DETAIL: articles and graphs companion to the Report on the State of Colorado Employment: A 35,000 to 42,000 Jobs Deficit and Slower Job Growth than in the 1990s

by Bob Powell, 8/23/05[1]

This paper includes referenced articles and backup graphs.

Articles

http://www.denverpost.com/business/ci_2890451

Article Last Updated: 7/26/2005 01:43 AM

Denver tagged with "overpriced" label

By Aldo Svaldi, Denver Post Staff Writer, DenverPost.com

Metro Denver landed on the Forbes.com Top 10 list of "Most Overpriced Places" for the first time since the study started in 2002.

Denver ranks No. 9, just ahead of Los Angeles. The financial magazine's website examined the nation's 150 largest cities by cost of living, job growth, income growth and housing affordability, using 2004 data.

"Mile High takes on new meaning now that Denver is one of the top 10 most overpriced cities," the website stated.

Denver ranked 93rd for job growth, 118th for income growth, 109th in housing affordability and 124th for its cost of living. Housing affordability was based on "how much of a local median-priced home you can buy if you earn the local median income," Forbes.com said.

The region's ranking indicates job and income growth haven't kept pace with the prices of housing and other living costs.

By contrast, a report by Forbes.com Monday titled "Best Cities for Singles" gave the Denver- Boulder metro area its top spot: "Topping our list for the second consecutive year, the Mile High City edged out larger metros like Boston and San Francisco, thanks to its booming job market, relatively low cost of living and large university population."

The Metro Denver Economic Development Corp. said Monday that it plans to send an e-mail countering the Forbes.com "Most Overpriced Places" study with information from 2005 that shows stronger job growth and rising incomes in Denver, said Tom Clark, executive vice president of the organization, which is affiliated with the Denver Metro Chamber of Commerce.

"These rating systems are behind," Clark said. "A year ago, I might have agreed with them."

There's an upside to living in a pricey place, said Tucker Hart Adams, a regional economist with U.S. Bank.

"We are not a cheap place to do business, and I hope we aren't going to be," she said. "You want to be competitive, but you also want to be desirable. But if you are desirable, it means you are more expensive than other places."

Adams and other economists said the region's robust job growth and relatively flat gains in home values in 2005 could help improve affordability measures.

The metro area is on track to add 30,000 to 35,000 jobs this year, more than double the 12,400 jobs added to payrolls last year. And home prices in the Denver/Aurora area appreciated at a 3.9 percent annual pace compared with 12.5 percent nationally through 2005's first quarter.

"In 2004 we had minimal increases in our home prices, we had minimal increases in the overall cost of living, and employment gains were finally registered," said Patty Silverstein, an economist with Development Research Partners in Littleton.

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http://www.denverpost.com/business/ci_2881255/ci_2892607

Article Last Updated: 7/27/2005 12:50 AM

Colo. school woes hurt economy, panel told

By Jon Sarche, The Associated Press, DenverPost.com

Deficiencies in Colorado's education system might be holding back the state's economic recovery and growth, experts told a legislative panel Tuesday.

An economist and members of the business community told the Interim Committee on Economic Development that Colorado ranks low in many facets of education.

The state's brightest students are well-served, with high numbers of those scoring well on college entry exams graduating from college, said Tom Clark, executive vice president of the Metro Denver Economic Development Corp. Clark also said the state ranks second in the country in the percentage of adults with bachelor's degrees.

But he said teacher salaries, which affect the quality of education, are relatively low; Colorado's overall spending on education is among the lowest of all states; and fewer than half of high school students start college.

"Getting kids to college seems to be one of our dominant challenges," Clark said. "We do a good job educating college-bound kids, it's just that we don't have as many college-bound kids as our competitors."

It was the first of up to five meetings for the new six-member committee formed by Rep. Alice Borodkin, D-Denver. The group plans to consult with a broad range of experts to develop recommendations and possible legislation to improve the state's economic picture.

"Basically, economic development is recruitment, retention and research," Borodkin said after the meeting. "We (legislators) need to stop doing piecemeal stuff - meaning a tax break here and a tax credit there. We need to have a long-range vision for the legislature to review on an ongoing basis."

Economist Tucker Hart Adams, president of the consulting firm Adams Group Inc., told the committee the state's economy appears healthy for the near future. Job growth is on

[1] This revision 6 primarily expands some material into a section on "The Effect of Growth on Jobs" and removes the articles and backup graphs to the companion document noted in the footnote below. Also made minor edits and added a major points summary.

the rise, unemployment is down, and personal income is growing, she said.

