

ECONOMIC DIGEST

Vol. 20 No. 6 A joint publication of the Connecticut Department of Labor & the Connecticut Department of Economic and Community Development

JUNE 2015

IN THIS ISSUE...

Examining Education, Incomes, and the "Skills Gap" 1-3, 5

A Review of 2004-2014 Employment Projections 4

Economic Indicators

on the Overall Economy 5
Individual Data Items 6-8

Comparative Regional Data 9

Economic Indicator Trends 10-11

Help Wanted OnLine 15

Business and Employment Changes Announced in the News Media 19

Labor Market Areas:

Nonfarm Employment 12-17

Sea. Adj. Nonfarm Employment 14

Labor Force 18

Hours and Earnings 19

Cities and Towns:

Labor Force 20-21

Housing Permits 22

Technical Notes 23

At a Glance 24

Examining Education, Incomes, and the "Skills Gap"

By Patrick J. Flaherty, Assistant Director of Research, DOL,
Patrick.Flaherty@ct.gov

While the unemployment rate has dropped sharply over the past few years, it remains higher than it was before the "great recession" began. On the other hand, the number and rate of job openings are higher than their pre-recession levels. In March, there were five million job openings nationally despite an unemployment rate of 5.4%, a percentage point higher than prevailed in 2006 and 2007. (Figure 1) Despite the pool of unemployed job-seekers, some business groups report that their members are having difficulty hiring employees with the skills and experience they are seeking. This has led some to conclude

that there is a gap between the skills available in the labor force and the needs of employers. While there may be a shortage of workers with the right skills for some particular occupations, the evidence suggests that there is no widespread lack of skills in the nation or in Connecticut. Indeed, there is some evidence that reports of a skills gap have been exaggerated. For example, in an NBER working paper, Peter Cappelli¹ notes that a 2012 report prepared for the National Association of Manufacturers showed 600,000 good jobs in U.S. Manufacturing that could not be filled due to a lack of qualified applicants even though the Bureau of Labor Statistics

In April...

Nonfarm Employment

Connecticut 1,687,200
Change over month +0.07%
Change over year +1.4%

United States 141,367,000
Change over month +0.16%
Change over year +2.2%

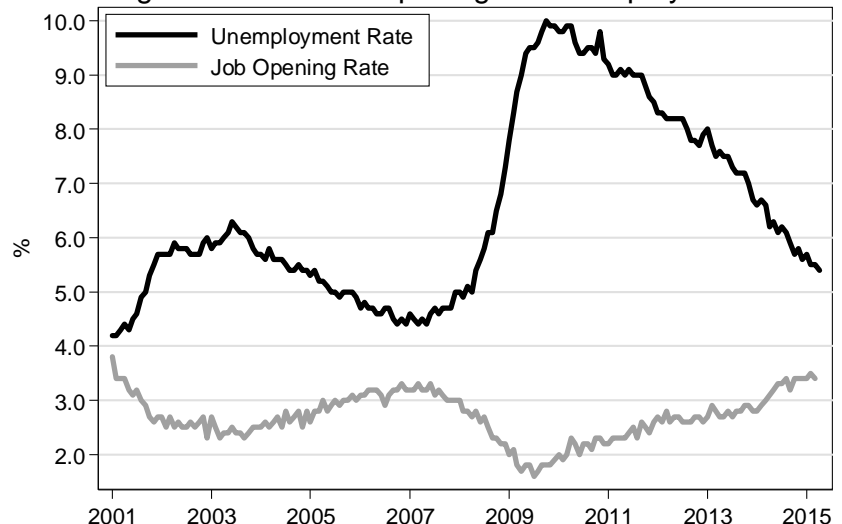
Unemployment Rate

Connecticut 6.3%
United States 5.4%

Consumer Price Index

United States 236.599
Change over year -0.2%

Figure 1: U.S. Job Opening vs. Unemployment Rate



Source: U.S. Bureau of Labor Statistics (BLS)

The Connecticut Economic Digest is published monthly by the Connecticut Department of Labor, Office of Research, and the Connecticut Department of Economic and Community Development. Its purpose is to regularly provide users with a comprehensive source for the most current, up-to-date data available on the workforce and economy of the state, within perspectives of the region and nation.

The annual subscription is \$50. Send subscription requests to: *The Connecticut Economic Digest*, Connecticut Department of Labor, Office of Research, 200 Folly Brook Boulevard, Wethersfield, CT 06109-1114. Make checks payable to the Connecticut Department of Labor. Back issues are \$4 per copy. The Digest can be accessed free of charge from the DOL Web site. Articles from *The Connecticut Economic Digest* may be reprinted if the source is credited. Please send copies of the reprinted material to the Managing Editor. The views expressed by the authors are theirs alone and may not reflect those of the DOL or DECD.

Managing Editor: Jungmin Charles Joo

Associate Editor: Sarah C. Pilipaitis

We would like to acknowledge the contributions of many DOL Research and DECD staff and Rob Damroth to the publication of the Digest.

