

The State of Working Connecticut, 2006: Executive Summary

September 2006

I. Introduction

This past week, the United States Census Bureau released new data from its Current Population and American Community Surveys, providing estimates on poverty, household income, and the number of persons lacking health insurance. In Connecticut (as in much of the rest of the nation) the trends seemed puzzling.¹

How, after three years of economic recovery in Connecticut², could a *larger* share of Connecticut's residents be living in poverty (family income less than \$19,961/year for a family of four)? In 2000-01, about 7.5% of our residents lived in poverty; in 2004-05, more than 9% (about 326,000 residents). And poverty among children is even higher; more than 12% of our state's children live in poverty.

How, after three years of economic recovery, could a larger share of our residents report that they had no health insurance? In 2000-01, 10% of Connecticut's residents reported lacking health insurance *for a full year*, compared to 11.3% in 2004-05 (about 394,000 residents). And, if one counted residents who lacked insurance for some part of the year, these numbers would be even higher.

Why, three years into an economy recovery, does it appear that Connecticut's median household income also is on the decline – from \$57,853 in 2000-01 to \$56,889 in 2004-05?

The figure below shows that over both the most recent past – 2000 to 2005 – and over a longer time period – 1997-2005³, Connecticut's growth in productivity has exceeded its median wage growth. Indeed, over the period 1997-2005, growth in productivity was *more than double* the growth in median wages (19% growth in productivity compared to 9% growth in wages). More recently (between 2000 and 2005) the gap is more pronounced; productivity growth has been *four times* greater than median wage growth (8% compared to 2%). In fact, although Connecticut's economy continues to grow (despite a period of stagnation during the worst parts of the state's recession), growth in wages for Connecticut workers – from very low-wage workers to all but the very highest wage workers -- has lagged.⁴ The loss of economic ground has been particularly severe for some subgroups of Connecticut workers, such as those who lack a high school education.

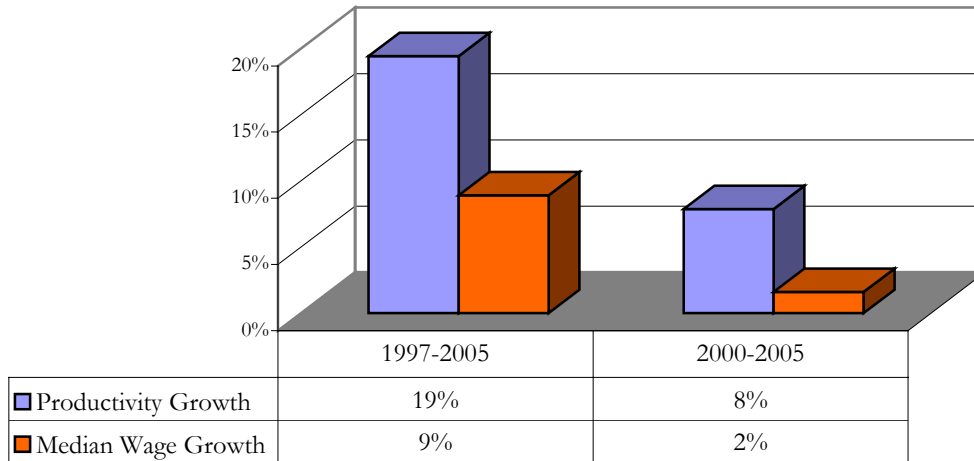
¹ For more details on the Census data, see CT Voices' Census 2006 page at www.ctkidslink.org/census.html

² Connecticut's economic recovery began in September 2003. Nationally, the recovery started much earlier, in November 2001. It has been almost five years since the end of the national recession.

³ This time frame was selected as it corresponds to the period in which Gross State Product has been calculated based on the NAICS system.

⁴ <http://www.bea.doc.gov/bea/regional/gsp/>.

