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In July...

Nonfarm Employment

Connecticut..... 1,693,000
 Change over month +0.10%
 Change over year +1.2%

United States 144,448,000
 Change over month +0.18%
 Change over year +1.7%

Unemployment Rate

Connecticut..... 5.7%
 United States 4.9%

Consumer Price Index

United States 240.647
 Change over year +0.8%

Long Term Industry and Occupational Projections: 2014-2024

By Matthew Krzyzek and Patrick J. Flaherty, DOL

NATIONAL PROJECTIONS

Every two years, the U.S. Bureau of Labor Statistics produces 10 year projections of the U.S. labor force and employment by industry and occupation. The latest projections are for the period 2014 to 2024.

Labor Force

The U.S. labor force is projected to increase by 9.8 million workers from 2014 to 2024 (a 0.6% annualized growth rate) with the 2024 labor force projected to be older and more diverse. The number of workers aged 55 and older is expected to increase by more than 6.7 million (+19.8%) while the number aged 16 to 24 is projected to decrease by 2.8 million (-13.1%) with the largest labor force cohort – those aged 25 to 54 (also known as prime-age workers) up just 3.9 million (+3.9%). As a percent of the labor force, the 16-24 cohort will fall 2.1 percentage points to 14.1% in 2024; increased postsecondary enrollment is a primary cause of this share decrease.

The increase of older workers as a share of the labor force has been a long-term trend in recent decades and is projected to continue through 2024. In 1994, workers aged 55 and over were 11.8% of the labor force, but their share increased to 15.6% ten years later and was 21.7% in

2014. This age cohort traditionally has a lower labor force participation rate than prime-aged workers, but as quality of life and life expectancy increase, labor force participation is expected to rise from 21.7% in 2014 to 24.8% in 2024.

Overall labor force participation is expected to decrease from 62.9 percent in 2014 to 60.9 by 2024. Participation has been declining since the early 2000s and is expected to level off to just below 59 percent by about 2050.

Other characteristics of the labor force are changing as well. The portion of the workforce classified as White Non-Hispanic is projected to decline 4.9 percentage points to 59.6% by 2024. Other race and ethnic groups are expected to increase: Hispanic ethnicity (+3.6 percentage points to 19.8%), Asian (+1.0 percentage points to 6.6%) and Black/African American (+0.6 percentage points to 12.7%). Overall, the non-white proportion of the labor force has been steadily increasing for decades, increasing from 23.3% in 1994, to 30.0% in 2004, 35.4% in 2014 and expected to be 40.4% by 2024.

Industry

The demographic changes outlined in the previous section will have corresponding impacts on expected industrial shifts. The aging population will continue to

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Managing Editor: Jungmin Charles Joo

Associate Editor: Erin C. Wilkins

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Connecticut Department of Labor

Scott D. Jackson, Commissioner
Kurt Westby, 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



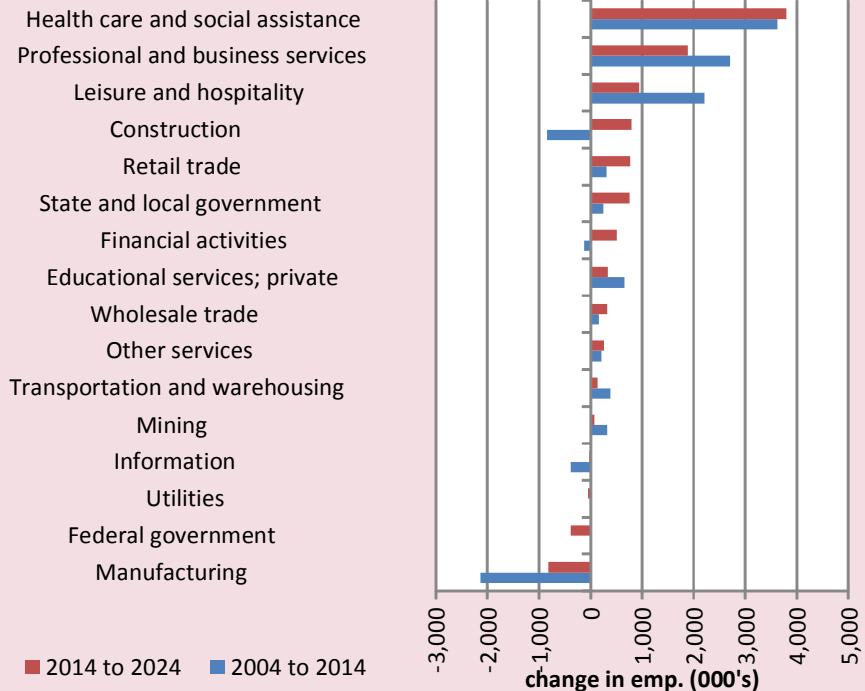
Connecticut Department of Economic and Community Development