"Definitely we're seeing Colorado move in the right direction," Adams said. "We're not outperforming the nation to the extent we did in the 1990s, but at least we're not underperforming."

But there are warning signs on the horizon for the Front Range, including high levels of consumer debt and a housing bubble that could be close to bursting, she said. With high rates of borrowing and credit-card use during the recession, consumer debt levels in the Denver and Colorado Springs areas are among the highest in the country, Adams said. She also noted that there are at least 20,000 more houses than there are people to buy them, and new types of mortgages such as interest-only and no-document loans have allowed people to buy houses they otherwise could not afford.

Denver Post staff writer Christine Tatum contributed to this report.

<http://www.marketwatch.com/news/story.asp?guid={a4486d2f-d56a-402c-b769-c400d88b208d}&siteid=mktw&dist=SignInArchive&archive=true&param=archive&garden=&minisite=>

U.S. jobless rate understated, study says

Labor force participation rates have not rebounded By Rex Nutting, MarketWatch

Last Update: 2:56 PM ET July 15, 2005

WASHINGTON (MarketWatch) - The current low U.S. unemployment rate probably understates the true level of joblessness by 1 to 3 percentage points, the senior economist at the Boston Federal Reserve says.

Millions of potential workers who dropped out of the labor force during the recession four years ago have not returned as expected and are thus not counted in the official unemployment statistics, said Katharine Bradbury in a paper published by the Boston Fed. Read the study.[2]

The jobless rate fell to 5% in June the lowest level since the terror attacks of September 2001.

Labor force participation rates "have not recovered as much as usual and the discrepancies are large," she wrote.

"Current low rates of labor market participation thus potentially represent considerable slack in the U.S. labor market," she wrote.

The amount of slack in the economy is a key variable for Federal Reserve policymakers, who have been raising interest rates for more than a year to return rates to "neutral' levels.

All things equal, the more slack in the economy, the lower rates ought to be.

Some policymakers have argued that the economy is close to full employment with the jobless rate at 5%, thus justifying higher rates to pre-empt inflationary pressures from building in a tight labor market.

While the official unemployment rate has fallen from a peak of 6.3% in June 2003 to 5% in June 2005, the labor force participation rate remains close to 15-year lows of 66%.

Typically, labor force participation rates rebound sharply following recessions, Bradbury found.

The official jobless rate understated the severity of the slowdown in 2001 and has overstated the strength of the recovery since then, she said.

Government unemployment statistics are calculated by asking adults who aren't working if they'd like to work and if they've actively looked for work. Only those who are working or looking are considered in the unemployment rate calculations.

Crunching the numbers

The unemployment rate is derived by dividing the number of people who are unemployed (and looking) by the number of people in the labor force.

The labor force participation rate is calculated by taking all those working or looking for work and dividing by the total adult population.

The labor force participation rate has changed dramatically over the past 40 years as more women entered the workforce and more teenagers and young adults continue their education. At the same time, participation rates for adult men declined, as more took early retirement and disability benefits improved.

In 1965, only about 59% of all adults were in the labor force. By 1996, the figure had risen to 67%. When the recession began in March 2001, the participation rate was 67.2%.

All of the improvement in participation rates during this recovery has come from people over 55, as more relatively healthy Baby Boomers enter this cohort. At the same time, participation rates for teenagers have fallen to 44% after averaging more than 50% during the 1990s boom.

If labor force participation rates had improved as much during this recovery as typical, between 1.6 million and 5.1 million more people would be in the labor force, Bradbury concluded.

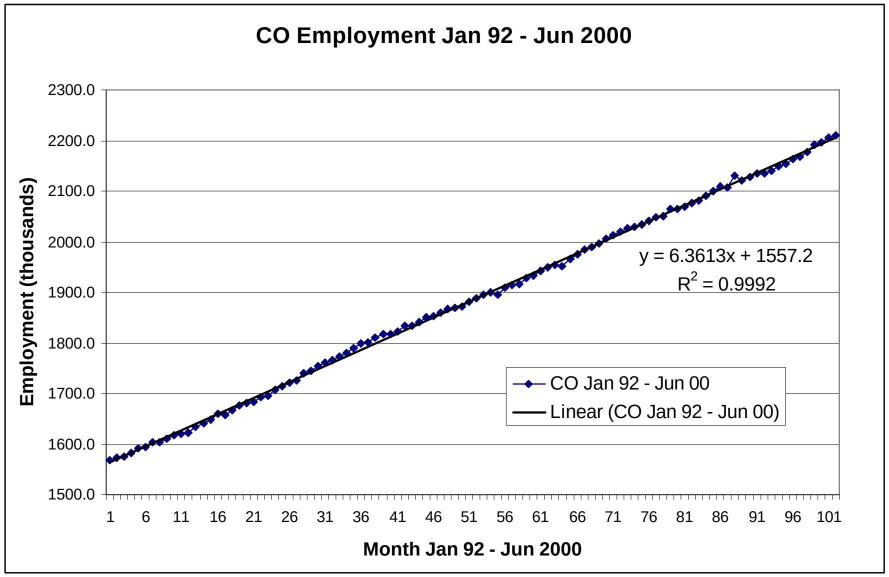
If those people were counted in the labor force but not working, the jobless rate would have been somewhere between 6.5% and 8.7%, rather than the 5.4% reported by the Labor Department in the three months from November 2004 to February 2005.