**Connecticut Median Wage Growth Lags Productivity Growth:
1997-2005 and 2000-2005**



Connecticut’s economy may be on sounder footing than it was several years ago, but with wages down across the board, it is time to discuss whether this economy --and the current state and federal policy and budget choices that influence both the economy and its effects on families -- are really serving the best interests and well-being of Connecticut workers, Connecticut families, and Connecticut communities.

This executive summary of the sixth annual *State of Working Connecticut*, identifies some troubling disparities in economic opportunity and economic success across Connecticut’s communities, among residents who differ by race, ethnicity and gender, and between residents with different levels of educational attainment. These disparities threaten Connecticut’s economic vitality, and place Connecticut’s families and communities under great and unnecessary stress. A full version of the report is available at www.ctkidslink.org.

II. The Face of Working Connecticut

Race and Ethnicity. Connecticut’s labor force is less diverse in race and ethnicity than the national average. It is 77.9% White, 8.7% African American, 9.2% Hispanic, and 3.1% Asian/Pacific Islander, reflecting generally the racial/ethnic composition of the Connecticut population.

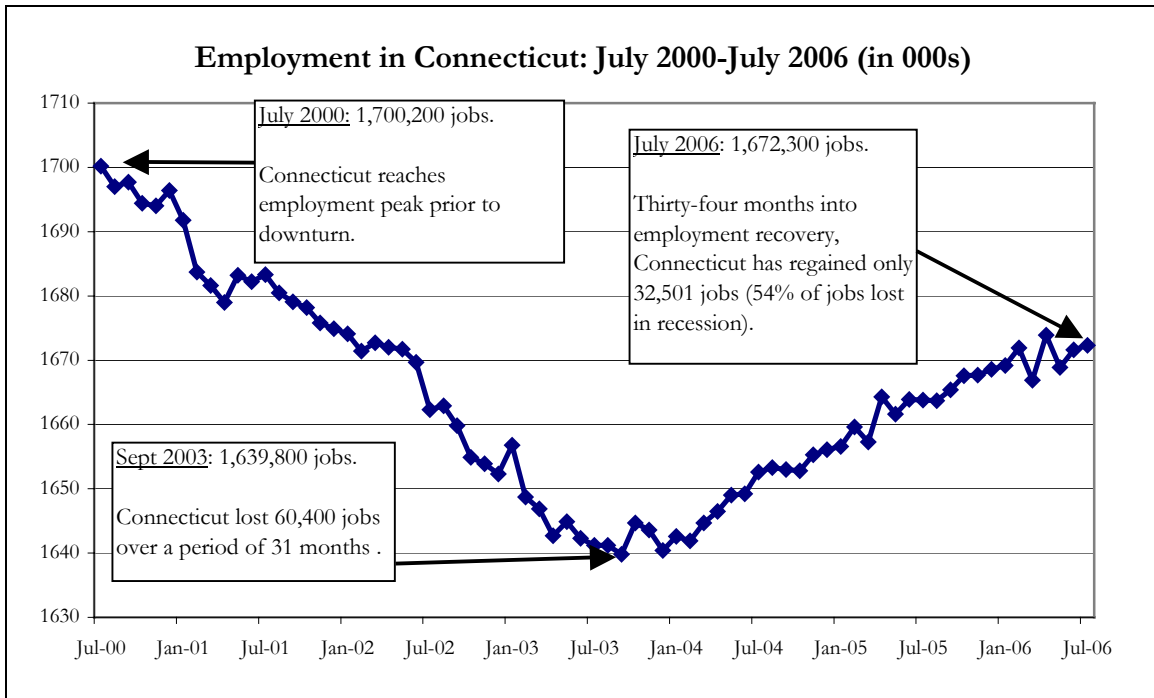
Gender. The labor force participation⁵ rates for men and women in Connecticut were 74% and 61%, respectively. The labor force participation rate for men, which declined during the 1980s, has remained fairly constantly since 1995, while the labor force participation rate for women, which increased during the 1980s, has fluctuated slightly since 1997. For both men and women, the importance of family-friendly policies that maximize the ability of parents to contribute to the economy while assuring competent care of their children also has grown.

