2026-9-6

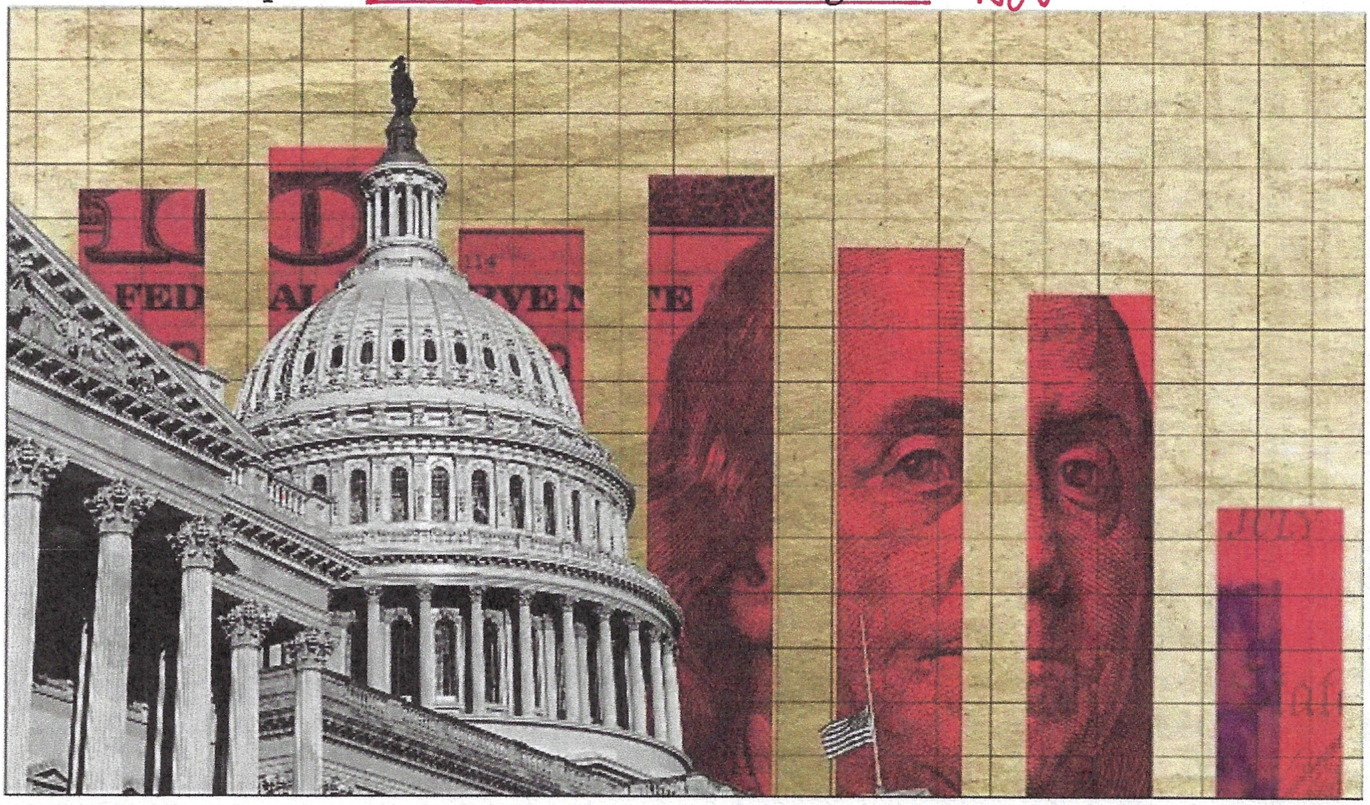
# Numbers show two sides of the economy

ECO

Eco vs Job growth

The Denver Gazette · 6 Sep 2026 · C4 · TATIANA BAILEY

Businesses should not be thinking about how to accomplish the same (or even more) work with fewer junior employees. That will create a long-term talent problem (in 5-10 years), and a labor market and economic development void in both the short and long run. Note



McKinsey & Co.

As summer comes to a close, it's evident that economic growth and job growth are increasingly telling two different stories.

