THE CONNECTICUT
ECONOMIC DIGEST

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OCTOBER 2011

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In August...

Nonfarm Employment
Connecticut 1,617,700
Change over month .... -0.53%
Change over year .... +0.3%

United States 131,132,000
Change over month 0.00%
Change over year .... +1.0%

Unemployment Rate
Connecticut 9.0%
United States 9.1%

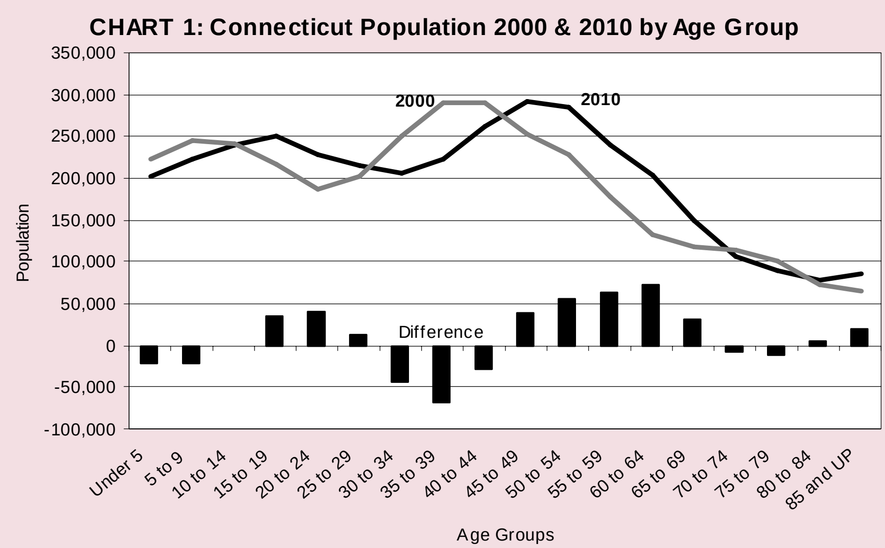
Consumer Price Index
United States 226.5
Change over year 3.8%

Young People Aren't Fleeing and the Cities Aren't Dying

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

Data from the U.S. Census Bureau[1] refute the conventional wisdom that young people are leaving Connecticut in droves and the population of our cities is in decline. One example of popular perceptions comes from the "2011 Survey of Connecticut Business" released in early September by BlumShapiro and CBIA which reported "An overwhelming majority of respondents (85%) worry about the state's slow population growth and out-migration of 21-to-45 year-olds." Similarly, when population estimates from the 2009 American Community Survey (ACS) were released, a press release was headlined "Connecticut Still at Bottom in Attracting, Keeping 25-34-Year-Olds." In fact, the 2010 U.S. Census confirms that Connecticut's population is aging, but that the situation is not as dire or dramatic as perceptions would suggest.

Connecticut's population grew 5% from 2000 to 2010, the 16th slowest growth rate in the nation. At the same time, the median age in Connecticut rose from 37.4-years to 40.0. Only Pennsylvania, Florida, New Hampshire, West Virginia, Vermont, and Maine have higher median ages. Utah has the youngest population (median age 29.2) followed by Texas (33.6). For the nation as a whole the median age is 35.8. It is true that the number of people in the 25 to 34 year old category fell (Chart 1). The drop was 6.9% from 2000 that puts Connecticut 7th from the bottom.