Connecticut Department of Labor

Sharon Palmer, Commissioner
Dennis Murphy, Deputy Commissioner

Andrew Condon, Ph.D., Director
Office of Research
200 Folly Brook Boulevard
Wethersfield, CT 06109-1114
Phone: (860) 263-6275
Fax: (860) 263-6263
E-Mail: dol.econdigest@ct.gov
Website: <http://www.ctdol.state.ct.us/lmi>



Connecticut Department of Economic and Community Development

Catherine Smith, Commissioner
Ronald Angelo, Deputy Commissioner
Tim Sullivan, Deputy Commissioner

505 Hudson Street
Hartford, CT 06106-2502
Phone: (860) 270-8000
Fax: (860) 270-8200
E-Mail: decdd@ct.gov
Website: <http://www.decdd.org>



reported only 220,000 total vacancies in manufacturing that year – suggesting that the demand for skills may be exaggerated. At the same time, educational attainment data suggest that the supply of skills – at least as broadly measured – has not diminished. On the other hand, an increase in incomes of those with graduate or professional degrees points to an increase in demand for those with the most skills.

Connecticut Has an Educated Labor Force

In 2013, 38.5% of Connecticut's labor force² had a bachelor's degree or more, including 16.4% who had graduate or professional degrees – a four percentage point increase from 2006 and nine percentage points higher than 1990. (Figure 2) The increase was even larger for workers aged 25 to 34, with the portion increasing more than five percentage points since 2006 and more than ten percentage points since 1990. And despite reports of young people leaving Connecticut, the labor force in this age category has increased by more than 28,000 since 2006. Connecticut also compares favorably to the country with the portion of the labor force with college degrees more than seven percentage points higher than the national average for all ages and those aged 25 to 34.³

A look at the median earned incomes of those with full time/full year work shows that the education premium remains high although the gains for going beyond high school without obtaining a graduate degree may have diminished. (Figure 3) In 2013 in Connecticut the median worker with a bachelor's degree earned 75% more than the median worker with only a high school diploma, an increase from 2006. However, for those aged 25 to 34 there was a drop from 60% to 58%. (This may be one reason

for recent increased concerns regarding college costs and student debt.) On the other hand, the median worker with a graduate degree earned 118% more (more than double) the income of a worker with just a high school diploma. That premium has decreased since 2006. However, for those aged 25 to 34 there was a significant jump for the median full-time worker with a graduate degree who now earns 88% more than the median full time worker with just a high school diploma.

While education and skills are not necessarily the same thing, a widespread skills gap could result in a widening of all education premiums. Instead, there may be a skills gap concentrated in a few areas that require advanced degrees.

Indeed, there is as much evidence for the phenomenon known as “upskilling” as there is for a skills gap. “Upskilling” is the term used to describe the increase in skill requirements within occupations. A study by the Federal Reserve Bank of Boston⁴ documented this phenomenon in the aftermath of the great recession. By analyzing a large dataset of job postings, the study showed that employers raised both education and experience requirements in response to a rising unemployment rate. That these requirements respond to changes in the labor market suggest that employers are taking advantage of the greater availability of skills. One explanation for the lack of growth in the median income for young workers with just bachelor's degrees could be the number of these workers in occupations that don't (or at least didn't previously) require a college education.

If there is a skills gap, it is likely concentrated in a few

-continued on page 5-

Figure 2: Portion of Labor Force by Educational Attainment (%)

	Connecticut				USA
	1990	2000	2006	2013	2013
All Ages					
Less than High School	15.3	12.2	9.5	8.5	10.6
High School Diploma or GED	28.8	26.2	28.1	25.2	25.6
Some College or Associate's	26.5	28.1	27.8	27.9	32.6
Bachelor's	17.9	19.6	20.6	22.1	19.9
Graduate or Professional Degree	11.6	13.9	14.0	16.4	11.4
Age 25 to 34					
Less than High School	9.1	8.7	7.9	7.1	9.1
High School Diploma or GED	28.8	25.6	26.0	22.9	22.6
Some College or Associate's	29.2	27.9	28.1	26.6	32.4
Bachelor's	24.2	26.0	25.8	27.3	24.8
Graduate or Professional Degree	8.7	11.9	12.2	16.2	11.1

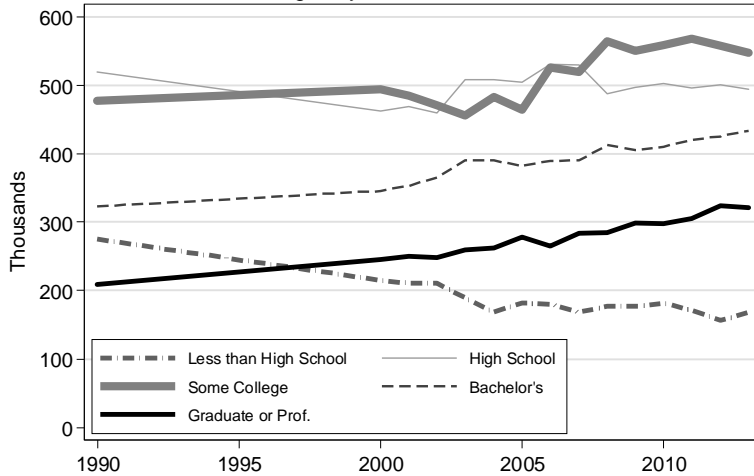
Figure 3: Earnings of Full Time / Full Year Workers