The U.S. economy continued to moderately expand with a 1.5% annualized growth rate in the second quarter. But employment growth has slowed considerably. Note

This divergence is important because for decades economic growth and job creation were often thought to move together. Part of this seeming contradiction ties to "worker productivity," or how much output we produce for every hour worked. Increasing productivity is allowing the economy to grow without a commensurate increase in workers. Note

Any gains in productivity are good, but perhaps more so now with the demographic challenges of relatively fewer working-age people and a tsunami of retirees. Productivity growth has always been instrumental in how businesses grow and economies generate higher standards of living (although the latter is true only if businesses compensate workers for the increased output associated with productivity gains).

1

Now we are seeing a technology boom with artificial intelligence, automation, software and other capital investments that are enabling workers to produce more in less time.

But there is another side to this transition: businesses may not need to hire as many people to generate the same or greater output. This is particularly relevant for younger workers and recent graduates who traditionally enter occupations through entry-level positions.

Indeed, economists love innovation that brings "productivity gains" because this has often been a linchpin in historical periods of rapid economic growth. History shows that there is typically job loss and some painful adjustment, but things do settle and usually humanity is better off.

Yet, there are IT experts like Bill Gates who are sounding the alarm that this time is different because AI will touch every industry leaving AI "refugees" with nowhere to go. In other words, there will be unmanageably high levels of job loss. We shall see where things land, but in the meanwhile I say harness what is productive and positive.

Note

On that note, it's worth highlighting an excellent analysis by McKinsey that challenges the notion of using AI to replace junior workers.

Productivity gains help explain why the economy can simultaneously have decent GDP growth and a labor market that feels stagnant. Colorado's latest data also illustrates this point. Real state GDP increased 2.7% yearover-year in the first quarter of 2026, but the state's employment picture is much weaker with state forecasters saying this anemic job growth will continue this year and next (e.g., only about 6,300 new jobs in 2026 according to the CU Leeds Business School).

## Assessing the job market

1 2 3

Growth is projected to occur in only three major sectors: education and health services, professional and business services and construction, while seven sectors are expected to lose jobs.

County data show similar softness. In the first quarter this year, El Paso County jobs declined by 1,652 compared to a year earlier. This data was just released and unfortunately, it appears that the marked slowdown in regional job creation that started in 2024 is holding true so far this year. Job losses started in 2025 (-1,428) while 2024 had meager job growth at about one-fifth the levels of the previous three years.

The unemployment numbers reinforce the picture of a labor market that is softening but not falling off a cliff. The U.S. seasonally adjusted unemployment rate declined from 4.2% in June to 4.1% in July. Locally, unemployment moved slightly higher. El Paso County's nonseasonally adjusted unemployment rate increased from 4.1% in June to 4.3% in July. The number of unemployed people in the Colorado Springs metropolitan area increased to 16,777 while local job openings increased from 19,173 to 19,923. That leaves about 0.84 available workers for every job opening in our region, highlighting that even with hiring reticence across the country, we still do not have a sufficient number of qualified, working-age people who are available to fill the positions that businesses require.

This demonstrates the demographic challenge of too few working-aged people due to low birth rates that started in the 1970s and concomitantly high numbers of retirees. But the civilian labor participation rate keeps falling and stood at 61.5% in June.

There is more to this than demographics, including lower immigration with about 40,000 deportations per month. Many also highlight childcare and elder care constraints that keep caregivers from working. Some also cite individuals who simply choose not to work.

