



The State of Working Connecticut, 2008: Wage Trends Executive Summary

August 2008

The health of Connecticut's economy and the quality of life of its workers depend on a well-educated and well-trained workforce with opportunities to participate and share in the state's prosperity. Recent economic trends documented by *State of Working Connecticut, 2008: Wage Trends* are undermining the foundations of Connecticut's economic prosperity and threatening the well-being and economic security of our families.

In real (inflation-adjusted) wages, Connecticut workers have taken one step forward after taking three steps back. Although real wages for many Connecticut workers improved between 2006 and 2007, their wages remain lower than they were earlier in the decade. Indeed, as Connecticut heads into a recession some economists consider the worst since the Great Depression and as families deal with sharply rising food and energy costs, the real wages of many workers in the state actually are *less* than they were prior to the last recession. There was *no* economic recovery for these workers over these last four years.

How can this be? Although the productivity of Connecticut workers has increased over the last four years, their wages have not. In fact, while worker productivity increased 5% between 2003 and 2007 and the gross state product expanded, wages *declined* for most of Connecticut's workforce over this period. Until the benefits of an expanding economy are enjoyed by *all* the people whose hard work creates that economic growth, we cannot truly say that the Connecticut economy has equitably contributed to the quality of life that we all want for our families and communities.

By many measures, 2007 marks the last year of the most recent economic recovery period in Connecticut—the economy continued to add jobs throughout the year, unemployment was mostly stable, and Gross State Product (GSP) grew at a respectable rate. Then, in 2008, a national housing crisis, rising energy costs and quaking financial markets seemed to have their effect on the Connecticut economy—employment levels crested and then dipped sharply downward, and unemployment quickly rose by more than one percentage point. In this unfavorable economic context, the slightly higher wage levels for some in 2007 could represent a kind of high-water mark of the progress achieved over the last economic cycle. In other words, 2007 may be as good as it gets for workers as Connecticut and the nation face deteriorating economic conditions.

Wages were up in 2007, but have not made up for the past several years of decline. Median wage earners had a 1.4% increase in real wages from 2006 and a 2.7% increase from 2000. Compared to 2006, very low-wage, low-wage, high-wage, and very high-wage workers experienced an increase in wages in 2007 (by 2.9%, 1.8%, 2.1%, and 2.8%, respectively).

These real wage increases in 2007, however, were not enough to counteract longer-term downward trends. Wages across the spectrum did not gain back what had been lost since 2003, and for many workers earning wages below the median, wages in 2007 were lower than they were at the beginning of the last recession in

2000. Inadequate wage growth over the course of this last economic cycle ensures that Connecticut families will face significant challenges going into what some economists believe could be the worst recession since the great depression.

Connecticut Wage Trends, by Percentile

Percentile	2000	2001	2002	2003	2004	2005	2006	2007
10th (very low)	\$8.55	\$8.96	\$9.00	\$8.93	\$8.84	\$8.72	\$8.35	\$8.59
20th (low)	\$10.94	\$11.49	\$11.32	\$11.14	\$10.92	\$10.73	\$10.42	\$10.61
50th (median)	\$18.03	\$18.88	\$18.77	\$19.21	\$19.02	\$18.32	\$18.26	\$18.51
80th (high)	\$29.54	\$30.62	\$31.09	\$32.83	\$31.81	\$31.72	\$30.76	\$31.40
90th (very high)	\$39.12	\$39.52	\$39.98	\$42.39	\$41.10	\$40.83	\$39.74	\$40.85

Highlighted boxes indicate the wage high-point in each row.