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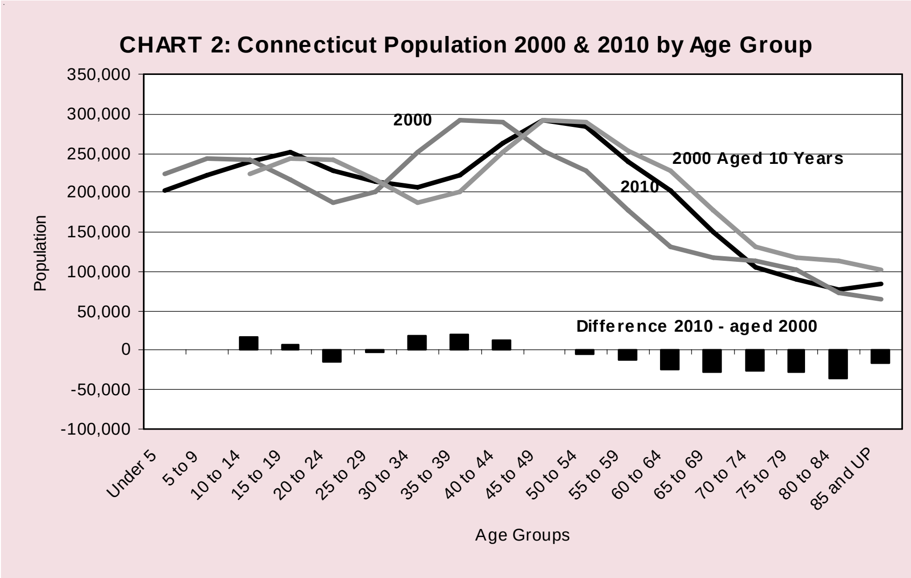
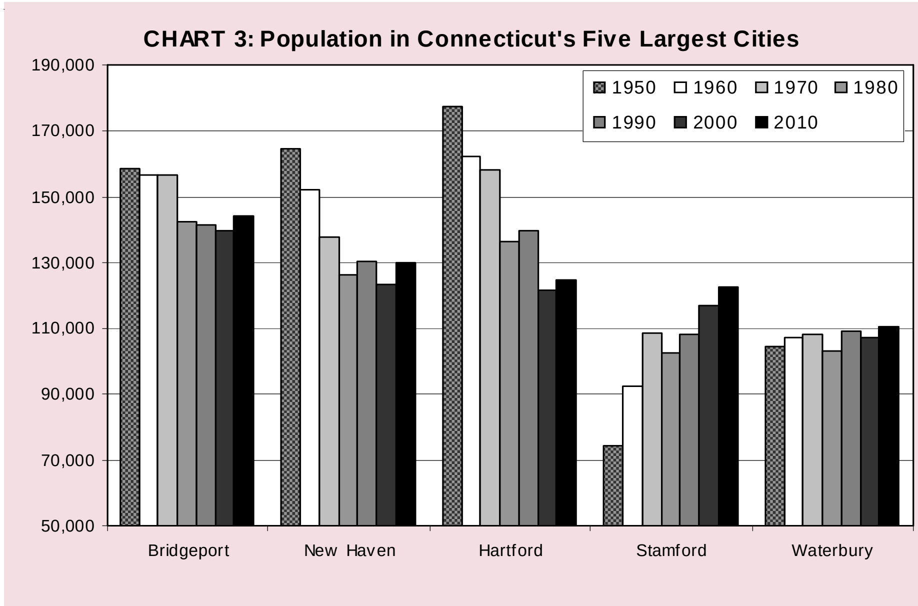


There were larger declines in this age category in Michigan (-14.5%), New Hampshire (-9.7%), Rhode Island (-9.5%), Massachusetts (-8.8%), Maine (-8.2%), and Ohio (-7.2%). While it is not unexpected that the number of people of young working age declined in Michigan where the unemployment rate averaged 12.5% in 2010, the fact that Connecticut outperformed Massachusetts by this measure might come as surprise to those who believe that Connecticut fares poorly in its ability to attract young workers when compared to our neighbor with its high-profile technology companies and educational institutions. When the larger category of 20-to-44 year olds is examined, Connecticut does even better. Our decline (-3.7%) is smaller than 16 other states including all five of the other New England states as well as New York, New Jersey, and Pennsylvania.

In Connecticut the decline in 25 to 34 year olds can be entirely explained by natural demographic changes in the population (Chart 2). In fact, in 2010 Connecticut had 16,179 *more* people aged 25-to-34 years than we had 15-to-24 year olds in 2000 – a 4% gain putting us 18th from the top, well behind rapidly growing states such as Nevada, Colorado, Florida, and Arizona, but ahead of states such as Massachusetts, New Mexico, and Minnesota. In fact, 23 states had *fewer* people in the 25-to-34 year old category in 2010 than they had 15-to-24 year olds in 2000. More encouragingly, Connecticut had 18% more 15-to-24 year-olds in 2010 than in 2000, the sixth fastest growth rate in the nation (Chart 4 on page 5).

