THE CONNECTICUT
ECONOMIC DIGEST

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DECEMBER 2016

IN THIS ISSUE...

In October...

Nonfarm Employment

Connecticut 1,676,400
Change over month .... -0.43%
Change over year .... +0.2%

United States 144,952,000
Change over month .... +0.11%
Change over year .... +1.7%

Unemployment Rate

Connecticut 5.1%
United States 4.9%

Consumer Price Index

United States 241.729
Change over year .... +1.6%

The Crossroads of Millennials and Migration

By Manisha Srivastava, CT OPM, Manisha.Srivastava@ct.gov

The nation is closely watching the actions of millennials – what do millennials like, what are their work preferences, where do millennials want to live? And there is good reason for this attention – millennials now make up the largest living generation. According to the Pew Research Center, millennials, whom they define as born between 1981 and 1997, recently surpassed baby boomers in 2015 as the largest living generation.[1] As a result the preferences of millennials do have a sizable impact on the economy – and their choices have substantially deviated from those of prior generations. But as millennials age their preferences likely will return to historical norms, which could benefit Connecticut. Long-run domestic migration patterns show Connecticut has historically imported adults in their late twenties and thirties (and forties when international migration is included). As millennials start settling down and moving into larger homes, safe communities, and for good schools, hopefully Connecticut will stand out as a top destination.

Millennials

To understand the changing preferences millennials have displayed compared to prior generations, it is useful to isolate the factors of change from the results of change. I believe the differences between millennials and their predecessors can be reduced to three major factors: 1) educational attainment, 2) lifestyle choices, and 3) ongoing recovery from the Great Recession.

Factor #1: Educational Attainment

Millennials are on track to become the most educated generation ever. Since the 1960's the percent of men ages 18 to 33 with at least a bachelor's degree has almost doubled from 12% to 21%, and quadrupled for women of the same age cohort from 7% to 27%.[2] However, along with educational attainment has come student debt. Since 2006 outstanding student loans have grown 150% - from $500 billion in 2006 to over $1.3 trillion in 2015.[3]

Factor #2: Lifestyle Choices

Millennials have displayed some dramatic differences in their living preferences – both on marriage and children, as well as on their preference for housing. Across all age groups, about 50% believe one is just as well off without prioritizing marriage and having children. But for individuals aged 18 to 29, 67% feel there is no need to prioritize marriage and children.[4]

The return to cities is well documented, not just for millennials but for other groups as well, such as seniors. But on top of the preference for urban living, millennials have displayed a

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willingness to move to a city sometimes even without a job lined up – more often than not for the vibe and atmosphere the city offers, amongst other reasons. Popular destinations for millennials include Portland, Oregon; Denver, Colorado; and Nashville, Tennessee. In fact, young people make up almost half of all movers in the US (43%), compared to a national average of 15%, and 7% for those above the age of 55.[5]

Factor #3: The Economy

The third and final factor is the recovery from the deepest recession since the Great Depression of the 1930's, which has substantially impacted millennials more than older generations. The national unemployment rate topped out at 10.0% as a result of the 2007-2009 Great Recession, but for youth aged 20-24 the unemployment rate reached up to 20.0%, and for those aged 25-34 it reached 11.6%.[6] In Connecticut in 2015, the unemployment rate for the entire population was 5.6%. But for 25-34 year olds the unemployment rate was 7.8%.[7]

Result: The Perfect Storm

These three factors – accumulated debt from educational attainment, lifestyle choices, and economic recovery - have come together to create the perfect storm. Each factor, to varying degrees, has caused the numerous behavior changes we have seen in millennials compared to prior generations.