Catherine Smith, Commissioner
Tim Sullivan, Deputy Commissioner
Bart Kollen, Deputy Commissioner

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



Chart 1: U.S. Industry History and Projections



increase demand for Health Care, which is the fastest growing industry sector and is projected to increase 3.8 million jobs, or 1.9% per year through 2024 (Chart 1). This increase is more than triple the 0.6% compound annualized growth expected for total employment.

Additional sectors with large expected growth include Professional and Business Services, which is projected to increase by 1.9 million jobs to 21 million. Leisure and Hospitality is also expected to increase by 9.4 million, or 0.6% annualized growth, the same rate as the overall economy. After significant employment losses in the wake of the housing bubble and recession, where employment fell by 838,000 from 2004 to 2014, Construction is expected to increase by 790,000 to 6.9 million, which will bring employment in that sector back to near pre-recession levels.

Four industry sectors have negative employment forecasts through 2024, which are Manufacturing, Federal Government, Utilities, and Information. These four sectors have respective projected employment change of -814,100

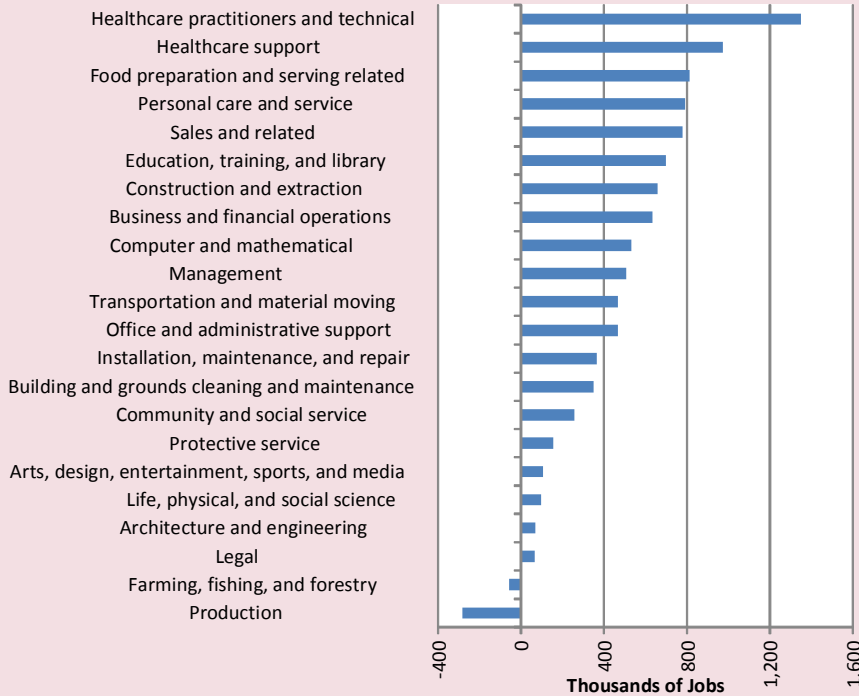
(-7.2%), -383,400 (-16.3%), -47,900 (-9.5%) and -27,100 (-1.0%).

In terms of labor market share, Service Providing industries have increased from 83.5% of nonfarm employment in 2004, to 86.3% in 2014 and are expected to be 87.1% by 2024, while Goods Producing industries have experienced and will experience corresponding declines.