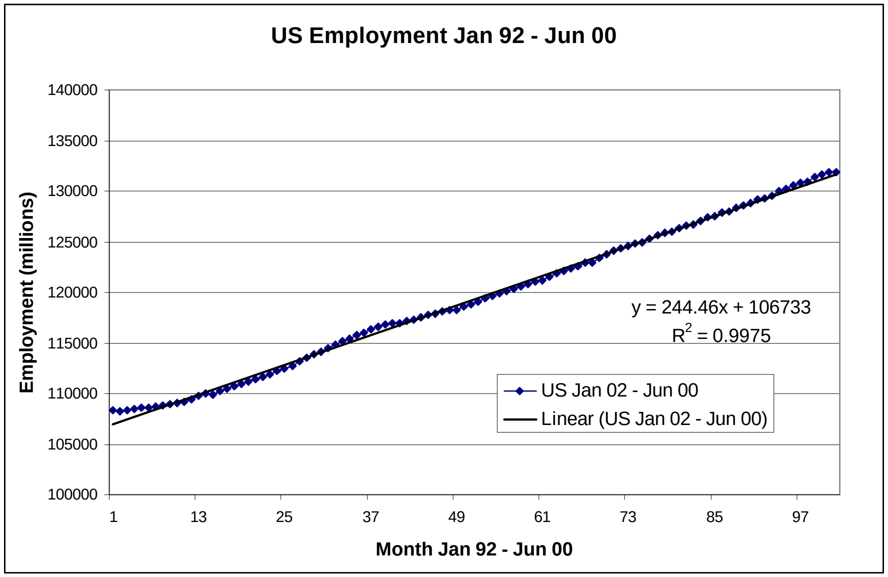
"An 8.7% unemployment rate would represent considerable slack in the labor market," Bradbury said.

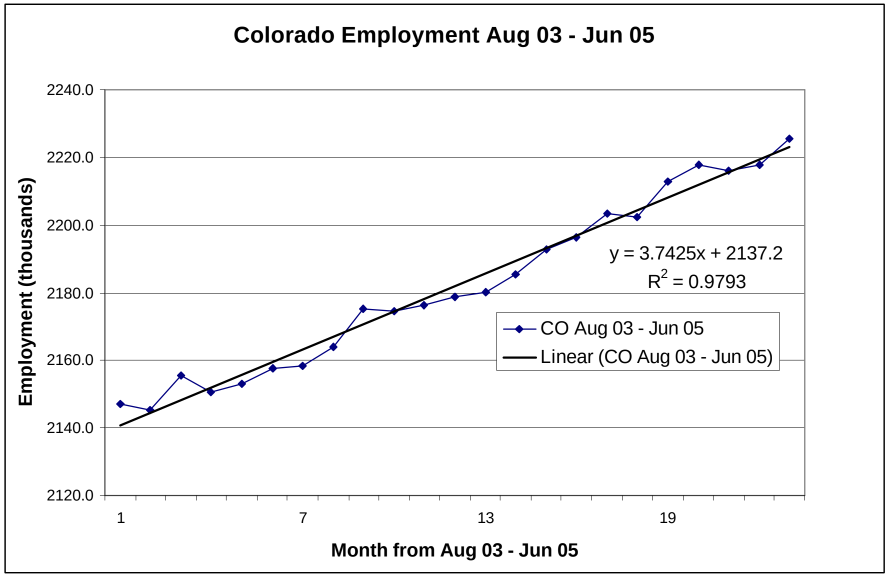
Rex Nutting is Washington bureau chief of MarketWatch.

