*Covered Employment and Wages: A 2021 Annual Review*

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According to the most recent data published by the Quarterly Census of Employment and Wages (QCEW) program, the number of jobs in Connecticut increased by 3.0 percent during 2021.1 The return of employees to work after the COVID shutdowns of 2020 was the primary cause for the increase. Total private industry employment, constituting 86.7 percent of the state’s employment total, increased by 3.5 percent. Total government employment was relatively flat, declining 0.3 percent. It is important to note that this is a historical look at 2021 and it paints a less rosy picture of the economy than we know to be true based on 2022 data.

 Average annual wages for all Connecticut jobs increased by 3.2 percent, to $77,839. Given the nation experienced a non-seasonally adjusted annual inflation rate of 4.7 percent in the Consumer Price Index for All Urban Consumers: All Items (CPIAUCNS), most employees lost purchasing power even with the nominal wage increase.2 In 2021, private sector wages increased by 3.2 percent to $78,820; government wages increased 2.7 percent to $71,462.

 Like 2020, new business establishment creation was up significantly compared to pre-pandemic, as new firms continue to explore new opportunities. New business starts were 15,292 in 2021, compared to 12,747 in 2020. Overall, establishments rose to 133,921 in 2021, an increase of 5.4 percent over 2020. Total private establishments represented nearly all of the increase, reaching 130,547 in 2021. Government worksites increased 0.2 percent in the state, from 3,368 in 2020 to 3,374 in 2021.

**Employment**

 As the economy reopened in 2021, most sectors saw notable reversals of their precipitous drops during the shutdown of 2020. Retail subsectors saw the most significant return of employees to work but a continued shift to how consumers purchase goods and services has had impact on staffing levels, as shown by the continued strength in transportation and warehousing.

 For sectors that increased in 2021, accommodation and food services surged 13,592 jobs, or 13.9%. Though a marked reversal from the over 30,000 jobs lost in 2020, there’s still a long way to go before the sector returns to pre-pandemic levels. Retail trade, administrative and waste management, and health care and social assistance all also had significant gains, though they too have yet to reach pre-pandemic levels. See pages 3 and 4 for data on other industry sectors and subsectors.

 Even as most sectors have reopened, there were still some sectors shedding jobs, namely finance and insurance, management of companies and enterprises, and manufacturing. Finance and insurance showed the largest decline, losing 1,998 jobs in 2021 and just over 10,000 since the end of 2016. Manufacturing declined 967 jobs in 2021 and it remains to be seen if it will return to the modest growth seen in the last few years before the pandemic.

 As for government employment, the decline was split rather evenly between federal and state employees, with local government showing a minor uptick of 1,396 jobs. Most of this decline occurred in either education or public administration. On the other side, local government’s increases were almost entirely in education services, gaining 1,122 jobs.

 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 2021, the goods-producing domain encompassed 13.9 percent of total covered employment, with the remaining 86.1 percent in the service-providing domain. The goods-producing employment sector grew by 1,578 or 0.7 percent, with service-providing employment increasing by 3.4 percent, or 44,528, at the same time.

**Wages**

 Connecticut average annual wages varied greatly between industries and within each sector in 2021. 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 return of employment in the lower wage brackets has had an outsized impact on the average wages for the state, bringing the average down more than one might expect in a normal year.

 The highest annual average wage, found in the finance and insurance sector, was $195,442 - 2.5 times the state average. Those in the securities, commodity contracts and investments subsector earned an average of $388,765 in 2021. The management and information sectors were behind finance and insurance at $158,567 and $150,055, respectively. Although all but two sectors showed nominal wage growth in 2021. Due to inflation nearly all sectors lost purchasing power.

 At the other end of the spectrum, accommodation and food services workers earned the least, at $26,769. While this increase of 10.5% was the highest on a percentage basis, it will likely need to increase to draw more employment back to the sector, as it remains heavily influenced by part-time workers. Next were arts, entertainment and recreation at $36,069 and retail trade at $41,652 in annual wages.

 Goods-producing wages showed an increase of 2.1 percent compared to 2020, at $84,891. They are 9.1 percent above the annual average for all industries. Service-providing wages experienced growth, rising to $76,697, an increase of 3.5 percent on an annual basis. As noted before, one cannot forget that all annual wage values were heavily impacted due to the pandemic and inflation. n

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

2 U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average [CPIAUCNS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CPIAUCNS, July 26, 2022.