

# Every time is different, but this one is really different

By Patrick J. Flaherty, Economist, [Patrick.Flaherty@ct.gov](mailto:Patrick.Flaherty@ct.gov)

**N**o two business cycles are alike, but at least since the 1990's it had become conventional wisdom that recessions in Connecticut would last longer and see much larger job drops than the nation as a whole. This was certainly true of the recessions of 1990 and 2001, but that story didn't hold for the recession that hit Connecticut in 2008.

## Late 1980's – early 1990's

Connecticut's recession started earlier, ended later, saw larger job losses, and had a weaker recovery than the country as a whole. By the time U.S. jobs peaked in June 1990, Connecticut jobs had been falling for more than a year. The low point for U.S. jobs was May 1991, but Connecticut jobs continued to fall for another year and half. Worse, while the recession claimed 1.5% of

U.S. jobs, in Connecticut the drop was 9.2%. Three years after the end of the decline (May 1994), U.S. jobs had more than regained the loss and were 3.7% above the previous peak, while in December 1995, three years after the end of the Connecticut decline, less than 30% of the lost jobs had been recovered. (Chart 1)

## Early 2000's

In the 2000's recession, Connecticut had a milder version of the same story: a slightly longer recession, a somewhat larger job decline, and a slower bounce-back. The U.S. economy entered recession in early 2001 with jobs peaking in February. Connecticut employment had been falling since the previous July. U.S. jobs stopped falling in August 2003 but fell a month longer in Connecticut. The U.S. job decline was 2.0% while in Connecticut it was 3.7%. Three years later, U.S. jobs were 2.9% above the previous peak while Connecticut had recovered 67.2% of the jobs lost during the recession. (Chart 2)

## Recent Recession

Connecticut's recession was (slightly) shorter than the nation's and, at first, Connecticut's recovery was stronger. Connecticut jobs peaked in March of 2008, two months later than in the country as a whole and both saw jobs stop falling in February 2010. National job losses were a bit less severe with the U.S. losing 6.3% of jobs compared to Connecticut's 7.1% decline. Coming out of the recession the pattern was, at first, also reversed. By October 2010 Connecticut had regained 21% of the jobs that had been lost while the U.S. had recovered less than 10%. Since then U.S. job growth has outpaced Connecticut's – as of May 2013 the U.S. had recovered 72% of the jobs lost during the recession while Connecticut has recovered 48% of its lost jobs. This, however, understates the strength of the Connecticut economy. In this recovery, job gains were concentrated in the private sector which has recovered 59% of its lost jobs in Connecticut. Additionally, there is