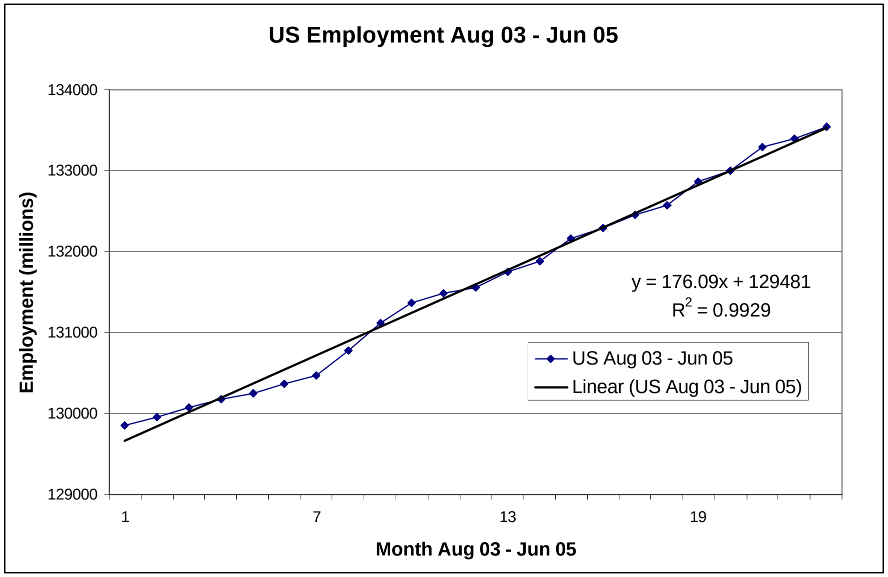
[2] http://www.bos.frb.org/economic/ppb/2005/ppb052.pdf

Graphs determining employment growth rates over indicated periods.









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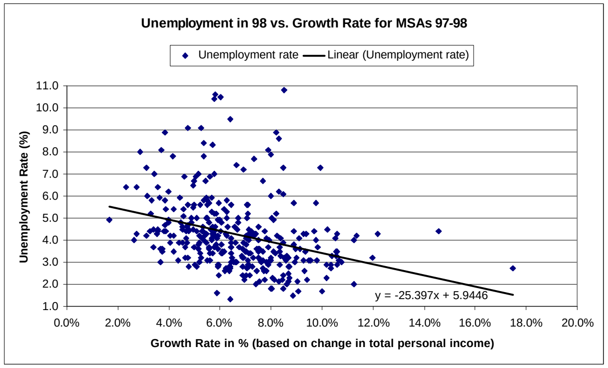
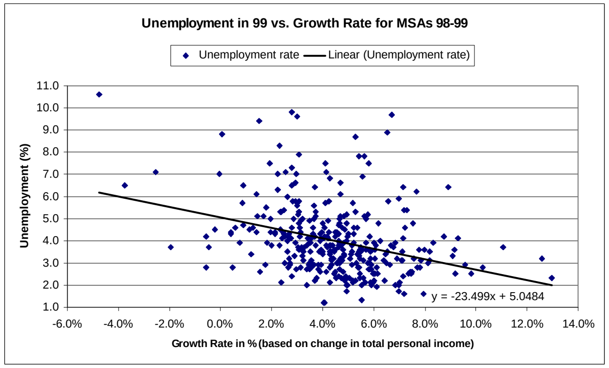
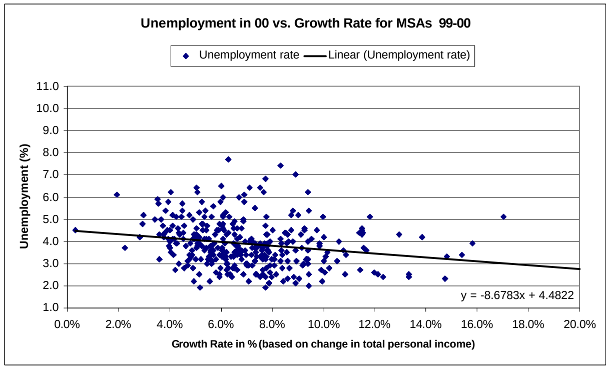
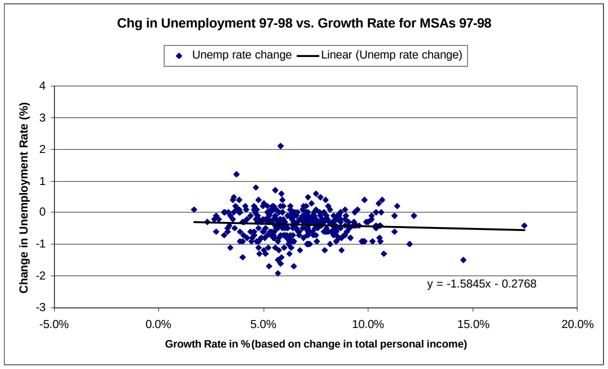
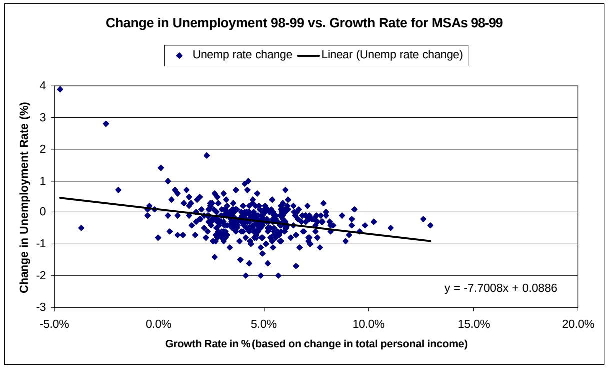
Graphs showing unemployment and change in unemployment vs. growth rate for MSAs