Millennials are marrying later; the median age is about six years later than the 1960's.[8] That is, if they are marrying at all – in 1960, 9% of adults 25 years of age and older were not married. In 2012, 20% of adults 25 and older were not married. The Pew Research Center projects about a quarter of today's millennials may never get married.[4] The average age at which one has their first child has also increased, from 21.4 in 1970 and 24.9 in 2000, to 26.3 in 2014.[9]

Due to marrying later and having children later (if at all), the younger generation has been buying homes later in life. According to Zillow.com, the average age of the first home purchase has increased from 30.6 in the 1970's to 32.5 in 2013. Accordingly, the average time for renting a residence has also increased – over double as long compared to the 1970's (2.6 years in 1970's versus 6 years in 2013).[10] As a result of renting longer, older peers have created a backlog for younger peers looking to move into those rental units. All these factors together have resulted in the ubiquitous millennial living in their parent's home. In 2014, 32.1% of 18 to 34 year olds were living with their parents, up from 20% in the 1960's.[11] Data from Pew, however, show wide variation in the number of millennials living at home from state to state. New Jersey had the highest rate of any state, with 43.9% of millennials at home with their parents. Connecticut was the second highest at 38.8%, followed closely by New York (37.4%), Florida (37.2%) and California (36.7%). States with the fewest young people living with their parents include North Dakota (15.6%), Wyoming (18.7%), South Dakota (19.7%) and Nebraska and Iowa (both 20.7%).[12]

What Will Millennials Do Next?

Millennials were between the ages of 18 to 34 in 2015. The peak year of births for the millennial cohort was 1990 when 4.2 million were born; in 2015 this cohort of millennials born in 1990 turned 25. Every year since 2005 the number of 25-year-olds has increased, but it is projected to decrease for the next few years.[13] As the millennial cohort ages (and correspondingly gets married, has children, buys homes), an open question is will their preferences for urban living continue? Or will they, like previous generations, display the tendency to move to suburbs?

Perhaps it is not that the millennial cohort uniquely prefers urban living, but rather that *younger* people prefer urban settings. And as the sizeable millennial cohort ages out of the young category, their preferences may revert back to the patterns of prior generations.

If the latter turns out to be the case, that is, if millennials fall in line with prior generations and start moving for spacious homes, larger yards, and other quality of life considerations, it could be a boon for suburban Connecticut. To understand why, we now turn to discussing domestic and international migration patterns.

Migration

The following analysis breaks out migration into domestic migration (for instance Connecticut to/from other states) and total migration, which is inclusive of international migration. It is important to separate out domestic migration trends from total migration trends because international migration can mask underlying movements between states. Moreover, in crafting policies to grow our population one needs to understand the extent of net domestic migration, without conflating international migration data.

Migration by Region

By way of background, this section provides a brief description of general migration trends throughout the country, before we take a deeper dive into Connecticut specific migration data by age. Graphs 1 and 2 take a look at migration by U.S. Census Bureau defined definitions of U.S. divisions (Connecticut is also displayed for comparison purposes). Map 1 shows which states are included in each census division. From 2001 to 2014, migration as a percent of total population within each division was calculated. Displayed is the net domestic migration (Graph 1) and net total migration (Graph 2) for each division from 2001 to 2014. The black squares represent the average of net migration for the division from 2001 to 2014. The bars represent the maximum and minimum migration that occurred in any one year between 2001 and 2014 (i.e. the range of net migration for that division).

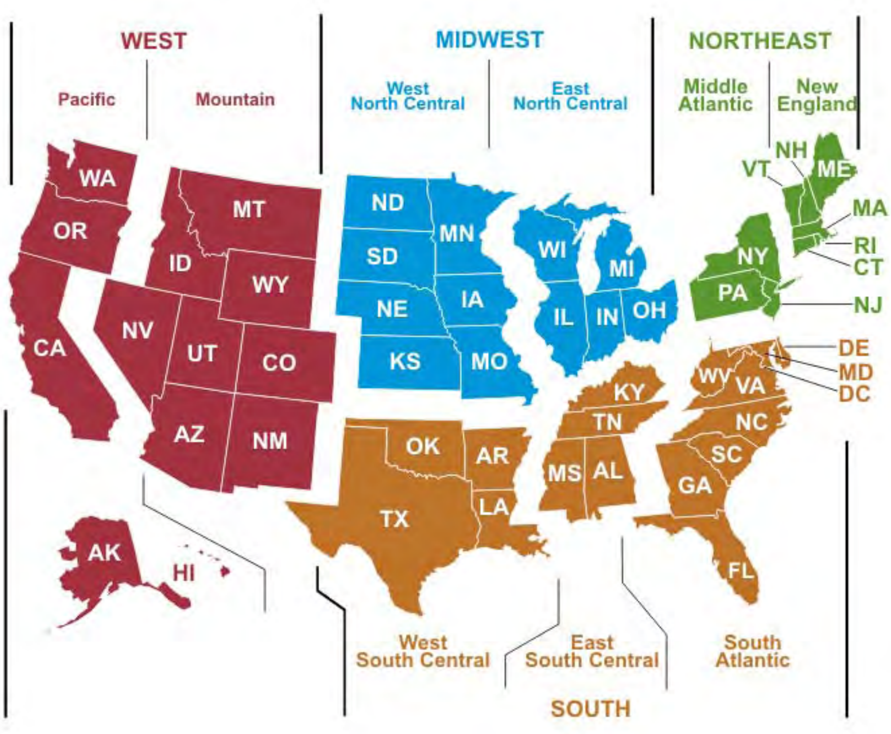
Over the 14 years of migration data displayed, five out of the nine census divisions had on average net domestic out-migration (black squares). The average for Connecticut and the New England division was slightly better than the East North Central division, and well ahead of the Mid-Atlantic. Once international migration is factored in (Graph 2), net migration becomes substantially more positive. Six of the nine census regions show positive net in-migration, on average, as well as over the entire range. Again, East North Central and the Mid-Atlantic (for the most part) stay solidly negative even with international migration factored in. East North Central is mainly driven by domestic out-migration from Illinois and Michigan, the Mid-Atlantic by out-migration from New York followed by New Jersey.