⁵ The labor force participation rate measures the labor force as a proportion of the civilian non-institutional population (persons aged 16 years and older who are not on active duty in the Armed Forces and not inmates of institutions).

Educational Attainment. Connecticut’s labor force remains more highly educated than the national average, with 36.4% holding Bachelor’s degrees or higher, 25.6% with some college education, and only 9.5% with less than high school educations. It has embraced the message that it must educate itself to thrive in a knowledge-based economy; while the largest share of Connecticut’s labor force in 1980 (accounting for 40% of the labor force), held only a high school diploma, by 2005, the largest share of the labor force held a bachelor’s degree or higher (36%).

Age. Connecticut’s workforce is older than the national average. The proportion of Connecticut workers who are over age 55 is among the highest in the nation at 18.8%, behind only Vermont (20.0%), Wyoming (19.6%), New Mexico (19.2%), Maine (19.0%) and Kansas (18.9%). Paired with a *young* workforce that is smaller than the national average, this presents a challenge for the future, as a comparatively large older population will be dependent on a comparatively small younger population to support a variety of programs and services on which older populations rely more heavily. The growth of Connecticut’s immigrant population may help to mitigate this imbalance.⁶

III. Job and Employment Trends



⁶ Joseph Fishkin, Priscilla Canny and Douglas Hall, *Immigration in Connecticut*, (Connecticut Voices for Children, 2005).

Payroll Employment⁷

Total Payroll Employment. Connecticut continues to experience steady but very moderate employment growth, slowly regaining the jobs lost during Connecticut's recession that lasted from July 2000 to September 2003. The positive trend in Connecticut's overall employment numbers must be tempered by the recognition that the state has still only regained just over half (54%) of the jobs lost during its most recent recession and that Connecticut's recession lasted almost four times longer than the national recession (31 months versus 8 months). By July 2006, there were 27,900 fewer jobs than at Connecticut's employment peak prior to the national recession (July 2000), and 32,500 more jobs than at the end of Connecticut's employment recession (September 2003).

Employment by Sector -- Changes in Types of Jobs Available. Since 2000 (the year in which Connecticut's employment peaked), Connecticut has lost 40,200 manufacturing jobs. Significant losses also have occurred in Professional and Business Services (-16,300) and Trade, Transportation and Utilities (-8,200). Smaller losses have been sustained in Information (-6,400) and Financial Activities (-600). These losses have been somewhat offset by modest gains in Government (+1,600),⁸ Construction and Mining (+1,800), and Other Services (+2,200), and significant gains in Leisure and Hospitality (+8,600) and Education and Health Services (+27,500).

Employment Change by Sector, 2000-2005, as Percent of 2000 Employment	
Manufacturing	-17.1%
Information	-17.7%
Professional and Business Services	-7.5%
Trade Transportation & Utilities	-2.0%
Financial Activities	-0.4%
Government	0.9%
Construction & Mining	2.5%
Other Services	3.0%
Leisure and Hospitality	7.1%
Education & Health Services	11.2%

Impact of Connecticut's Recent Job Gains and Losses on Wages and Annual Income

Consistent with the pattern of recent years, the industry sectors in which Connecticut *lost* the most jobs between 2004 and 2005 *pay more*, on average, than the industry sectors in which Connecticut had the greatest *job gains* over this period. The average 2005 wage in the five employment sectors showing largest employment losses was \$63,587, compared with an average wage of just \$35,857 for jobs in the five sectors with the highest employment gains in 2004.

Union Membership and Coverage

In 2005, 17.0% of the Connecticut workforce was covered by unions, slightly more than 2004's 16.6% level⁹. Connecticut's rate of union coverage has fluctuated between 16.4% and 20.7% over the past

⁷ "Payroll Employment" is the number of employed persons on established payrolls, working full or part-time, but excluding the self-employed and farm and agricultural workers. Persons who are on the payroll of more than one establishment are counted as employed at each site (i.e., multiple times). Bureau of Labor Statistics, Current Employment Statistics (CES) data.

