

Census a “wake-up call” on economy

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Rhode Island’s fourth consecutive dip in population in as many years is another sign of the state’s stagnating economy, say experts who track demographic and business trends.

In estimates by the U.S. Census Bureau, the state lost about 3,800 people between July 2006 and July 2007, after accounting for births, deaths, and people moving in and out of the state. The drop represents 0.4 percent of the state’s 1,057,832 population.

The only other state that lost population during that time frame was Michigan, which lost about 30,500 people, or 0.3 percent of its total population.

“Michigan and Rhode Island have something in common, which is the lack of job creation,” said John Logan, a sociology professor at Brown University. “Generally, population trends follow economic opportunity very closely. ... The lack of growth is a good indicator of the lack of attractiveness of the state to people who might be looking for a job.”

Western states that are experiencing job growth and cheaper housing costs saw the greatest increase. Nevada and Arizona led the nation in population growth, as they have in recent years, increasing by 2.9 percent and 2.8 percent, respectively. Utah and Idaho followed, growing by 2.6 percent and 2.4 percent, respectively.

Yesterday, interviews with several experts showed a divergence of opinion on the dip in population. While some blamed high taxes on highly paid workers and a poor business climate, others disputed those claims, pointing toward high housing costs and slow job growth.

Leonard Lardaro, an economist at the University of Rhode Island, says the state’s population decline was not surprising. Housing costs remain high. Job growth has slowed. Manufacturing has lost 1,800 jobs statewide since the start of the year. Unemployment in the state rose to 5.2 percent last month, up from 4.9 percent in October. The national unemployment rate in November was 4.7 percent.

“This is a continuing negative trend, of losing our working-age population, ages 16 to 65,” Lardaro said. “An economy like Rhode Island that has been lagging will tend to lose population due to the bad combination of slow job growth and a lot of home equity.”

Lardaro theorized that some residents sold their houses when the market was still strong and moved to other parts of the country with dynamic job markets — the South, Southwest and the Northwest.

“We are coming to a point in Rhode Island where a lot of our positives are being offset by negatives,” Lardaro said. “We are creating some jobs, but we are losing even more than we are adding.”

And as the national economy slows, it will be harder for Rhode Island to reverse the downward trend, Lardaro said.

Lardaro blames the state tax structure, which he calls “punitive,” discouraging highly paid, highly skilled workers from moving here, and high-tech companies from expanding here. Someone in Rhode Island making \$200,000 a year or more is taxed at a high state income-tax rate — over 9 percent — compared with 5 percent in Massachusetts, Lardaro said.

Said Governor Carcieri in a statement, “The reported loss of population certainly reflects the state’s high tax burden, which has been a longstanding problem affecting every aspect of our economy. The need to reform state government, and bring costs under control to an affordable and sustainable level is long overdue.”

Gary Sasse, executive director of the business-backed Rhode Island Public Expenditure Council, agrees.

“We are losing productive people, particularly in the 25-to-39 age range, and we’re losing college-educated people,” Sasse said. “You’ve got to create a business climate that is conducive to job growth. Instead, we as a state are getting older and poorer.”

Laurie White, president of the Greater Providence Chamber of Commerce, which represents 2,900 companies, calls the state’s population decline “a serious problem.”

About one-tenth of the state’s population — 100,000 — are college students. White says more would stay if the state offered them a wider range of high-paying jobs after they graduated.

“We are losing our next generation of workers, which makes for a shallower work force and erodes our tax base,” White said. “And then that makes it harder to attract industry and retailers. We are last in the nation in terms of a competitive tax policy. Our small-business friendliness is very low. We don’t fund our pension plans enough. And now we are losing population in greater numbers. This is a serious wake-up call.”

Not everyone is sounding the alarm over the population decline.

Kate Brewster, executive director of the Poverty Institute, an advocacy and research organization based at Rhode Island College, disputes that the state is unfriendly to business or that it is losing college-educated professionals.

“From 1997 to 2004, the number of Rhode Islanders reporting incomes over \$200,000 rose by 87 percent, a faster rate than in neighboring Connecticut and Massachusetts,” Brewster said. “Detailed IRS data show no evidence of the rich fleeing Rhode Island.”

Brewster also said that because Rhode Island offers tax cuts and deductions to the wealthy, the actual percentage of income tax they pay is closer to 5.7 percent. “So there’s no reason to think that high taxes are driving the wealthy out,” she said.

Brewster blamed high housing costs and the lack of new construction, as well as slowing job creation, for the loss in population.

Mark G. Brown, principal planner at the state’s Division of Planning, said the census estimates are just that — estimates.

“Did we really lose people?” asked Brown. “I think when the 2010 census comes out, it will show we actually gained a small number of people since 2000.”

The census estimates also do not account for illegal immigrants, Brown said, which the federal government has said number between 16,000 and 20,000 in Rhode Island.

Nevertheless, there is some indication that the number of immigrants moving here is starting to dip.

Last year, about 3,650 people from abroad were estimated to have moved to Rhode Island each year since 2000. As of this year, the number slipped to 3,400, based on a seven-year average.

Rhode Island has also averaged 13,124 births and 10,188 deaths a year since 2000.

Yet Brown also said a few of his family members have moved to Arizona and Texas, where they were able to buy four-bedroom houses for under \$150,000.

“People are moving out there. It’s cheaper, let’s face it,” Brown said