST

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.

Managing Editor: Jungmin Charles Joo

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

Connecticut Department of Labor
Patricia H. Mayfield, Commissioner
Linda L. Agnew, Deputy Commissioner

Roger F. Therrien, Director
Office of Research
200 Folly Brook Boulevard
Wethersfield, CT 06109-1114
Phone: (860) 263-6275
Fax: (860) 263-6263
E-Mail: dol.econdigest@ct.gov
Website: http://www.ctdol.state.ct.us/lmi

Connecticut Department of Economic and Community Development
Joan McDonald, Commissioner
Ronald Angelo, Deputy Commissioner

Stan McMillen, Ph.D., Managing Economist
505 Hudson Street
Hartford, CT 06106-2502
Phone: (860) 270-8000
Fax: (860) 270-8200
E-Mail: decd@ct.gov
Website: http://www.decd.org

recession. Jobs bottomed out in December 1992. There have been two recessions since then: one in the early 2000's and the one that began nationally in December 2007. Still, as of November 2009, jobs in Connecticut were up 6.3% from December 1992, faster growth than that of Illinois, Ohio, or Washington, DC. Michigan has actually lost 3.0% of its jobs since December 1992. To put it another way, even after the losses of the 2008-09 recession, jobs in Connecticut were up by nearly 100,000 in December 2009 from their December 1992 level.

Where did those jobs come from? Not from manufacturing. Even after the end of the great recession, productivity improvements allowed manufacturers to continue to shed jobs even as production increased. Manufacturing jobs are down 37% (more than 96,000 jobs) from where they were in December 1992. The federal government, information, finance & insurance, and utilities are also down. However, these losses were more than offset by gains in other sectors – the largest being health care, local government (including schools), accommodation and food services, education services (non-government), and professional, technical & scientific services. Combined, these sectors accounted for an increase of more than 172,000 jobs since December 1992 – with health care adding 70,000 jobs alone.

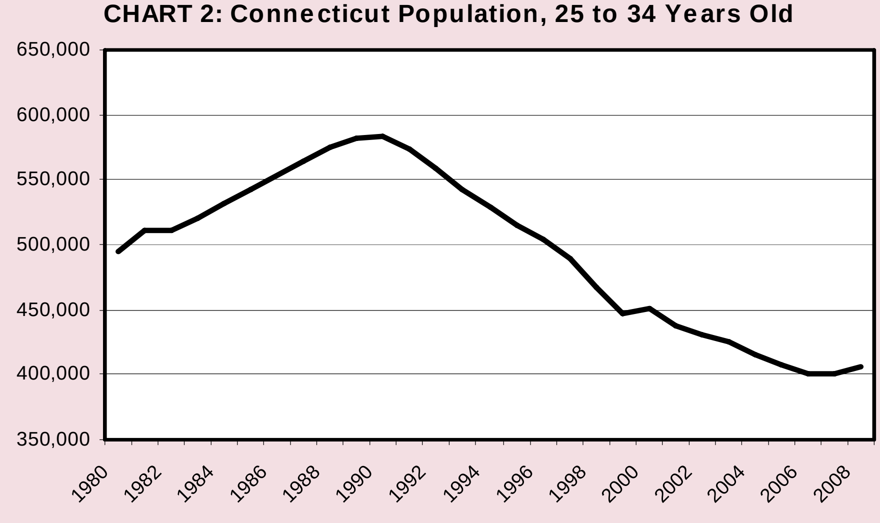
Even though job growth has not been dead, job growth has not been rapid. And while not last, fourth from the bottom may not be much to brag about. One reason given for the slow job growth is a decline in the number of people in the "young worker" age group. The media often portray Connecticut as a place that young workers leave. For example, in February 2008, Connecticut Public Radio broadcasted a one-hour show on this topic, with the claim "The state has lost more young workers than any other since 1990 . . . You can run off dozens of reasons why young people are leaving Connecticut,"[2] creating the idea that young people are leaving the state in droves. These stories are based on a demographic fact: the number of people between the ages of 25 and 34 has dropped significantly since 1990 (Chart 2).

Despite this commonly echoed assessment, "young people leaving" does not explain the population trend. In 2005, the number of persons aged 25 to 34 was almost exactly the same as the number of 10 to 19 year olds there had been 15 years before, meaning any who left had been replaced by others in the same age category who moved in.