⁸ 'Government' employment includes Native American tribal employment (e.g., persons employed at Connecticut's casinos).

⁹ Union membership data for 2005 are not strictly comparable with data for 2004 and earlier years because of the introduction in January 2005 of revised population controls used in the CPS. The effect of the revised population controls on the union membership estimates is unknown. However, the effect of the new controls on the monthly CPS estimates was to decrease the December 2004 employment level by 45,000 and the unemployment level by 4,000. The updated controls had little or no effect on unemployment rates and other ratios. For additional information, see "Adjustments to

decade. Despite modest gains over the past two years, Connecticut's overall trend – like that of the nation and region – has been downwards. In 2005, ten states had a greater share of their workforces covered by collective bargaining agreements than Connecticut. Connecticut's union coverage surpasses the national rate of 13.7%, but is less than the average rate in the Northeast (20.3%). The Northeast has a concentration of states with high rates of union covered workers (led by New York's 27.5%, the highest rate in the country in 2005).¹⁰

IV. Unemployment, Long-term Unemployment, and Underemployment

Unemployment

Connecticut's 4.4% unemployment rate in June 2006 is a full percentage point less than the rate a year earlier -- 5.4% in June 2005. However, it remains two percentage points higher than the 2.4% rate Connecticut enjoyed in June 2000, prior to its most recent recession.

Impact of Education on Unemployment. There is a strong association between level of educational attainment and rates of unemployment in Connecticut. Specifically, the lower the level of educational attainment, the more likely it was that a worker would be unemployed. In Connecticut the 'education premium' is dramatic – those with less than a high school education experienced unemployment rates that were five times greater than for those with a bachelor's degree or higher (15.0% vs. 2.7%). Indeed, only three states (Mississippi, Michigan, and Alaska) and the District of Columbia had higher unemployment rates among those lacking a high school education.

Unemployment by race and ethnicity. Disparities in unemployment by race and ethnicity are striking in Connecticut. The Connecticut economy treats workers very differently depending on their race and ethnicity. The unemployment rate among white workers in Connecticut in 2005 was 3.8%, less than half the unemployment rate for African-American workers (8.1%), and less than a third the rate for Hispanic workers (11.6%). This difference may reflect, in part, racial/ethnic differences in level of educational attainment.

Long-term unemployment. Long-term unemployment is a measure of the number of persons who have been unemployed for a period of more than 26 weeks. In Connecticut, as in the region and nation, about a fifth of all persons who were unemployed in 2005 had been unemployed for more than 26 weeks.

Underemployment

The *underemployment* rate is a more comprehensive measure than the unemployment rate of prevailing conditions in the labor market. The underemployed include not only the unemployed, but also discouraged workers (people who looked for work at some point over the previous year but have given up due to lack of prospects), involuntary part-timers (those working part-time who would rather be

Household Survey Population Estimates in January 2005" in the February 2005 issue of Employment and Earnings, available at <http://www.bls.gov/cps/cps05adj.pdf>.

¹⁰ Data on union coverage include union members as well as individuals who are covered by collective bargaining agreements but who may not themselves be union members. If one were to look only at union *membership*, Connecticut's 15.9% for 2005 surpasses the national rate of 12.5%, but is less than the regional rate of 19.1% for the Northeast.

working full-time but who cannot find full-time work), and a smaller group of *conditionally interested workers* who want to work but who have not looked for work recently because they face a barrier to employment, such as lack of transportation or child care. Connecticut's *underemployment* rate in 2005 (8.6%) was 3.6 percentage points (72%) higher than its *unemployment* rate (5.0%). Underemployment was also higher regionally by 3.7 percentage points (8.5% underemployment compared to 4.8% unemployment) and nationally (8.9% underemployment compared to 5.1% unemployment). In 2005 the underemployment rate among Connecticut's Hispanic workers was 19.1%, compared to 15.0% of African American workers, and 6.5% of White workers.