It is important to realize out-migration is not a Connecticut specific problem, but more a long-term regional problem in New England as well as for many other regions throughout the US. Regardless of these long-term trends, however, it should be noted more recently Connecticut has experienced an increased rate of domestic and total out-migration even when compared to New England.

Connecticut Migration by Age

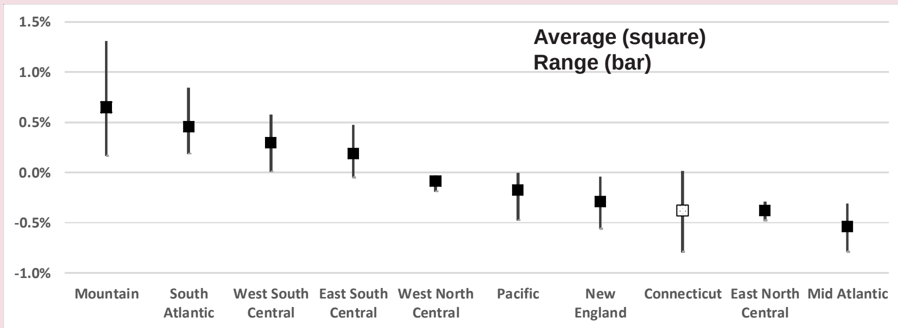
Now we consider net domestic and total migration for Connecticut by age. Various factors influence migration at different points in life – college attendance in the late teens to early 20's, job opportunities from the mid-20's until retirement, and finally retirement decisions in the later stages of life. And the data bears out the different migration trends by age. Graphs 3 and 4