Chart 3 on page 5 shows the age profile of Connecticut's population in 1990 and 2005 and has a third line: the 1990 age profile "advanced" by 15 years. While the drop in the young working-age population is clear, there is also no sign of young people leaving the state. As the chart shows, the population in 2005 was above the 1990 population aged by 15 years for all ages below the

--Continued on page 5--

CHART 2: Connecticut Population, 25 to 34 Years Old



--Continued from page 2--

age of 45. The large drop in 25 to 34 year olds can be entirely explained by the age profile of the population: there are fewer 30-year-olds today because there were fewer 15-year-olds fifteen years ago. This leads to two conclusions about the drop in the number of people in the "young workers" age category:

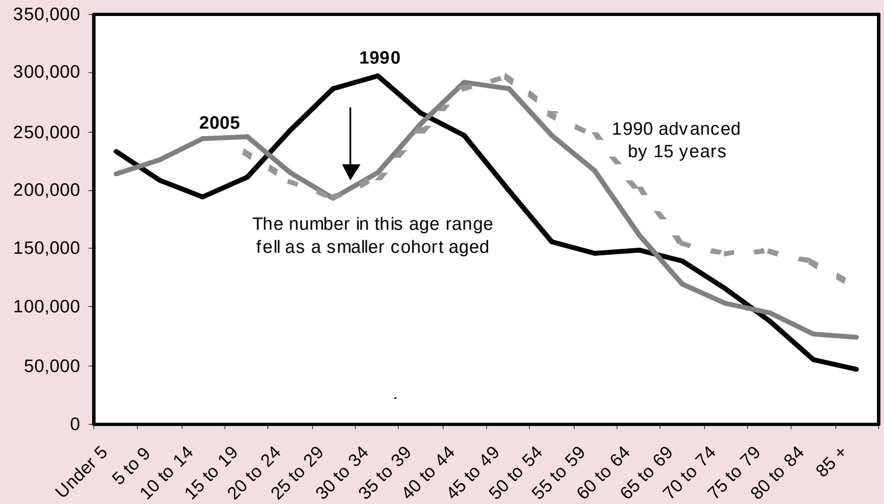
1. the drop was NOT caused by a mass exodus from Connecticut

2. it was entirely predictable

Both conclusions have policy implications. The first suggests that no matter how successful they might have been, programs to encourage young workers to stay in Connecticut could not be enough to ensure growth in that age category. If the state needs more people in this age cohort, some will have to be recruited or attracted from outside the state. The second suggests that businesses and governments could have planned for the drop in the number of people in the young worker age group – and many probably did. Those that didn't were probably the source for the stories about the flight of young people from our state.

Looking to the future, Connecticut faces very different short-term and long-term concerns about its labor markets. The short run problem is labor demand. Connecticut, along with nearly every other state, has a large number of unemployed jobseekers as evidenced by the high unemployment rate. Fortunately, the beginning of the national recovery means job declines will soon end and will likely be followed by months of gains as unemployed workers return to work. In the long run, Connecticut has a labor supply challenge. Our demographic profile suggests the population will continue to age and rapid growth will take more than encouraging young workers to stay. Either Connecticut will have to start attracting workers from outside of the state or adjust to life in the slow lane. ■

CHART 3: Connecticut Population by Age Group



---

[1] One example, Connecticut Post Online, August 7, 2009.

[2] http://www.cpbn.org/program/where-we-live/episode/housing-and-demographic-trends

GENERAL ECONOMIC INDICATORS

(Seasonally adjusted)	3Q 2009	3Q 2008	CHANGE NO.	%	2Q 2009
Employment Indexes (1992=100)*					
Leading	114.5	117.9	-3.4	-2.9	113.6
Coincident	102.8	109.9	-7.1	-6.5	103.5
General Drift Indicator (1986=100)*					
Leading	105.1	111.2	-6.1	-5.5	104.4
Coincident	109.6	115.0	-5.4	-4.7	109.6
TD Bank Business Barometer (1992=100)**	118.3	124.6	-6.3	-5.0	119.3

*Sources: *The Connecticut Economy, University of Connecticut   **TD Bank*

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 **TD 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.