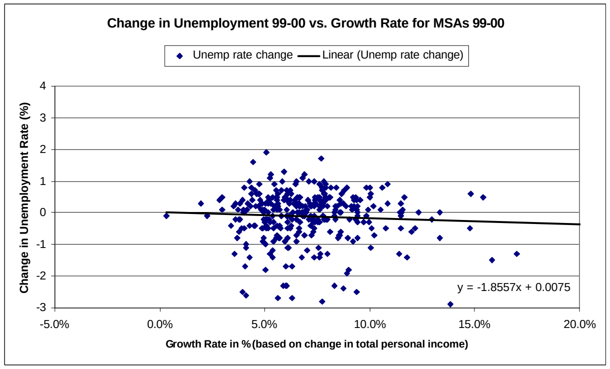


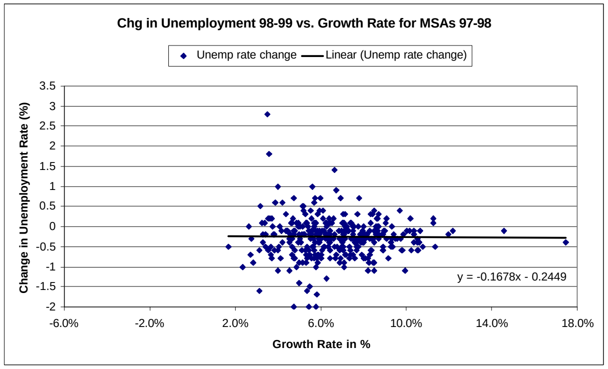


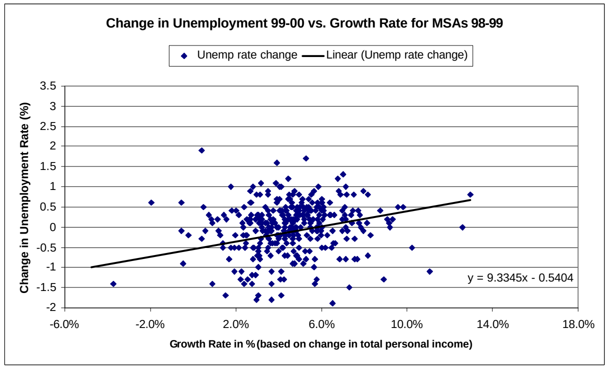


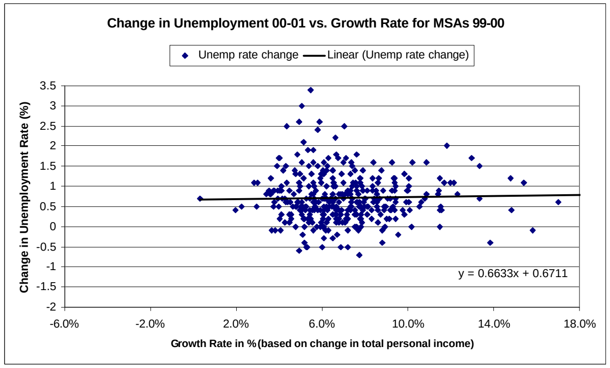












Graphs showing unemployment and change in unemployment vs. growth rate for MSAs (continued)