Map 1: U.S. Census Regions and Divisions

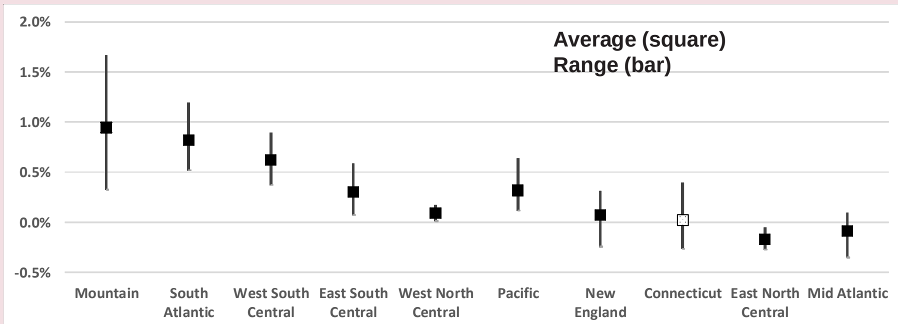


Source: U.S. Energy Information Administration

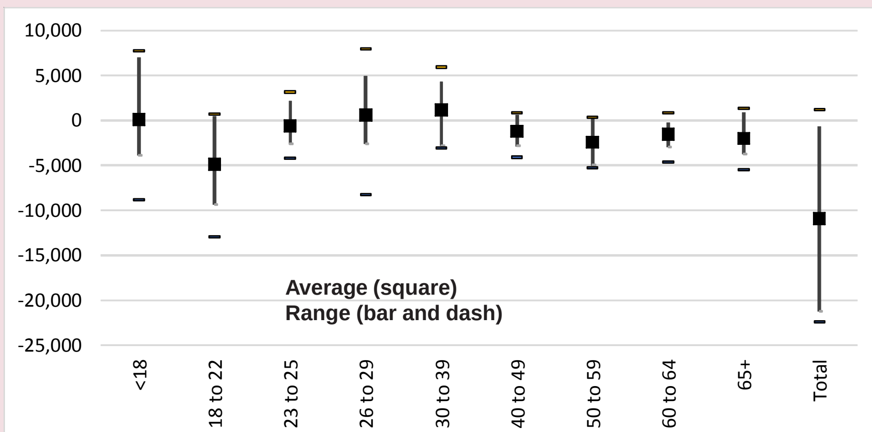
Graph 1: Net Domestic Migration by Region for 2001–2014



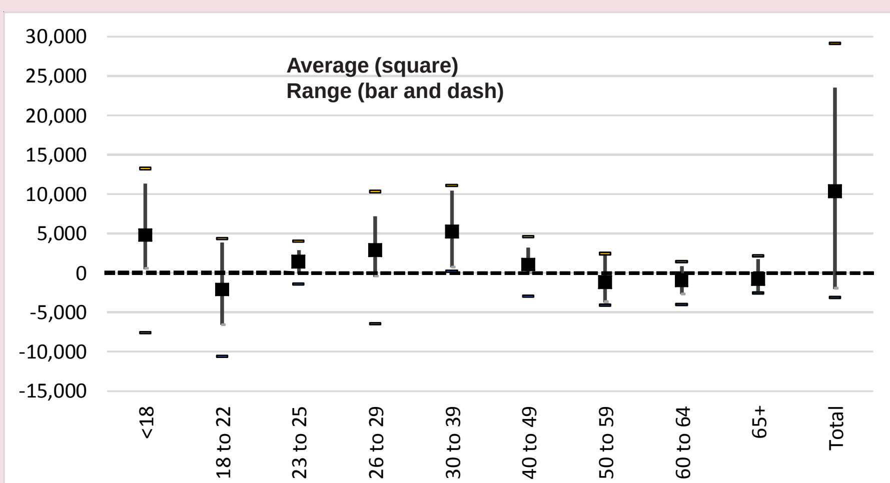
Graph 2: Net Total Migration by Region for 2001–2014



Graph 3: CT Net Domestic Migration by Age for 2001–2014



Graph 4: CT Net Total Migration by Age for 2001–2014



Sources: Graphs 1and 2 - IHS, Census Population Estimates; Graphs 3 and 4 - American Community Survey 1-year sample. IPUMS-USA, University of Minnesota, www.ipums.org

show net domestic migration and net total migration, respectively, by age group from 2001 to 2014. Similar to the prior graphs, the square represents the average level of migration for all 14 years, with the range over the 14 years displayed by the bars. However, given that there were a number of outliers in the range of net migration between 2001 to 2014, the maximum and minimum for each age cohort in Graphs 3 and 4 are denoted by the dashes with the bars displaying the remaining values. Note that the age cohorts presented in Graphs 3 and 4 are different than the age cohorts used in many other publications – which account for the differences in findings.

Total net domestic migration on average from 2001 to 2014 was approximately -11,000, with the figures varying widely by age cohort over the time frame displayed. Three age cohorts displayed average positive domestic in-migration in Connecticut from 2001 to 2014: less than 18 (which is driven by the decisions of parents), and the 26-29 and 30-39 age cohorts, which could reflect individuals moving for job opportunities and/or for quality of life considerations (for instance suburban settings and educational opportunities for children). The average net domestic out-migration from 40 years of age and up is relatively consistent. More dramatic, however, is the 18-22 age cohort, which was essentially negative over all 14 years and had the highest average of net domestic out-migration over the period displayed. Given the next age cohort (23-25 year olds) is more positive implies perhaps individuals in the 18-22 age cohort are out-migrating for educational opportunities. (This hypothesis is also supported by net out-migration data on Connecticut undergraduate students.[14])

