*Covered Employment and Wages: A 2020 Annual Review*

*By Jonathan Kuchta, Research Analyst, CT Department of Labor*

According to the most recent data published by the Quarterly Census of Employment and Wages (QCEW) program, the number of jobs in Connecticut decreased by 7.5 percent during 2020.1 The impact of the Coronavirus pandemic was the primary driver of employment and wage changes in 2020. Total private industry employment, constituting 86.2 percent of the state’s employment total, decreased by 7.8 percent. Total government employment was also down 5.3 percent.

 Average annual wages for all Connecticut jobs increased by 8.1 percent, to $75,411. One must keep in mind that this increase is mostly due to lower wage earners no longer being employed, raising the average. In 2020, private sector wages increased by 8.2 percent to $76,341; government wages increased 7.3 percent to $69,594.

 Despite, and perhaps because of the pandemic, new business establishment creation was up significantly over the second half of 2020 as the economy reopened. New business starts were 5,927 from July-December 2020, compared to 4,908 for the same time period in 2019. Overall, establishments rose to 127,003 in 2020, an increase of 2.6 percent over 2019. Total private establishments represented nearly all of the increase, reaching 123,635 in 2020. Government worksites increased 0.6 percent in the state, from 3,347 in 2019 to 3,368 in 2020.

**Employment**

 In a year unlike any other in recent memory, looking at the changes in annual employment by NAICS sector does not tell the entire story. It is easy to look at Chart 1 and see that only one sector experienced growth last year: Transportation and Warehousing. With so many individuals ordering goods straight to their home, the use of couriers and warehousing services gave the sector an increase of 3,581 jobs, growing at 7.0% in 2020.

 For sectors that declined in 2020, accommodation and food services plummeted 31,418 jobs, or 24.4%. Though this was by far the worst performing sector throughout the pandemic, other services except public administration, retail trade, and government all dropped more than 10,000 positions each. See pages 3 and 4 for data on other industry sectors and subsectors. An exception must be noted for subsectors 624 and 814. Due to a BLS directive, household employers that are employed using Medicare/Medicaid funding were moved to 624 from 814, influencing the counts for both subsectors significantly.

 It is important to keep in mind that the Connecticut economy went through three distinct phases during 2020. January through March was mostly unimpacted by the pandemic for employment levels. April through June showed the impact of the complete shutdown of the economy, especially in service-based industries. The last six months during the reopening of the CT economy allowed for the return to some semblance of normalcy in some NAICS sectors. Employment grew quicky from May to September before slowing as the infection rate rose late in 2020. Four of the most heavily impacted NAICS sectors are shown, as well as their gradual return in employment levels as restrictions lessened (Chart 2). While retail trade has rallied back to pre-pandemic levels, leisure and hospitality continues to struggle and it remains to be seen when it will return to levels seen at the end of 2019.

 As for government employment, nearly all the decline was in local government. Most of this decline occurred in the accommodation and food services sector where the casinos are included, down 39.6%, or 4,756 positions. Educational services similarly dropped by 4,703 jobs, though only by 5.3%. Both state and federal government remained mostly flat by comparison.

 The Bureau of Labor Statistics (BLS) aggregates the North American Industrial Classification System (NAICS) sectors to form the top-level goods-producing and service-providing “domains”. Goods-producing sectors include agriculture, forestry, fishing, and hunting; mining; construction; and manufacturing. The remaining sectors are aggregated into the service-providing domain.

 For 2020, the goods-producing domain encompassed 13.8 percent of total covered employment, with the remaining 86.2 percent in the service-providing domain. The goods-producing employment sector shrank by 10,923 or 4.7 percent, with service-providing employment dropping by 7.9 percent, or 113,985, at the same time.

**Wages**

 Connecticut average annual wages varied greatly between industries and within each sector in 2020. It should be noted that much of this difference in pay level can be attributed to factors such as hours worked (full- or part-time), workforce composition, wages, including bonuses or stock options, and seasonal and weather-related influences.

 The highest annual average wage, found in the finance and insurance sector, was $183,574 which is 2.4 times the state average. Those in the securities, commodity contracts and investments subsector earned an average of $351,377 in 2020. The management sector was not far behind finance and insurance at $154,043. Overall, wages showed improved growth in 2020 with nearly all sectors up significantly. However, this increase is almost entirely attributable to lower income employees no longer having gainful employment, bringing the average wage up accordingly.

 At the other end of the spectrum, accommodation and food services workers earned the least, at $24,217. This increase of 4.5% was less than the state average, though it is heavily influenced by part-time workers. Next were arts, entertainment and recreation at $36,437 and retail trade at $39,139 in annual wages.

 Goods-producing wages showed an increase of 3.3 percent compared to 2019, at $83,177. They are 10 percent above the annual average for all industries. Service-providing wages experienced growth, rising to $74,121, an increase of 8.9 percent on an annual basis. As noted before, one cannot forget that all annual wage values were heavily impacted by the pandemic. n

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1 QCEW counts all jobs covered by Connecticut Unemployment Insurance (UI) - over 97 percent of all payroll jobs.