Although the productivity of Connecticut’s workers increased during our most recent economic recovery, the wages of most did not. Connecticut's economy was officially on the mend in 2003, when the economy started adding jobs and real gross state product (GSP) began to increase. Worker productivity also improved, increasing 5% from \$75,500 to \$79,000 per worker since 2003. Wages, however, declined for most of Connecticut's workforce over this period. The median worker earned a wage in 2006 that was 5% lower than the wage earned in 2003, and wages across the wage spectrum, even up to the 90th percentile, declined over this period. The increase in worker productivity has also outstripped wage growth over the longer-term. Since 1997, Connecticut workers’ productivity increased on average at twice the rate of their wage growth.¹

Wages in Connecticut are among the highest in the country, but they do not make up for Connecticut’s high cost of living. In 2008, Connecticut was listed as having the second highest cost of living in the continental United States. Specifically, the state is the most expensive one in which to buy groceries; the fifth most expensive for housing; the most expensive for utilities; the fourth most expensive in health care costs, and the fifth most expensive in transportation costs. This high cost of living has damaged the buying power and economic security of Connecticut families. Although the state’s median wage workers enjoy the highest wages in the nation, when their wages are adjusted to take into account Connecticut’s relatively high cost of living, the report finds Connecticut’s median wages fall to 36th in the continental United States. Among low-wage workers, the impact of the cost of living is felt more deeply. Connecticut’s low-wage workers rank 3rd highest in wages compared to low-wage workers in other states, but their ranking falls to 44th when Connecticut’s cost of living is taken into account.

Other findings from the *State of Working Connecticut*:

- **The gap between high and low wages is wide and growing.** In 2007, very-high wages in Connecticut were 4.8 times our very-low wages. This gap is the seventh highest in the country, and contributes to the much wider gaps that exist in total income and wealth.² In Connecticut, this measure of wage inequality has risen steeply since 1989, when very-high wages were 3.6 times very-low wages, and grossly outpaced the growth of wage inequality throughout the rest of the country.

¹ 1997 is used as a reference point because prior to that date, the bureau of Labor Statistics determined GSP using a slightly different methodology. GSP before 1997 is available, but cannot be validly compared to GSP at later dates.

² Douglas Hall, *Pulling Apart in Connecticut, 2007*, Connecticut Voices for Children. February, 2008; Joachim Hero, Douglas Hall, *Connecticut Family Asset Scorecard, 2008* Connecticut Voices for Children, December 2008.

- **The gap between men and women narrowed in 2007.** In 2007, the female median wage was 82% of the male median wage, a sharp increase since 2006 when the female median wage was 76% of the male median wage. In 2007, the median hourly wage for women was \$16.49 while the median wage for men was \$20.09. This improvement in wage parity resulted from a combination of female median wages increasing 6% between 2006 and 2007 and male wages falling by 3% over the same period.
- **Education is a strong predictor of wages in Connecticut.** Those with a Bachelor's degree or higher enjoy median wages, at \$27.85 per hour, that are more than double the \$10.13 paid to workers lacking a high school education. Since 1979, the real median wage of Connecticut's highest educated has grown from \$20 an hour to close to \$28 an hour. However, real hourly wages for its least educated have fallen from \$13 to about \$10 an hour over this period. In short, the economic value of a college education in Connecticut has steadily risen since 1979, while the cost of *not* attaining a high school degree also has increased markedly.
- **Wage disparities in race/ethnicity are wider in Connecticut than in the United States as a whole.** African American workers earn 72% of what white workers earn at the median and Hispanic workers earn just 61% of whites at the median. In contrast, African Americans, on average, nationwide earn 76% of whites at the median and Hispanic workers earn 71% of white workers at the median. Notably, real median wages for African Americans in Connecticut increased sharply between 2006 and 2007 (from \$13.36 in 2006 to \$14.44 in 2007), an increase of 8% that helped narrow the race gap between black and white.
- **Worker benefits in Connecticut's private sector have been eroding.** Job benefits can have a large impact upon a family's budget. However, since the period of 1998-2000, the percent of Connecticut workers in the private sector with employer-provided pension and health insurance has been in decline. Employer-provided pensions have decreased from 56% of the private sector workforce to 51%, and employer-provided health insurance has decreased from 65% of the private-sector workforce to 60%. Similarly, the percentage of workers who are union members or receive union benefits, who historically enjoy wages and benefits that exceed those of workers in comparable jobs in non-unionized settings, also has been in decline in Connecticut, as in the rest of the country.