Occupation

Six occupations are projected to increase by over 300,000 jobs in the next ten years: Personal Care Aides (+458,100, +25.9%), Registered Nurses (+439,300, +16.0%), Home Health Aides (+348,400, +38.1%), Combined Food Preparation and Serving Workers (+343,500, +10.9%), Retail Salespersons (+314,200, +6.8%) and Nursing Assistants (+262,000 +17.6%). Of these occupations, four are in the health care sector, and those four occupations show significant occupational growth, increasing between 16.0 percent and 38.1 percent through 2024. This trend is driven in large part by aforementioned demographic

Chart 2: U.S. Occupational Change 2014-2024



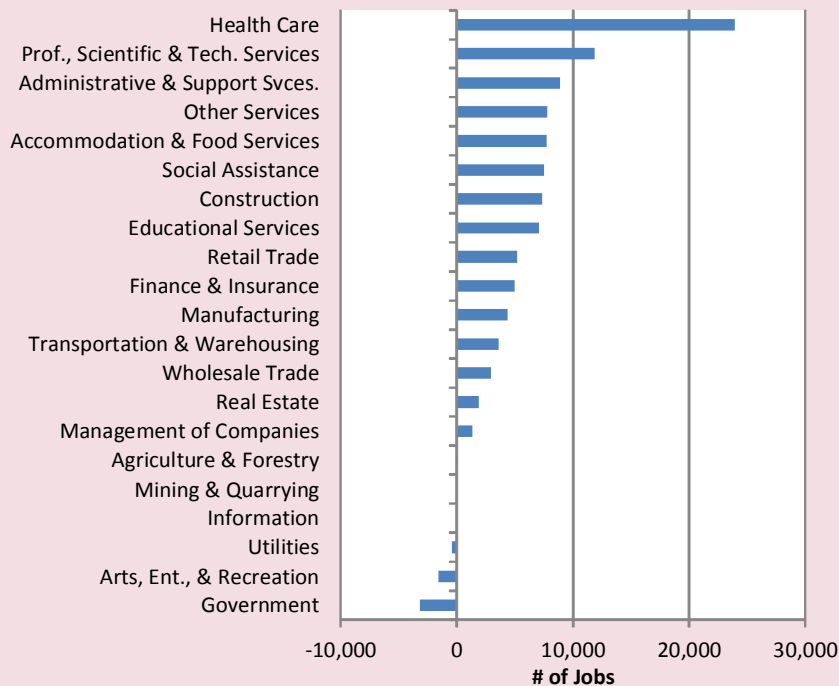
shifts as the population ages. The other two occupations, Retail Salespersons and Combined Food Preparation and Serving Workers, have in recent years been steadily increasing, a trend projected to continue. Nearly every occupational group is expected to experience an employment

increase over the next ten years (see Chart 2), with the exception of the Farming, Fishing, and Forestry sector and the Production occupations.

CONNECTICUT PROJECTIONS

Connecticut projections are prepared using the national

Chart 3: Connecticut Projections Employment Change 2014-2024



projections, forecasts of state employment growth, and an analysis of trends affecting industries and occupations in the Connecticut economy. The long term (2014 to 2024) projections assume a full-employment economy at the end of the period because the Labor Department does not attempt to forecast the ups and downs of the business cycle that far into the future.