Looking ahead, the aging of the population is likely to continue. Connecticut had fewer children under 10 in 2010 than in 2000, and the recession and weak recovery may reduce the birth rate for the next few years – past periods of economic contraction have been associated with lower birth rates. The recession, the stock market drop, and housing price declines may delay retirements (and moves to retirement states such as Florida) while advances in medical technology should continue to extend lives. While the aging of the population has important workforce and policy implications, these issues will not be appropriately addressed by confusing a population that is getting older with one that is experiencing a mass exodus of



young people. For example, if the population is not producing enough young people to fill the jobs traditionally held by this age group, employers may need to find ways to employ the talents, skills and experience of the older workforce rather than attempt to keep young people (who weren't here to begin with) from leaving.

While the long-term trend of an aging population is likely to continue, another trend, the population decline of some of Connecticut's largest cities, reversed in the latest decade. In 1950, the five largest cities in Connecticut were Hartford, New Haven, Bridgeport, Waterbury, and Stamford. Sixty years later, these are still the top five (although the order has changed). Importantly all five cities gained population from 2000 to 2010 (Chart 3). This growth was fueled by a jump in the number of 20 to 24 year olds, particularly in Hartford, New Haven, and Bridgeport.

Unfortunately, while population increased in the cities, jobs did not. Due to the financial crisis and the recession, employment in Connecticut[2] fell by 5% from 2000 to 2010 (annual averages). At the same time, jobs in Bridgeport fell 13%, in Hartford 12%, in Stamford 19%, and by 9% in Waterbury. Among the five largest cities, only New Haven outperformed the state with a 2% drop.

As employment within the cities dropped, city residents found work elsewhere. The U.S. Census Bureau's "On the Map" has annual data from 2002 to 2009 showing place of work by place of residence. Table 1 below shows the change in employment of residents of the five largest cities within their own city and for the five cities or towns with the largest employment gain of city residents. For example, the number of Bridgeport residents working in Bridgeport fell by 3,903 from 2002 to 2009. However, the number of Bridgeport residents working in New York City rose by 783 in the same period. Interestingly, the number of people from each of Connecticut's five largest cities working in New York rose from 2002 to 2009. Also, while the number of Bridgeport residents working in Bridgeport declined, the number of Hartford, New Haven, and Waterbury residents working in Bridgeport increased.

We will need a few more years of data to know whether the pattern of city residents' increasingly finding employment elsewhere is due to the economic downturn creating the need to seek employment opportunities wherever they may be, even far from home. The causes may also be structural. For example, two-career households where the two careers are geographically separate may lead to a long commute for at least one person in the household even during periods of strong economic growth. ■

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[1] Data from the 2010 Census and from the Local Employment Dynamics "On the Map" tool.
[2] As measured by the Quarterly Census of Employment and Wages (QCEW)

--Continued on page 5--

TABLE 1

	Place of Residence									
	Bridgeport		Hartford		New Haven		Stamford		Waterbury	
Place of Work and Employment Change 2002 to 2009	Bridgeport	-3,903	Hartford	-1,475	New Haven	-1,256	Stamford	-5,183	Waterbury	-1,893
	New York, NY	783	New Britain	151	New York, NY	238	New York, NY	200	Stratford	244
	Stamford	140	Westport	148	Hartford	116	Harrison, NY	100	Bridgeport	237
	Hartford	132	New York, NY	135	Stratford	93	Rye, NY	61	New York, NY	224
	West Hartford	82	Waterbury	108	Bridgeport	89	New Haven	60	Meriden	151
	Yonkers, NY	61	Bridgeport	107	Waterbury	73	West Hartford	59	North Haven	145