Chart 1: Connecticut vs. U.S. in Recession

Employment Indexed to U.S. Low

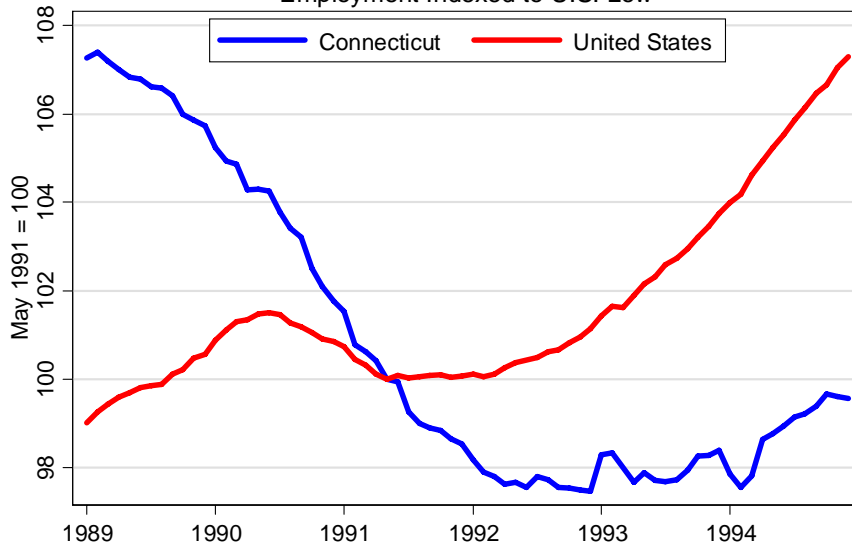
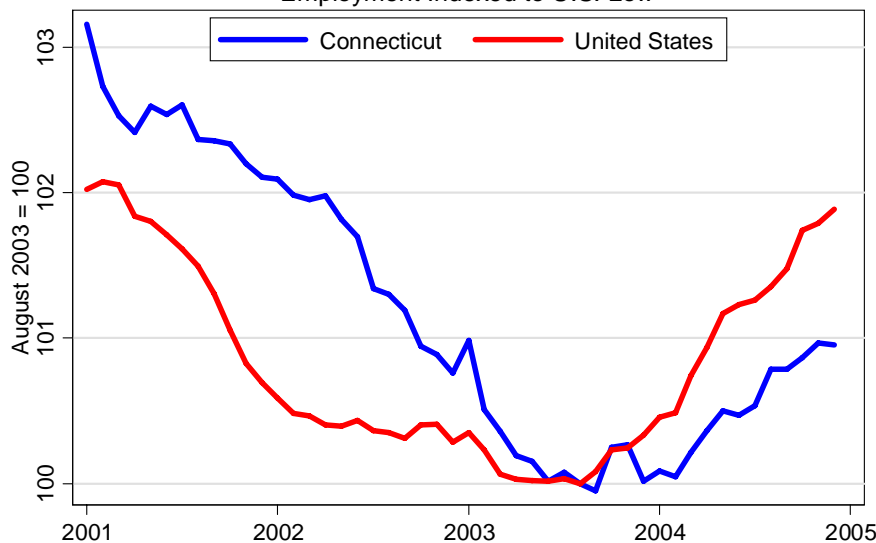
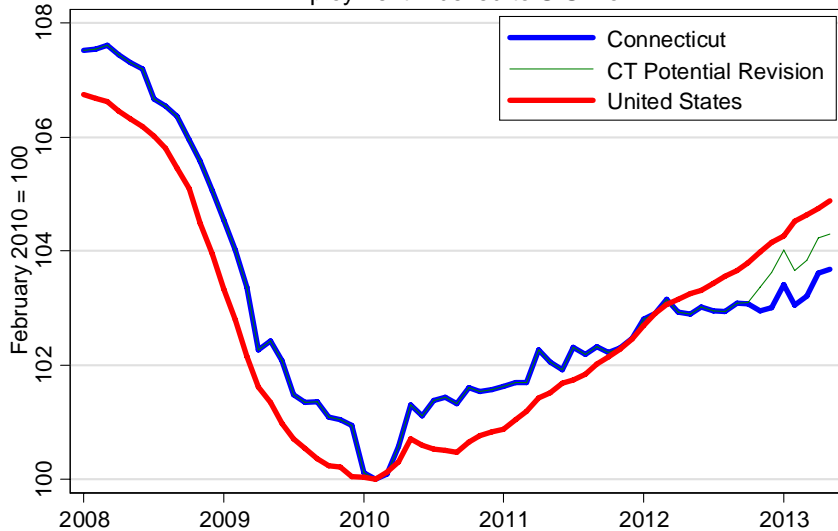


