



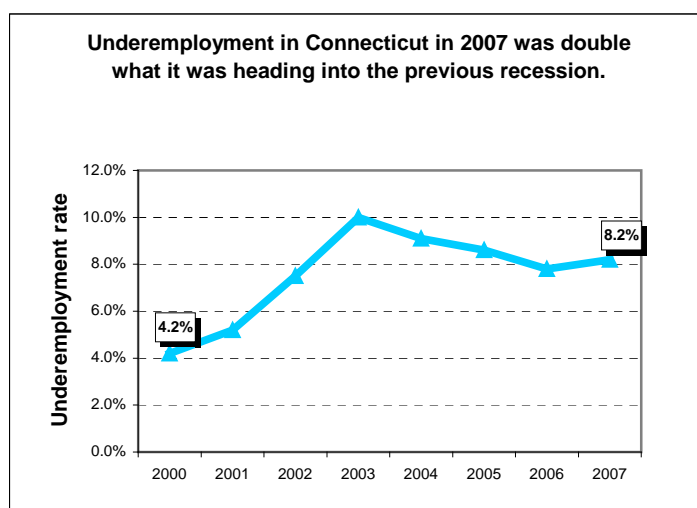
The State of Working Connecticut, 2008 Job Trends and the Labor Force: Executive Summary

December 2008

Connecticut is following the rest of the country into difficult economic times. A lackluster economic recovery between 2003 and 2007 has left the Connecticut labor market in worse shape than it was entering the economic troubles of 2001 and 2002. In order to prevent a repeat of the weak and drawn-out recovery of the past few years and soften the negative impact of an economic recession upon workers and families, Connecticut will need to take bold and innovative steps to stem job loss and help struggling workers gain the security and tools needed to get back on their feet. The state must also avoid exacerbating its economic problems by making the kind of state budget cuts that would undermine its strengths – a well-educated workforce and growing educational and health job sectors.

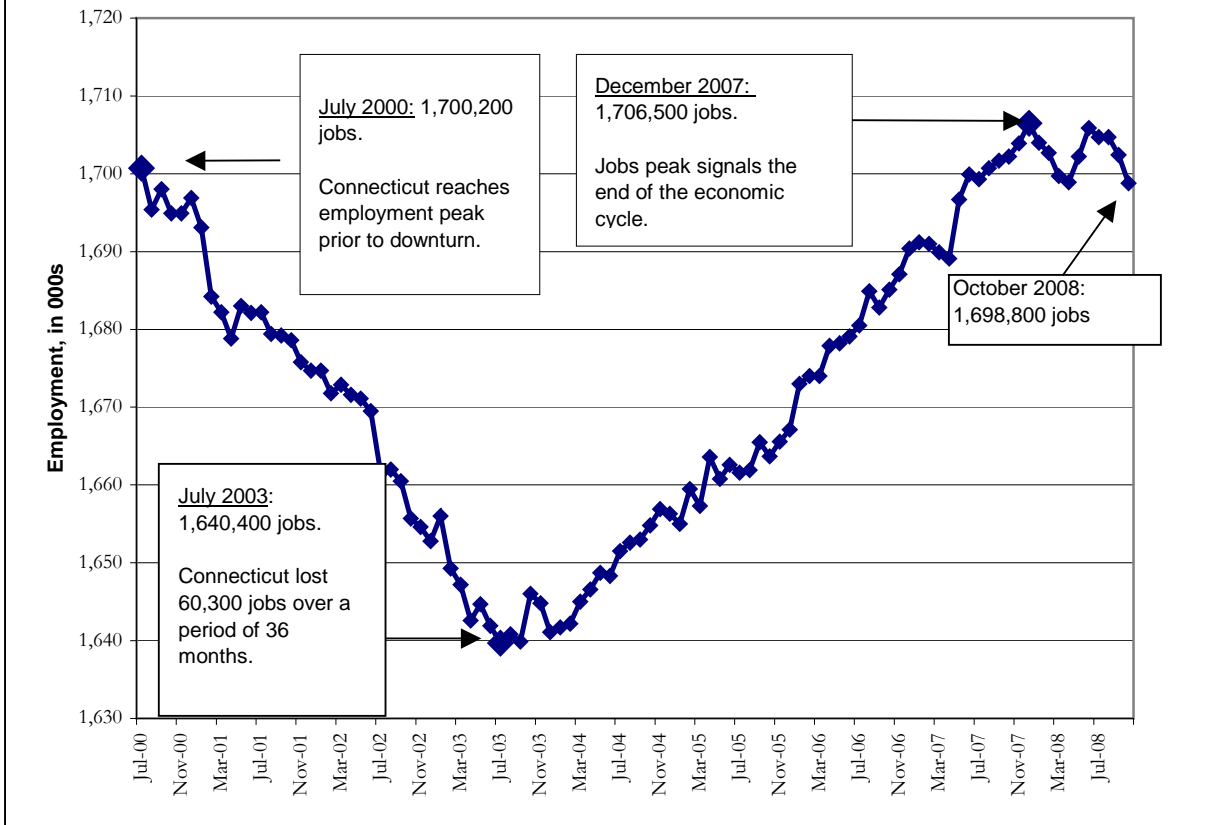
The State of Working Connecticut, 2008: Job Trends and the Labor Force is the second part of a two-part report on the latest data concerning Connecticut's workers. It is divided into three sections. The first section describes the current demographic composition of the workforce within the context of short- and long-term workforce dynamics. The second section explores job growth by sector and overall, and examines jobs gained and lost by average wage. The third section tracks unemployment and *underemployment* by various demographics and regions. The major findings and conclusions of this report include:

Connecticut was worse positioned entering into the current recession than it was going into the last. The cross-section of labor market indicators in 2007 presented in this report should be interpreted within a relevant historical context. The National Bureau of Economic research officially declared that the United States economy has been in recession since December of 2007, making 2007 the last recovery year of the previous economic cycle. It is instructive, then, to compare economic indicators in 2007 with indicators in 2000, the last year of economic recovery before the recession of 2001. Several of these comparisons are discouraging. Connecticut's average unemployment rate in 2007 (4.5%) was double the unemployment rate in 2000 (2.2%), and unemployment has jumped dramatically in 2008. Moreover, underemployment—a measure that includes discouraged workers who have stopped looking for work and people who are involuntarily working part-time—was also twice as high in 2007 than in 2000. Total employment numbers were virtually the same in 2007 as they were in 2000, though in past economic cycles, Connecticut experienced net job gains. This underscores the pressing need to bolster safety nets and work assistance so that workers who fall on hard times can get back on their feet, provide for their families, and continue to contribute to the broader economy.



Source: CT Voices and EPI analysis of Current Population Survey Data.

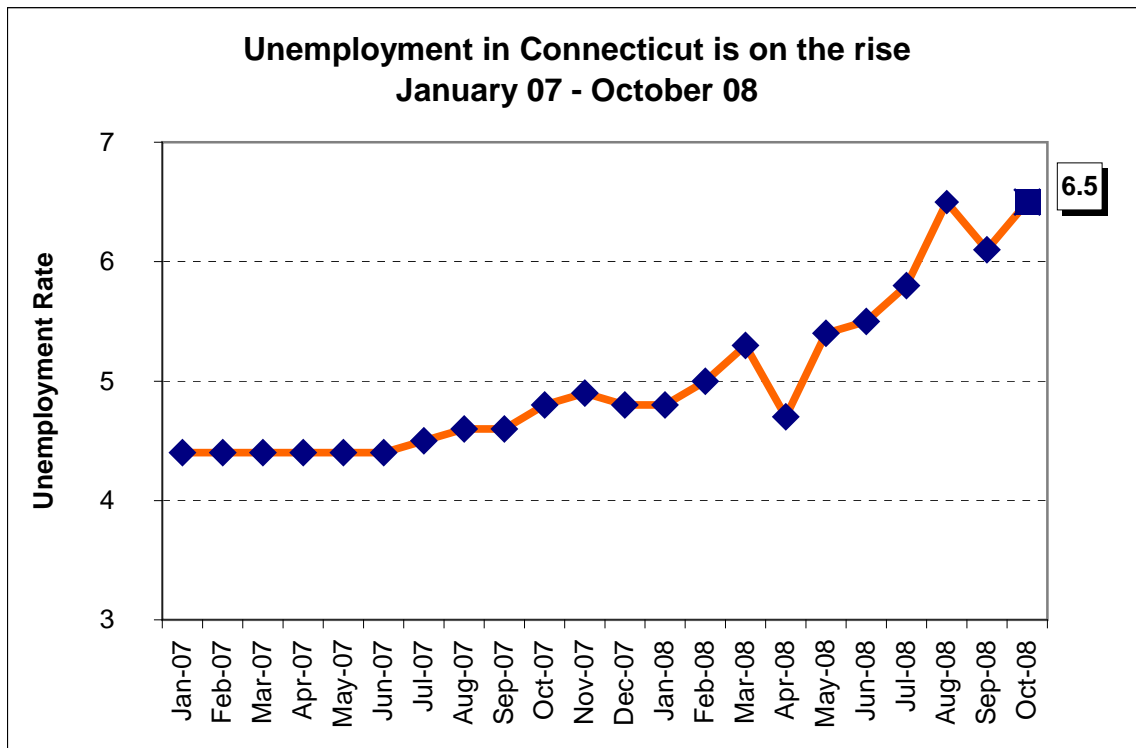
Employment in Connecticut: July 2000 to October 2008 (in 000s)