Similar to the results nationally, factoring international migration in pushes many of

Connecticut's age cohorts into positive net migration territory. The 30-39 age cohort is solidly positive, even over its range over the 14 years. The average for the 26-29 age cohort is also strongly positive, as is less than 18 (which again is less about personal decisions than the decisions of parents). Moreover, inclusive of international migration individuals less than 18, and 23 through 49 are now in positive in-migration territory. Including international migration to domestic migration increased the average for total net migration by over 21,000 people to approximately +10,000, and the range for total net migration is essentially positive over all 14 years.

What Does This Mean for Connecticut?

As we just saw from Graph 3, Connecticut has historically enjoyed net domestic in-migration on average in the 26-29 year old age cohort, as well as the 30-39 year cohort. And as shown in Graph 4, more so when international migration is included. Given that in 2015 the peak number of millennials hit the age of 25, and that individuals in this group are now en masse approaching the chapter in their lives where they may be settling down in their jobs, moving out of their parent's basements, and starting to think about getting married and having kids – perhaps Connecticut will be a beneficiary of these seismic shifts. If millennials like prior generations start looking for quality of life factors and educational opportunities for their children – areas which are strengths for Connecticut – hopefully we will see these millennials finding their way home to Connecticut. A larger labor pool of such individuals that businesses can draw from would enhance Connecticut's jobs recovery from the recession, boost vitality in the state, and translate into increased state revenues. ■

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1 http://www.pewresearch.org/fact-tank/2016/04/25/millennials-overtake-baby-boomers/

2 http://www.pewresearch.org/fact-tank/2015/03/19/how-millennials-compare-with-their-grandparents/ft_millennials-education_031715/

3 http://www.federalreserve.gov/releases/g19/HIST/cc_hist_memo_levels.html

4 http://www.pewsocialtrends.org/2014/09/24/record-share-of-americans-have-never-married/

5 http://www.citylab.com/housing/2015/03/where-millennials-are-moving-now/388748/

6 http://www.bls.gov/webapps/legacy/cpsatab10.htm

7 http://www.bls.gov/lau/ptable14full2015.pdf

8 http://www.pewsocialtrends.org/2011/12/14/barely-half-of-u-s-adults-are-married-a-record-low/

9 http://www.cdc.gov/nchs/data/databriefs/db232.pdf

10 http://zillow.mediaroom.com/2015-08-17-Todays-First-Time-Homebuyers-Older-More-Often-Single

11 http://www.pewsocialtrends.org/2016/05/24/for-first-time-in-modern-era-living-with-parents-edges-out-other-living-arrangements-for-18-to-34-year-olds/

12 http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2016/08/18/where-millennials-are-more-likely-to-live-with-mom-and-dad

13 Dowell Myers (2016): Peak Millennials: Three Reinforcing Cycles That Amplify the Rise and Fall of Urban Concentration by Millennials, Housing Policy Debate, DOI: 10.1080/10511482.2016.1165722

14 Table 3: http://nces.ed.gov/pubs2012/2012280.pdf

GENERAL ECONOMIC INDICATORS

(Seasonally adjusted)	2Q 2016	2Q 2015	CHANGE NO.	%	1Q 2016
General Drift Indicator (1996=100)*					
Leading	117.6	112.2	5.4	4.8	118.8
Coincident	117.6	116.1	1.5	1.3	117.3
Farmington Bank Business Barometer (1992=100)**	135.1	132.1	3.0	2.3	134.3
Philadelphia Fed's Coincident Index (July 1992=100)*** *(Seasonally adjusted)*	**Oct 2016**	**Oct 2015**			**Sep 2016**
Connecticut	168.92	164.11	4.81	2.9	168.39
United States	179.32	174.34	4.98	2.9	178.92

*Sources: *Dr. Steven P. Lanza, University of Connecticut **Farmington Bank ***Federal Reserve Bank of Philadelphia*

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 three leading (housing permits, manufacturing average weekly hours, and initial unemployment claims) economic variables, and are indexed so 1996 = 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).