V. Wage Trends, Wages and Demographics

Wage Trends. The following table shows trend data for real (inflation-adjusted) hourly wages for Connecticut's very low-wage workers (10th percentile),¹¹ low-wage workers (20th percentile), median-wage workers (50th percentile), high-wage workers (80th percentile), and very high wage workers (90th percentile). By definition, fully 10% of Connecticut workers earn wages below the "very low wage" level, while fully 10% of Connecticut workers earn wages above the "very high wage" level.

Very Low to Very high: Connecticut Hourly Wages, 1980-2005 (\$ 2005)										
	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005
10th percentile: "Very Low Wages"	\$7.40	\$7.82	\$8.46	\$7.51	\$8.05	\$8.44	\$8.47	\$8.41	\$8.32	\$8.21
20th percentile: "Low Wages"	\$8.93	\$9.57	\$10.17	\$9.91	\$10.30	\$10.82	\$10.66	\$10.49	\$10.28	\$10.10
50th percentile (Median)	\$13.52	\$14.71	\$16.25	\$16.65	\$16.98	\$17.78	\$17.68	\$18.08	\$17.91	\$17.25
80th percentile: "High Wages"	\$21.27	\$23.39	\$26.21	\$27.05	\$27.82	\$28.83	\$29.28	\$30.90	\$29.95	\$29.86
90th percentile: "Very High Wages"	\$26.88	\$30.60	\$32.21	\$35.60	\$36.83	\$37.21	\$37.65	\$39.90	\$38.70	\$38.44

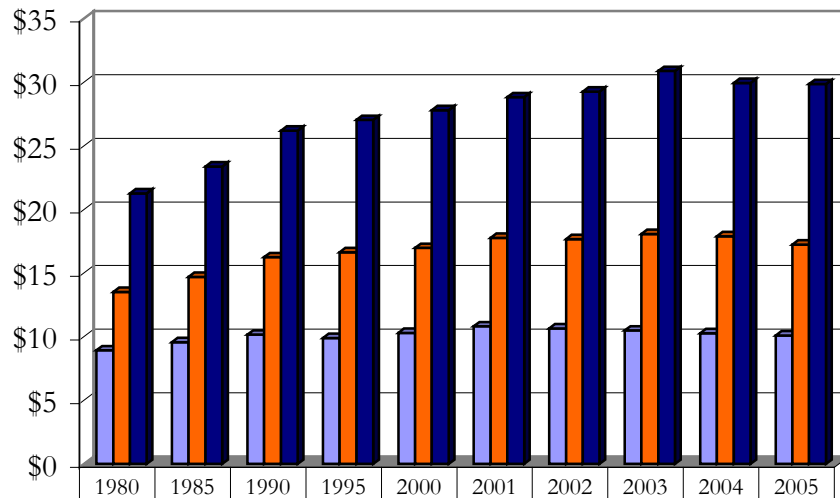
These data suggest¹² that wage earners at the 10th, 20th, 50th, 80th, and 90th percentiles *all* experienced real wage decline between 2004 and 2005, as they had between 2003 and 2004. Real wages for very low wage workers are less now than they were in 1990 and 2001-04, for median wage workers less than in 2001-2003, and for very high wage workers less than in 2003-4.

The figure below compares changes in real (inflation-adjusted) hourly wages of Connecticut's low, median, and high-wage workers from 1980 to 2005. While the very modest gains by low wage workers over this time period are clearly dwarfed by significant gains among Connecticut's high wage earners, equally notable is that wage earners at the 20th, 50th and 80th percentiles have seen wage declines over the past two years. Between 2003 and 2005, low wage earners saw their wages decline by 3.8%, while median wages declined 4.6%. High wages also declined by 3.4% since 2003.