Chart 2: Connecticut vs. U.S. in Recession

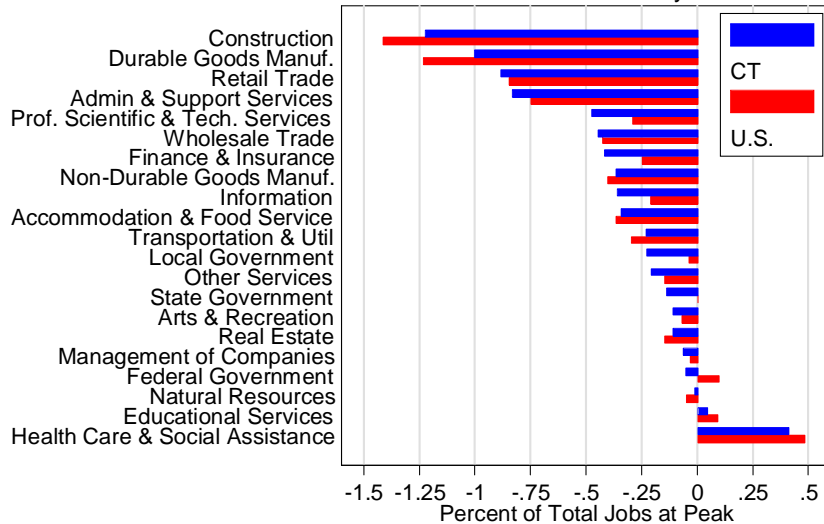
Employment Indexed to U.S. Low



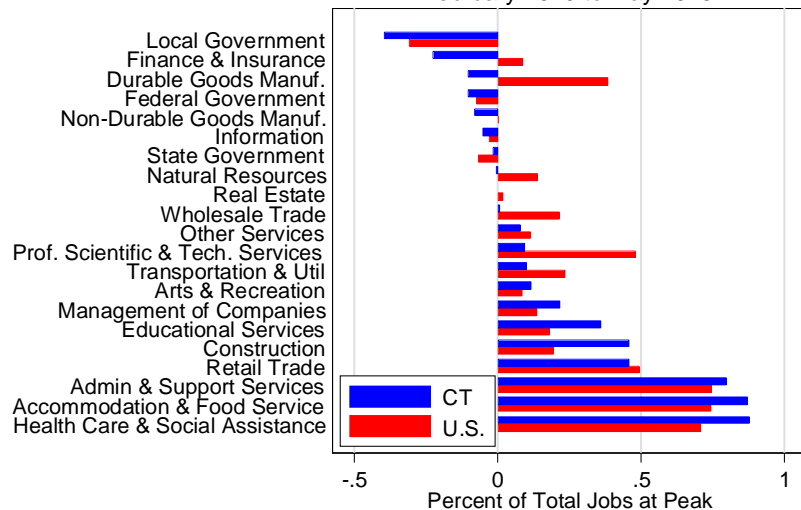
**Chart 3: Connecticut vs. U.S. in Recession**  
Employment Indexed to U.S. Low



**Chart 4: Change in Employment**  
March 2008 to February 2010



**Chart 5: Change in Employment**  
February 2010 to May 2013



the potential for a significant upward revision to the current jobs total when the annual benchmarking takes place in early 2014. (Chart 3) The Quarterly Census of Employment and Wages (QCEW), a comprehensive count of all payroll jobs in the state, has been showing more growth than the monthly numbers which are based on a survey of employers. (Unofficial CT Potential Revision through December 2012 was calculated using method described on pages 4 and 5 of the May "Connecticut Labor Situation" available at <http://www1.ctdol.state.ct.us/lmi/laborsit.pdf>. The 2013 levels are then calculated by the author using the (unrevised) reported monthly changes starting from the revised December level.)

**Employment Change in Current Cycle**

Connecticut's sector profile of employment losses during the recession is similar to that of the U.S. Every sector lost employment except Educational Services and Health Care & Social Assistance. The same can be said for the U.S. with the exception of the Federal Government which gained employment nationally while contracting in Connecticut. Connecticut lost proportionately fewer Construction and Manufacturing jobs, while our losses in Professional, Scientific, and Technical Services and Finance & Insurance were greater. (Chart 4)

The recovery period has seen big differences, however. We have gained proportionately more jobs in the Construction, Education, Accommodation & Food Services, and Management of Companies sectors and fewer in Professional, Scientific, and Technical Services, and Wholesale Trade. In addition, the Finance & Insurance and Manufacturing sectors have gained jobs nationally while they have contracted in Connecticut. The government sector at all levels has contracted both nationally and in Connecticut. (Chart 5)

As described in last month's Digest, our outlook is for continued slow growth through the end of next year. However, some prominent forecasters believe employment growth in Connecticut will accelerate starting in 2015. ■