	Connecticut				USA
	1990	2000	2006	2013	2013
Median Earned Personal Income (\$)					
All Ages					
Less than High School	22,000	26,000	30,000	30,000	25,000
High School Diploma or GED	24,839	32,000	36,000	40,000	32,900
Some College or Associate's	28,000	38,000	45,000	47,000	40,000
Bachelor's	36,000	51,000	60,000	70,000	57,000
Graduate or Professional Degree	48,000	65,000	80,000	87,000	78,000
Age 25 to 34					
Less than High School	21,000	23,900	30,000	24,500	23,000
High School Diploma or GED	25,000	30,000	31,200	33,000	30,000
Some College or Associate's	26,000	33,000	38,000	38,000	33,000
Bachelor's	32,000	44,000	50,000	52,000	46,000
Graduate or Professional Degree	38,000	48,000	54,000	62,000	58,000
Education Earnings Premium (%)					
All Ages					
Some College vs. High School	13%	19%	25%	18%	22%
Bachelor's vs. High School	45%	59%	67%	75%	73%
Graduate Degree vs. High School	93%	103%	122%	118%	137%
Age 25 to 34					
Some College vs. High School	4%	10%	22%	15%	10%
Bachelor's vs. High School	28%	47%	60%	58%	53%
Graduate Degree vs. High School	52%	60%	73%	88%	93%

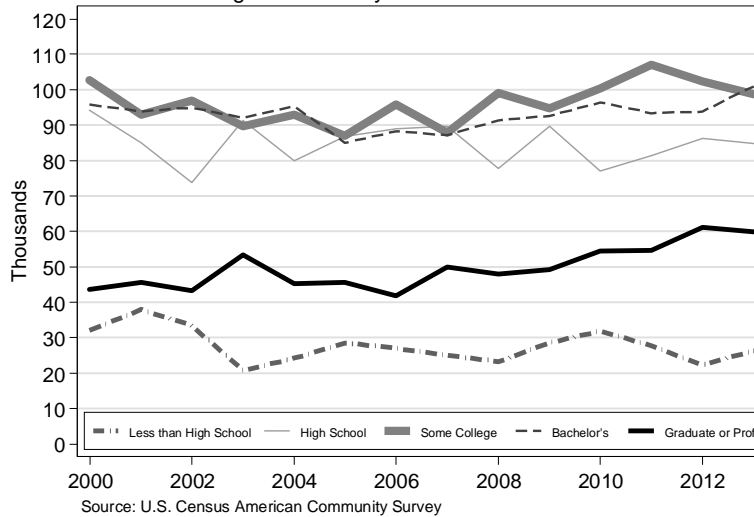
Source: U.S. Census and American Community Survey (ACS) data from IPUMS-USA, University of Minnesota, www.ipums.org.
Author's Calculations

-continued from page 2-

Figure 4: Connecticut Labor Force
All Ages by Educational Attainment



Ages 25 to 34 by Educational Attainment



Source: U.S. Census American Community Survey

select occupations requiring specific skills and experience and/or advanced degrees. A larger phenomenon is the lack of income growth for young workers except those with graduate or professional degrees. ■

1 Cappelli, Peter, "Skills Gaps, Skill Shortages, and Skill Mismatches: Evidence for the U.S.", NBER Working Paper 20382, August 2014.

2 Labor force includes both the employed and those looking for work.

3 The analysis compares 2006 (a year well before the start of the "great recession") with 2013 (the latest year for which we have data from the American Community Survey (ACS)). There is also a focus on those aged 25 to 34 because of publicly expressed concerns about young workers in Connecticut.

4 Modestino, Alica Sasser, Daniel Shoag, and Joshua Ballance, "Upskilling: Do Employers Demand Greater Skill When Skilled Workers are Plentiful?", Federal Reserve Bank of Boston Working Papers No. 14-17, January 30, 2015.

GENERAL ECONOMIC INDICATORS

	1Q 2015	1Q 2014	CHANGE		4Q 2014
(Seasonally adjusted)			NO.	%	
General Drift Indicator (1996=100)*					
Leading	112.8	114.4	-1.6	-1.4	111.2
Coincident	114.7	112.6	2.1	1.9	114.1
Farmington Bank Business Barometer (1992=100)**	131.2	128.4	2.8	2.2	130.0
Philadelphia Fed's Coincident Index (July 1992=100)***	Apr	Apr			Mar
(Seasonally adjusted)	2015	2014			2015
Connecticut	160.49	155.50	4.99	3.2	160.00
United States	162.84	157.54	5.30	3.4	162.52

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).