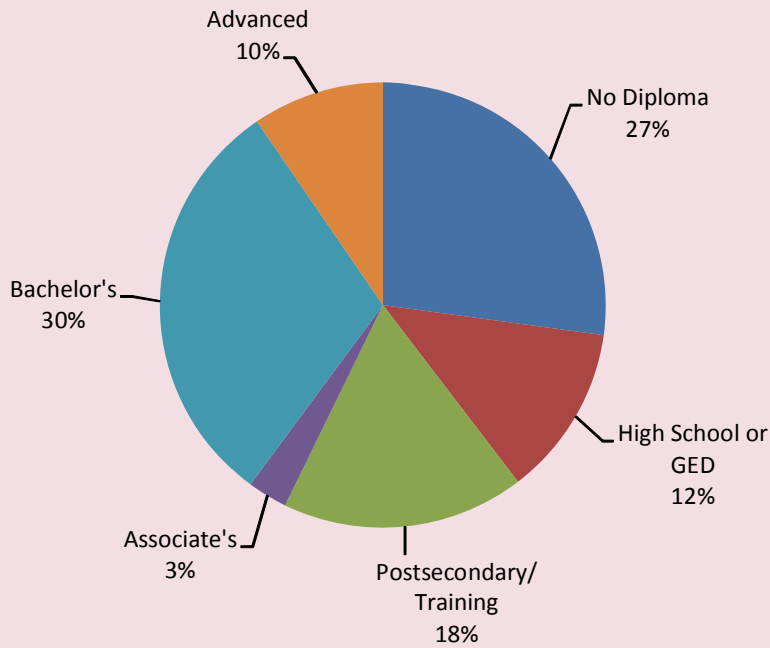
Industry

The largest sector, and the one expected to add the most jobs over the next ten years, is Health Care (Chart 3). Driven by the aging population, employment is projected to grow by nearly 25,000 jobs by 2024. Most of that growth is expected to be in Ambulatory Care settings – offices of practitioners and outpatient centers. Home health care services are also expected to add employment. Assisted Living Facilities are also expected to grow, but employment at General Hospitals and Nursing Care Facilities (nursing homes) is expected to contract.

Professional, Scientific, and Technical Services, which gained 7,600 jobs from 2004 to 2014, is projected to add nearly another 12,000 jobs by 2024 with a majority of the new jobs coming in the Computer Systems Design and Related Services industry. Management, Scientific and Technical Consulting Services is also projected to post significant gains in the coming years. Architectural, Advertising, and Legal Services are projected to end the 10-year period about where they started.

The sectors that lost the most jobs in the past ten years (Manufacturing, Finance & Insurance, Construction and Retail Trade) are all projected to expand significantly by 2024 but will not regain 2004 levels by 2024. Manufacturing, in particular, has experienced decades of employment declines. Even the relatively modest 4,400 projected ten-year gain is a dramatic turnaround from previous trends.

Chart 4: Projected Employment Growth by Educational Requirements 2014-2024



On the other hand, Educational Services, which grew by nearly 20,000 over the past ten years, is projected to see growth slow down significantly. Employment is still projected to increase by over 7,000 jobs but this growth is only a bit more than one-third the growth of the previous decade. The slowdown is driven by slower projected growth in the school-aged population with elementary and secondary schools projected to show employment growth just above zero.

Three sectors that are expected to decline over the next ten years are Utilities, Arts, Entertainment, and Recreation and Government (excluding Education and Hospitals). The Utilities decline is small and represents productivity improvements in that sector. Arts, Entertainment and Recreation will be held back by increased competition in the casino gaming industry. Continued fiscal pressures are projected to lead to further reductions in government

employment at both the federal and state levels.

In the ten years ending 2014 (a period that included the “great recession”) employment grew significantly less than 2%. Overall, Connecticut employment is expected to grow more than three times faster (on average) for the 2014-2024 period to achieve a full employment economy at that time.

Occupation

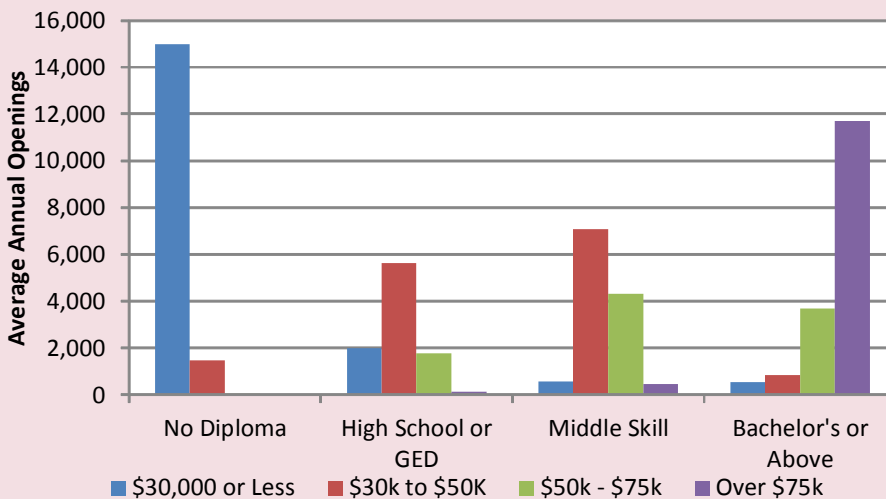
All of the major occupational groups are expected to increase over the next ten years. The occupational group projected to add the most jobs is the Personal Care and Service Occupations which include Personal Care Aides and Childcare Workers. The second largest increase is in Management Occupations, a group that includes a wide variety of executives and managers. Computer and Information Systems Managers are expected to show particularly rapid growth. Rounding out the top three is Healthcare Practitioners and Technical Occupations. Consistent with the aging population, Connecticut will need more nurses, physicians, and physical therapists.