¹¹ The "very low wage" is the wage of the worker at the 10th percentile of wages. That is, the hourly wage for a "low wage" worker is the wage at which 10% of wage earners earn less and 90% of wage earners earn more. Similarly, the hourly wage for a "low wage" worker is the wage at which 20% of wage earners earn less and 80% earn more; the "median wage" is the wage at which 50% of wage earners earn less and 50% of wage earners earn more; the "high wage" is the wage at which 80% of wage earners earn less and 20% of wage earners earn more; and the "very high wage" is the wage at which 90% of wage earners earn less and 10% of wage earners earn more. "Wage" is defined as either the hourly straight-time wage rate or, for workers not paid on an hourly basis, straight-time earnings divided by the corresponding hours. Straight-time wage and salary rates are total earnings before payroll deductions, excluding premium pay for overtime and for work on weekends and holidays, shift differentials, and non-production bonuses such as lump-sum payments provided in lieu of wage increases.

¹² Small sample sizes in these specific data limit the precision of the estimates of these changes in wages.

**Connecticut Real Hourly Wage Growth: 1980-2005
(\$ 2005)**



■ 20th percentile: "Low Wage"	8.93	9.57	10.17	9.91	10.3	10.82	10.66	10.49	10.28	10.1
■ 50th percentile: "Median Wage"	13.52	14.71	16.25	16.65	16.98	17.78	17.68	18.08	17.91	17.25
■ 80th percentile: "High Wage"	21.27	23.39	26.21	27.05	27.82	28.83	29.28	30.9	29.95	29.86

Source: CT Voices for Children and Economic Policy Institute analysis of US Census Bureau Current Population Survey.

Wage Inequality. Growing inequality in wages is a basic contributor to the growing inequality of family income that threatens the fabric of Connecticut's communities and families.¹³ Since 1980, the gap between low and high hourly wages in Connecticut has grown considerably in absolute terms. The growing gap between *very high* (90th percentile) and *very low* (10th percentile) wages is even more pronounced.

Expressing the wage gap as a ratio, one sees that between 1985 and 1994, the ratio of very high to very low wages in Connecticut was *less* than that for the United States as a whole. However, following a six-year climb between 1989 and 1995, Connecticut's ratio of very high to very low wages has surpassed the national ratios since 1995. In 2005, the Connecticut ratio (4.7) exceeded the national ratio (4.5). Connecticut's very high to very low wage ratio remains quite high compared to other states. In 2005, Connecticut had the 7th highest gap between very high and very low wages (ratio of 4.7), behind only California (5.2), New Jersey (5.1), Virginia (5.1), New York (4.9), Maryland (4.8), and Massachusetts (4.8). The highest inequality ratio in 2005 was in the District of Columbia (5.6).

¹³ Douglas Hall and Shelley Geballe, *Pulling Apart in Connecticut: An Analysis of Trends in Family Income* (Connecticut Voices for Children, 2002).

Wage inequality between Connecticut men and women also is notable. Although the gap in median wages between Connecticut men and women increased for two years in 2003 and 2004, it closed modestly in 2005. The longer-term trend is favorable with a ‘closing of the gender gap’ over time since 1980. There remains, however, a long way to go before gender parity in median wages is achieved in Connecticut. In fact, if the current rate of progress in closing Connecticut’s gender gap in wages is maintained, it will not be until about 2043 that women’s median wages equal those of men.

Wage disparities by race and ethnicity are significant. White workers not only enjoy a marked advantage over their non-white counterparts in Connecticut, but they also have a significant wage advantage over white workers at the national and regional levels. In contrast, Connecticut’s African American and Hispanic workers enjoy a very modest wage advantage compared to their national counterparts and slightly lag their regional counterparts.

VI. Wage Inadequacy

Many Connecticut families earn wages that are not only inadequate to meet their self-sufficiency needs, but also are so low as to leave them below the federal poverty level (\$19,961/year for a family of 4 in 2005).¹⁴ In 2005, 16.4% of Connecticut workers earned a wage that is less than \$9.60 an hour, which is the wage needed, when working full time year round, to have an income that meets the federal poverty threshold for a family of four. This compares favorably to almost 21% poverty-level wage workers in the Northeast, and 24.3% -- almost one in four workers -- at the national level. Unfortunately, for families struggling to make ends meet, earning a poverty level wage is still not nearly enough to meet a family’s basic needs, particularly in a high cost state like Connecticut.