Source: CT Department of Labor, Labor Market Information data, August 2008.

Employment levels have begun to decline since peaking in December 2007. The Connecticut Department of Labor recorded 1,698,800 jobs in September of 2008. The number of jobs in Connecticut has shown no signs of growth since December of 2007 when jobs were at their peak of 1,706,500. Nationally, jobs have been declining and employment in Connecticut has begun to follow. The continued erosion of manufacturing jobs, a tightening retail market, and high exposure to the deeply troubled financial sector are likely to be top contributors to Connecticut's employment challenges in the months ahead.

Industry sectors where Connecticut is gaining the most jobs pay less, on average, than industry sectors where Connecticut is losing jobs. The average 2007 wage in the five employment sectors showing largest employment losses was \$64,301, compared with an average wage of just \$49,036 for jobs in the four sectors with the highest employment gains since October 2007. Connecticut continues to shed manufacturing jobs and add health and education jobs. The decline in manufacturing and the growth in educational and health services account for the lion's share of the compositional change in Connecticut's workforce since 1990, when there were 109,400 more manufacturing jobs and 90,100 fewer health and education jobs. Between October 2007 and October 2008, Connecticut lost 2,600 manufacturing jobs while adding 4,900 jobs in health and education services. **The health and education sector is the largest job sector in the state, with 288,000 jobs. It is also growing more than any other job sector.** During that time, Connecticut also lost 3,100 jobs in retail trade and 1,400 financial jobs, and gained 1,400 government jobs and 1,000 jobs in wholesale trade.



Source: CT Department of Labor, Labor Market Information data, August 2008.

Unemployment is increasing, more volatile, and highly regionalized. Unemployment in Connecticut has risen quickly since the end of 2007. At 6.5% in October, unemployment is 1.7 percentage points higher than it was a year earlier and is likely to increase through the economic downturn. Unemployment is not only a potentially catastrophic event for families that face it, but in the aggregate it can be a harbinger of broader economic troubles and declining state revenue. It is important, then, that economic policies focus on both providing assistance to workers who lose their jobs as well as aiding workers to gain the education and skills necessary to find new work. Connecticut's unemployment rate has also been uncharacteristically volatile in recent months. Since January 2008 there have been three month-to-month unemployment shifts of greater than 0.5%, while shifts of this magnitude had not occurred at all between 1982 and the end of 2007.

Over the past year, unemployment rates are almost universally higher across Connecticut's towns. Every labor market area has seen an unemployment increase of between 0.5% and 2.4% since a year ago in October 2007. However, some towns and regions feel the sting of rising unemployment more acutely than others. Connecticut's largest cities have unemployment rates that are much higher than the state average, led by Hartford's 11.4% (up from 8.6% in 2007), Waterbury's 9.8% (up from 6.9%), and Bridgeport's 9.2% (up from 6.5%), and New Haven's (up from 6.8%). These unemployment hotspots are often surrounded by other towns with higher than average unemployment rates.