In addition to growth, the projections include estimates of openings due to replacement needs as workers retire or move on to new occupations. The occupations with the most openings (Retail Salespersons, Cashiers, Waiters & Waitresses, and Food Preparation & Serving workers) are those with high replacements needs. While some workers make their careers in these occupations, for many these jobs are held for a few years before the workers move on in their careers. Interestingly, the growth in demand for health care workers is such that Registered Nurses, a career-oriented occupation, is sixth in terms of total openings.

Education and Training

Each occupation is assigned a minimum education category based on our best knowledge of

Chart 5: Openings by Education and Median Wage



the minimum education required to enter the occupation. Particular jobs within an occupation may have different requirements but in most cases these requirements will be at or above the minimum for the occupation. In addition, some occupations require work experience in a related occupation. Finally, some additional on-the-job training, an apprenticeship, or an internship might be required to become proficient in the occupation. The projections show significant growth in many occupations that require a college or even a professional or advanced degree in fields such as health care, education, finance, and information technology. As Chart 4 shows, more than 60% of the additional employment will be in occupations that require some education beyond high school. On average, those occupations that require an Associate's, Bachelor's, or Advanced or Professional Degree will grow significantly faster than overall employment.

Education and Wages

The projections suggest that education will remain valuable over the next ten years. While we are projecting thousands of annual openings in occupations with a minimum education requirement of less than a high school diploma, the current median wage for these occupations is less than \$30,000 per year (assuming full-year, full-

time work). On the other hand, most of the openings in high-paying occupations (those with a current median annual wage of \$75,000 or more) require a college degree or even a professional or advanced degree. Chart 5 shows the number of annual growth openings projected for occupations by current median annual wage and minimum education and training requirements. The chart shows that there will be opportunities for workers in low-skill, low-paying jobs to increase their incomes by gaining a credential and entering a Middle Skill occupation, while those who are able to graduate from college will greatly increase their chances of a high-paying career. (Middle Skill jobs are those that require at least a high school diploma plus some additional training or education – such as an Associate's Degree – but don't require a 4-year college degree.)

Accuracy of the Projections – Data Limitations

When evaluating the projections it is important to keep a few things in mind. The projections are based on the assumption of a full employment economy in 2024. Given the ups and downs of the business cycle, it is possible that the economy will

not be at full employment at that time. The average annual openings are not attempting to predict how many openings there will be in a given occupation in any particular year. As the word "average" suggests, some years will be higher, others will be lower. Finally, while the projections take into account as much currently available economic and labor market data as we can evaluate, there will be changes over the next ten years which no one can anticipate. Our projections are for industries and occupations that currently exist. New industries and occupations that we cannot even imagine today may well become significant by 2024.

Connecticut's economy has been adding jobs since the recession ended in early 2010. The assumption of full employment in 2024 requires employment growth of less than 1% per year for ten years. While some years will have slower growth – and some faster – the average growth rate is realistic and attainable. Connecticut projection details are available on the Connecticut Department of Labor's Labor Market Information page at <http://www1.ctdol.state.ct.us/lmi/projections.asp>. More detailed national projections are available at www.bls.gov/emp. ■

GENERAL ECONOMIC INDICATORS

| | 1Q | 1Q | CHANGE | | 4Q |
|---|-------------|-------------|--------|-----|-------------|
| | 2016 | 2015 | NO. | % | 2015 |
| <i>(Seasonally adjusted)</i> | | | | | |
| General Drift Indicator (1996=100)* | | | | | |
| Leading | 117.7 | 110.1 | 7.5 | 6.9 | 116.8 |
| Coincident | 116.9 | 115.6 | 1.3 | 1.1 | 116.4 |
| Farmington Bank Business Barometer (1992=100)** | 134.5 | 132.0 | 2.5 | 1.9 | 134.1 |
| Philadelphia Fed's Coincident Index (July 1992=100)*** | Jul | Jul | | | Jun |
| <i>(Seasonally adjusted)</i> | 2016 | 2015 | | | 2016 |
| Connecticut | 168.96 | 162.47 | 6.49 | 4.0 | 168.31 |
| United States | 178.26 | 173.01 | 5.25 | 3.0 | 177.78 |

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).