The Geography of Connecticut Labor Market Dynamics

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The labor market is dynamic. Even during the worst months of the recession, when nationally jobs on net were declining by approximately 800,000 per month, there were still approximately four million new hires. Of course, there were even more separations, which is why total employment declined on net – but the number of separations was actually lower during the recession than during the previous period of job growth. In times of strong growth, approximately five million workers lose or leave their jobs every month.¹

One measure of the dynamic nature of Connecticut’s labor market is the Business Employment Dynamics. In the fourth quarter of 2009, the low quarter of the recession, Connecticut’s payroll jobs fell a net 5,500 from September to December.² However, during that quarter 70,506 jobs were created at 17,421 expanding establishments and 2,586 new establishments. Unfortunately, even more establishments contracted and closed causing the net decline. Even during good times, Connecticut loses approximately 70,000 jobs each quarter due to contractions and another 10,000 due to closings – but gains even more due to expansions and new establishments.³

Focusing only on the net may miss underlying changes in the economy. After the end of the recession in the early 2000s, the number of payroll jobs in Connecticut increased through the end of 2007. Jobs declined until the end of 2009 and have experienced a modest, yet significant, increase in 2010. But the net job losses of the recession are not the whole story. According to the QCEW, total jobs decreased by over 118,000 from the 1st quarter of 2008 to the 1st quarter of 2010.¹ But these were net losses. Measuring changes by detailed industry by town shows that gains
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### Recession Period (1st Quarter 2008 to 1st Quarter 2010)

#### Examples of Industries with Employment Gains and Losses

<table>
<thead>
<tr>
<th>Gains</th>
<th>Losses</th>
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<tbody>
<tr>
<td>Stamford Temporary Help Services</td>
<td>Stamford Direct Life Insurance Carriers</td>
</tr>
<tr>
<td>Motion Picture and Video Production</td>
<td>Hartford Temporary Help Services</td>
</tr>
<tr>
<td>Continuing Care Retirement Communities</td>
<td>Norwalk Temporary Help Services</td>
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<tr>
<td>Hospitals</td>
<td>Danbury Managing Offices</td>
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<tr>
<td>Commercial Banking</td>
<td>Windsor Gasoline Engines and Engine Parts</td>
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<tr>
<td>Pet and Pet Supplies Stores</td>
<td>Manufacturing</td>
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<tr>
<td></td>
<td>Confectionery Merchant Wholesalers</td>
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<td></td>
<td>Windsor Business Associations</td>
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by town can be constructed by adding the losses and the gains. By this measure, the most dynamic cities in Connecticut were also among the largest: Stamford, Hartford, New Haven, Norwalk, Bridgeport, Danbury, and Waterbury. Middletown, Wallingford, and Greenwich round out the top 10. The table above shows selected industries with gains and losses in the top six as well as Windsor, the most dynamic town to show a net gain of jobs during the recession period. The gain in Windsor is part of an overall pattern of suburbanization of employment in the Hartford area. As mentioned, overall losses in the recessionary period were severe. The 118,000 net loss statewide was significantly more than the 73,000 net gain during the four years 2004 Q1 to 2008 Q1 following the end of the previous recession. Still, 56 towns either had greater job gains during the recovery period than were lost in the later recession period or, like Windsor, gained in both periods. Four of the towns with the largest net gains over both periods are Hartford suburbs: Windsor, Farmington, Bloomfield, and Rocky Hill. (The other three are New Haven, Shelton, and New Britain.)
Connecticut is now at the beginning of another recovery. A monthly report of increased employment means that the number of gains outpaced the losses for that month. The unemployment rate both nationally and in Connecticut is unacceptably high and it will take many months of strong job growth to bring it down. Currently there is debate as to whether the high unemployment rate is “cyclical” or “structural.” “Cyclical” unemployment would suggest that job loss was caused by the drop in overall demand and the unemployed will be rehired once demand picks up, while “structural” unemployment would be caused in part by a mismatch between the skills of workers and the needs of employers. For example, if a plant in an obsolete industry shuts down those particular jobs will never return no matter how fast the economy grows and the former factory workers may not have all the skills needed by employers that are hiring.

Of course every recession (and every recovery) has both cyclical and structural components. As the high unemployment rate persists for months longer than anyone had expected, it is possible that the “cyclical” is becoming “structural.” At first, job loss may have been the result of the sharp drop in overall demand, and if demand had recovered quickly those workers might have been rehired. There are signs that in some industries the cyclical losses have begun to reverse. Monthly figures show that, as of October, the business and professional services sector (which includes temporary help agencies) was up from one year prior. On the other hand, some traditionally cyclical sectors (such as construction) continue to contract.¹ If the economy avoids a double-dip, they will turn around as well. Structural change is also occurring. Connecticut will not likely see enough gains in the industries and places where large losses occurred to achieve sustained job growth and a falling unemployment rate. Projections show that Connecticut’s employment level will eventually surpass its previous peak, but with a different industrial pattern. There is continued structural change in every phase of the business cycle. The economy is dynamic - in good times and bad -- both in terms of industry composition and geography.

² Current Employment Statistics (CES), Connecticut Department of Labor
⁴ The most commonly cited measure of Connecticut employment is the monthly payroll numbers (the “Current Employment Statistics”). However, detailed statistics by industry by town are available from the Quarterly Census of Employment and Wages (QCEW). These statistics are not seasonally adjusted, so when using QCEW data it is important to compare to the same period of each year analyzed. This article uses data from the first quarter and identifies the first quarter of 2004 to first quarter of 2008 as the “recovery period” and the first quarter of 2008 to the first quarter of 2010 as the “recession period” even though these dates do not exactly match the official beginning and ending points of the business cycle.
⁵ Current Employment Statistics (CES), Connecticut Department of Labor