



***County Business Patterns June, 2006:
Connecticut gains firms, not jobs***

The just-released 2005 County Business Patterns from the U.S. Census show Connecticut gained more than 1,950 businesses compared to the recent low in 2003, reaching a record high of 93,561. However, these 1,950 new businesses employed 26,000 fewer workers than during the peak in 2002.¹ Furthermore, the total number of employees in 2005, at 1,529,827, is at the same level as in 1999, at 1,530,539. Consequently, while Connecticut has reached a new high in the number of business establishments, the growth in the employed workforce has not shown a corresponding increase.

More important for the future of Connecticut's economic health is the changing composition of these businesses. Since 1998, manufacturing has lost 766 firms, and wholesale firms saw their numbers decline by 571. The largest growth was in "Accommodations and Food Services" with a gain of 830 firms. Construction added 532 and real estate added 224 firms, driven by the strength of those sectors. Health care gained nearly 400 firms while "Finance and Insurance" grew by almost 500 firms. "Educational Services" saw its numbers increase by more than 200.²

This state-wide pattern is consistent with the frequent reports that many of the jobs Connecticut has been gaining have lower wages than those it is losing. In addition, the increasing presence of firms in the highly cyclical construction and real estate sectors may be creating significant vulnerability to the state's future economic health. The growth in health care reflects both the continuing robust growth in that sector nationally and also Connecticut's specific demographics, with its rapidly aging population. The only positive sector of growth in the number of firms—because of its relatively high wages—was financial services, a sector which also enjoyed job growth of 488 since 2000.

Among the state's counties, New London was the decisive winner, consistently adding jobs—more than 9,000 since 1998—and business establishments, up 374. Middlesex and Tolland Counties both did well, expanding on both fronts, and helping offset losses in their sister counties of New Haven and Hartford. Fairfield County performed poorly in employment—losing nearly 20,000 positions—but held its own in total number of establishments, with a gain of 282 businesses in financial services.

Fairfield County

¹ These figures do not include businesses with no employees, i.e. the self-employed.

² The gains in some sectors, if measured from the nadir of 2003, are significantly larger.

Despite the storied wealth of Fairfield County, it has seen virtually no net change in the total number of business establishments since 1998, at 28,438, versus 2005, at 28,558. Furthermore, the number of employed workers dropped by 19,000 from a high of 462,542, in 2002, to 443,415, in 2005. These county employment numbers ranked Fairfield County 49th (Hartford County was 48th) nationwide in the number of employed workers. Those same years saw the addition of 280 new financial services firms, a fact that underlines the broad health of that sector in Fairfield County, which also saw the number of construction firms grow by 220 and those in accommodations and food services grow by 260. The only sector to see a major loss was manufacturing, which had 250 fewer firms in 2005 than in 1998.

Hartford & Tolland Counties

Hartford County, which has had the worst economic track record among the state's regions, employed 8,700 fewer workers in 2005, at 450,901, than in 1998, at 459,632. However, the total number of business establishments in Hartford increased by 100 during this same time period; growing from 23,275, in 1998, to 23,379, in 2005. Employment sector trends from 1998 to 2005 followed statewide trends. There was a combined loss of 275 businesses among manufacturers and wholesalers. Seventy new businesses were added in real estate, 155 new businesses in health care, and 160 new businesses in accommodations and food services.

Tolland County offset some of the 1998 to 2005 decline in Hartford County by adding 3,578 jobs. This job creation represents an increase of 13.5%, from 26,462 jobs in 1998, to 30,040, in 2005. During this same period, Tolland lost 37 retail businesses, but added 54 in construction and 13 in real estate, netting 2,555 establishments in 2005 - versus 2,500 in 1998.

New Haven & Middlesex Counties

New Haven County has recovered some employment from its low in 2002, reaching 337,242, in 2005, but this is still 5,900 below the peak of 343,145, in 1999. Similarly, total business establishments increased to 20,905, which is the highest level since 1999 when New Haven County had 20,937 businesses. New Haven County lost 248 manufacturing firms, but gained 83 health care providers and 53 construction firms between 1998 and 2005.

Middlesex, like Tolland to Hartford, helped offset loses in its sister county of New Haven; adding 6,300 jobs since 1998 and reaching 65,447 in 2005. Between 1998 and 2005, Middlesex had a net gain of 274 businesses. Twenty-eight manufacturing firms were lost during this period, but the construction sector added 48 businesses and professional services added 58 business.

New London & Windham Counties

In terms of adding jobs and businesses, New London County is the decisive winner. It added 9,295 jobs and 374 firms to reach 2005 totals of 112,708 jobs and 6,089 businesses. Its gains in business establishments came across the board: 99 new in construction, 62 new in professional services, 85 more in accommodations and food services, 34 in real estate, and 58 in health care. New London County suffered modest business losses in just four sectors: manufacturing (17), wholesale (18), retail (17), and "Other Services" (55). In total, this is a very good record.

Windham County had modest gains between 1998 and 2005. Jobs increased by 983 and 129 new businesses appeared. There was an 18% increase in businesses providing accommodations and food services, whereas the number of manufacturing firms dropped from 201, in 1998, to 193, in 2005.

Overall, these business patterns offer little encouragement for Connecticut's long-term economic growth. While Connecticut is the nation's wealthiest state, enjoying the highest per capita income at present, the pattern of firm creation and job growth is taking the state towards potentially high job volatility and typically lower wages. Connecticut's official population projections, recently released by the Connecticut State Data Center at UConn (ctsdc.uconn.edu), underline this economic transformation. Connecticut demography is projected to have a decline in the working age population; a potential decline in the quality of its work force; and a sharp increase in the share of the population that is elderly. An increasing elderly population will demand more public services and expanded health care services. Connecticut has the resources to pursue strategic investments and public policies that would change this pattern. However, to-date we do not have a systematic process for identifying the challenges the state will face in the near future. If we do not determine the state's future needs and limitations, then we cannot be expected to have a coherent public policy and the corresponding public sector investments that would mitigate the downward spiral into which the state's economy is heading.

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