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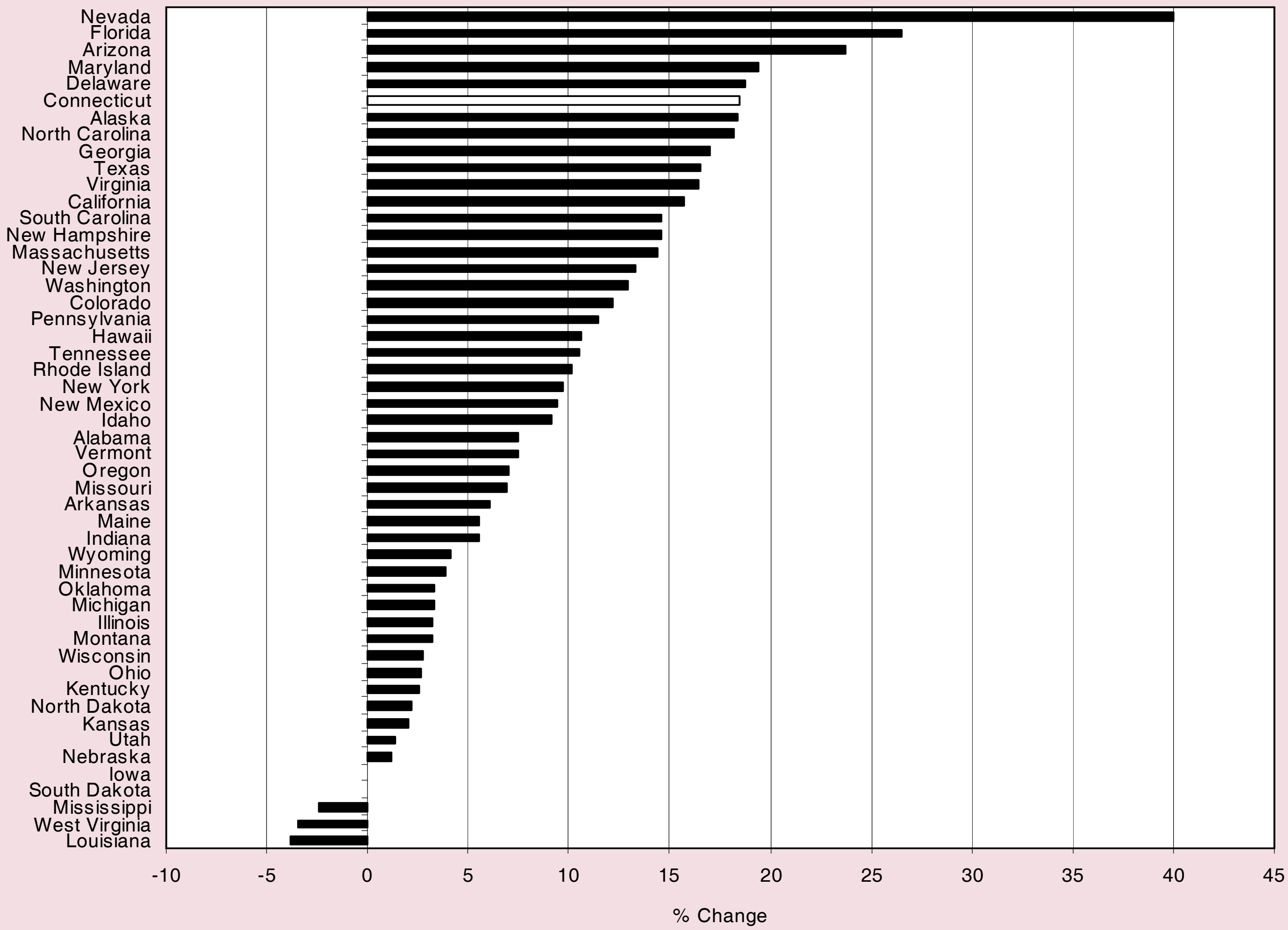
CHART 4: Population % Change 2000 to 2010, 15 to 24 Years Old



GENERAL ECONOMIC INDICATORS

	2Q	2Q	CHANGE		1Q
(Seasonally adjusted)	**2011**	**2010**	**NO.**	**%**	**2011**
Employment Indexes (1992=100)*					
Leading	117.1	115.4	1.7	1.5	116.1
Coincident	102.6	101.9	0.7	0.7	102.6
General Drift Indicator (1986=100)*					
Leading	105.3	104.9	0.4	0.4	103.8
Coincident	107.8	107.0	0.8	0.7	107.6
Farmington Bank Business Barometer (1992=100)**	124.4	123.8	0.6	0.5	124.7
Philadelphia Fed's Coincident Index (July 1992=100)***	**AUG**	**AUG**			**JUL**
(Not seasonally adjusted)	**2011**	**2010**			**2011**
Connecticut	156.3	152.5	3.9	2.5	156.0
United States	153.1	149.4	3.7	2.5	153.0

*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).