Wage Inadequacy and Connecticut’s Self-Sufficiency Standard. Connecticut has a Self-Sufficiency Standard, originally released by the Office of Policy and Management in 1999, which defines for multiple family types and for 12 regions in the state, the hourly/monthly wage necessary for a family to be economically self-sufficient in Connecticut.¹⁵ An updated Self-Sufficiency Standard was released in 2005, this time through the Connecticut Office of Workforce Competitiveness (OWC).¹⁶ The Self-Sufficiency Standard includes costs for housing, childcare, food, transportation, health care, taxes, and miscellaneous expenses and more accurately reflects the costs of making ends meet in Connecticut than does the federal poverty threshold. Measured by the metric of the Self-Sufficiency Standard, the hourly wages of at least 1 in 5 Connecticut workers is less than is needed for a family of four to be economically self-sufficient even if both parents work full-time, full-year. The hourly wages of at least half of Connecticut’s workers is less than is needed for a family of three to be economically self-sufficient even if the single parent is working full-time, full year.

VII. Conclusion

The Economist, the noted British weekly, published an article this past June entitled “Inequality and the American Dream.” Inequality is not “inherently wrong,” the authors posit, so long as three conditions

¹⁴ This is a weighted average. The Federal Poverty Threshold varies both by size and composition. The weighted average number results in a single number for all family compositions at a single family size.

¹⁵ Pearce and Brooks, *The Self-Sufficiency Standard for Connecticut* (1999). The Economic Policy Institute produces similar numbers using their *basic family budget calculator*. Updated basic family budget information were released September 1, 2005 for over 400 communities nationwide. See http://www.epi.org/content.cfm/datazone_fambud_budget.

¹⁶ Diana Pearce, *The Real Cost of Living in 2005: The Self-Sufficiency Standard for Connecticut* (2005).

are met. First, the society as a whole needs to be getting richer, not just one segment of it. Two, there must be a safety net for the very poor. Three, everybody, regardless of class, race, creed, or sex, must have “an opportunity to climb up through the system.” Measured by this yardstick, our economy – described by *The Economist* as the world’s “most impressive economic machine” – and our economic and social welfare policies need adjusting.

Where do such adjustments need to take place? As Thomas Friedman best-selling *The World Is Flat* reminds us, the “state of working Connecticut” is linked not only to the state’s economy, but also to changes in the global -- and national -- economies. This diminishes, in many respects, the capacity of *state* policy to shape the economic forces that influence our state. Yet, in the areas in which the state *can* make a difference in our economy and in the lives of our current and future workforce, its role is arguably *more important than ever*. In particular, state policy and budget choices can help address two of the three conditions *The Economist* posits must be addressed when economic forces create increasing inequality in income and wealth – assuring a safety net for the very poor and providing ladders of opportunity to all. In both respects, Connecticut’s policy and budget choices fall short.

The inadequacy of Connecticut low wages to meet a family’s self-sufficiency needs has become increasingly problematic over the course of the last decade as Connecticut implemented welfare reform. The Connecticut Self-Sufficiency Standard sets a benchmark for the level of resources that need to be available for families to make ends meet. Families whose wages are insufficient to meet this standard can be helped by state-funded income supplements (e.g., a state earned income tax credit), programs that help reduce expenses (e.g., child care, housing, and energy subsidies, Food Stamps), and programs that help parents gain more education and training so they can qualify for employment in jobs that pay more.

In addition, Connecticut must ensure that its workforce – ‘working Connecticut’ – has the tools to excel in a flat world. The state can and must play a key role in ensuring excellence in pre-K through higher education and job training, a healthy and vibrant workforce that has access to quality and affordable health care and child care, comprehensive assistance to ensure that periods of employment transition can be steps up the ladder to further economic success (rather than chutes into jobs that entrench the working poor), and an infrastructure that facilitates economic growth. Such policies would not only protect the economic well-being of Connecticut’s families, but also would protect the state’s competitiveness in this global economy.