At a PPSC presentation in August, a faculty member brought up the average wages for many jobs and asked, "Do you think a lot of people choose not to work because it's not worth it at those low wages?"
I brought up the story of my dad's personal care aide who made $17.50 per hour. That is not a livable wage by any stretch, and to add insult to injury, the agency said it offered healthcare benefits but kept him at just under 30 hours a week, so it wouldn't have to pay for healthcare benefits.
This infuriated me, and because I know something about navigating our morass of a healthcare system, I fought tooth and nail to get the caregiver benefits, which he eventually received.
However, it would have made more economic sense for him to not work and file for Medicaid and SNAP (food assistance). That's a structural economic problem tied to shortterm gains (for companies) that have high household costs and I would argue incredibly high societal costs. Incentives have to align with what we expect in a well-functioning economic system.
Putting aside normative statements about why we are in this situation, the reality remains that a lower absolute number of available and participating workers makes productivity growth even more important. If we have fewer available workers relative to the overall population, producing more with each worker is not optional. It becomes central to future economic growth.
What can July's prices tell us about inflation?
Back to the basics. The U.S. consumer price index increased only 0.1% in July and was 3.4% higher than one year earlier. While lower inflation rates mean prices are increasing more slowly; it does not mean inflation is under control.
Households continue to pay substantially more for housing, insurance, food, utilities and many services than they did before the pandemic. This is the main reason consumer sentiment remains weak even while many traditional economic indicators like GDP and (low) unemployment rates look relatively healthy. Last week I also highlighted that the Federal Reserve's (and my) preferred inflation measure, the PCE price index, continues to flash red hinting at a possible interest rate increase in September.
It's important to remember that this persistent inflation makes wages matter even more so. In a stagnant labor market with a low new-hiring rate, as we currently have, workers have less leverage. One of the strongest mechanisms for wage growth is job switching: employers have to compete for scarce workers, and employees can move to better-paying opportunities. When hiring slows and workers become more reluctant to leave existing jobs, that upward pressure on wages diminishes. Note
Wage data showed El Paso County in Q1 of this year at $74,620, up 5.1% over 2025 Q1. The U.S. and Colorado were also up, but El Paso County gained ground compared to the U.S., dropping from 14.1% to 13.2% lower than the U.S. When compared to Colorado, El Paso County went from 18.8% to 19.0% lower. I am glad to see wage gains in our region, but the gap we need to close with the U.S. and Colorado remains.
U.S. consumer sentiment reflects inflation and inflation-adjusted wage concerns. The University of Michigan Consumer Sentiment Index fell to 51.7 in August (11% lower than a year ago) mostly due to inflation. Sentiment declines were seen for all political groups and were particularly acute among Republicans, which I believe will weigh heavily on mid-term election results. Older consumers, lower and middle-income consumers and those with no stock holdings also brought down the overall index.
How about housing?

Home sales in the Pikes Peak region held steady in July with 1,136, and the median existing single-family home price was $479,500 in Q2, virtually unchanged. Denver prices were essentially flat as well. But stepping back, Colorado Springs compares relatively well with several peer communities on housing costs. Our cost of housing index stood at 35% in the second quarter, meaning that a homeowner in our region needs to pay 35% of their pretax income to make their monthly mortgage payments. While this is historically high, our region fares better than Denver, Salt Lake City or Boise where residents have to pay 39% of their monthly pretax income or Boulder, which stood at 47%. ← Note

However, "better than Denver or Boulder" should not be confused with "affordable" for many households. It's all relative. The reality is that we have a nationwide shortage of affordable housing, creating prices that simply squeeze out many buyers. Locally, we were also simply used to being cheaper than the U.S. prior to the pandemic. Higher interest rates, of course, exacerbate this. Note

And the undersupply of new housing construction persists, which is also exacerbated by higher interest rates. Both single-family (139) and multifamily (two) permits were low in July. Based upon population growth and the region's existing housing shortage, our updated estimate is that the Pikes Peak region needs about 6,605 additional housing units each year through 2036 to match population growth and close the existing housing gap.

Our nonprofit just redid these calculations with new population numbers and other data. Feel free to reach out if you have questions on how this was calculated.

One encouraging local development is the expansion of affordable senior housing. Silver Key Apartments at North Weber received $1 million in Proposition 123 funding toward a 49-unit community for older adults earning 30% to 60% of Area Median Income. As El Paso County ages, developments like this help seniors remain both affordably housed and independent.

At the state level, a piece of good news is that we earned the No. 1 education ranking from U.S. News & World Report in 2026. Importantly, the ranking considers outcomes from preschool through college, suggesting Colorado's success is more organic, as opposed to simply attracting highly educated residents.

This boosts labor force participation, productivity, entrepreneurship and innovation, which are all important drivers of sustainable economic growth. I might be bold and say perhaps this educational advantage could give Colorado a competitive edge in coming years.

Instead, AI can be a key tool to quickly upskill junior talent with algorithms that teach entry-level workers what years of experience/education have given existing senior talent (context, historical knowledge, critical thinking). McKinsey & Co.