Long-term unemployment in Connecticut is the highest in New England. 20.3% of Connecticut's unemployed have been so for a period longer than 26 weeks, the point at which transitional aid from federal unemployment insurance is traditionally no longer available. This is three percentage points higher than the national average (17.6%) and the highest in New England. As economic conditions deteriorate, long-term unemployment will likely rise, meaning that many more unemployed families will lose their transitional unemployment benefits.

Unemployment and underemployment in Connecticut are characterized by wide racial/ethnic disparities. In Connecticut, minority unemployment is more than twice as high as white unemployment. White workers in Connecticut had a 3.5% unemployment rate, compared to 8.8% for African Americans and 8.5% for Hispanics. Underemployment in Connecticut has a similar disparity, with 6.3% of white

workers working less than they would like compared to 15.8% of African Americans and 15.7% of Hispanics.

Union coverage in Connecticut's labor force has slowly been eroding. In 1991, 20% of the Connecticut workforce was either part of a union or received benefits from a union. Since 1991, this percentage has steadily dropped to under 17%. Weaker union coverage has hurt union bargaining power that has traditionally been able to secure higher wages and benefits.

To better ensure that Connecticut's economy more fully contributes to the quality of life we want for *all* our families and communities, and that prosperity and opportunity are more widely shared, Connecticut Voices for Children recommends that Connecticut:

- ***Avoid state budget cuts that would further undermine the economy and reduce supports for the working families and the unemployed.*** The Center for Economic and Policy Research recently estimated the potential harm that states could do to their economies by pursuing budget cuts rather than revenue enhancements to close budget deficits. They estimate that for the current fiscal year, Connecticut would lose 2,200 jobs if we relied on budget cuts to close 40% of the budget gap, and 5,400 jobs if we relied on budget cuts to close the entire budget shortfall.¹ The detrimental impact on the state of closing much larger budget deficits in the following two fiscal years could prove devastating if Connecticut follows a budget-cutting path. For example, Connecticut's education and health job sector, heavily dependent on public investment, is the largest job sector in the state, with the greatest amount of growth, even during the recession. Severe cuts to state spending in this area could undermine an area of progress in the state economy, and weaken one of Connecticut's economic advantages – its well-educated workforce. With household costs rising and jobs shrinking, the state must also do more to help low-wage families make ends meet. The state should also avoid budget cuts for programs that reduce family expenses (e.g., child care subsidies, housing subsidies, energy assistance), and provide affordable health insurance for the unemployed and uninsured. Expanding the coverage and benefits of our unemployment insurance program, and providing wage insurance for workers who lose their jobs, also can help cushion families from economic catastrophe.
- ***Rethink the state's economic development strategy, particularly the state's heavy use of business tax credits.*** Each year, hundreds of millions of dollars in tax credits and other tax preferences are given to businesses for economic development. The identities of all these businesses are not disclosed, nor is there an adequate evaluation of the benefits to taxpayers. The loss of state revenues from corporation business tax credits alone (an estimated \$306 million in Fiscal Year 2009) has increased 113-fold since 1987. There is no comprehensive economic development plan that guides the adoption of new tax credits. Indeed, more than one-third of the projected FY 2009 revenue loss results from three new "film industry" credits. Facing a major state budget deficit and a rise in unemployment, we must ensure that all of our state dollars are invested wisely and effectively. To make such an evaluation possible, there must be public disclosure of corporate tax credits and an evaluation of their benefits in the number of higher-wage jobs created.
- ***Expand our public investment in education and training.*** Since post-secondary education clearly is a key to higher earnings and steady employment, barriers to college must be reduced including by investing more in pre-school and K-12 education to reduce the state's enlarging achievement gap, targeting interventions to curb the number of youth who drop out of high school, increasing funding for college scholarships, and expanding financial support to our public colleges and universities to limit tuition increases.

¹ Matthew Sherman, *The Effect of Budget Belt-Tightening on Employment*, (Center for Economic and Policy Research, 2008).