

The State of Working Connecticut 2001

Shelley Geballe, JD, MPH, Co-Director
Douglas Hall, Ph.D., Policy Fellow
CT Voices for Children
33 Whitney Ave. New Haven, CT 06510
203.498.4240, 203.498.4242 (fax)
www.ctkidslink.org

Produced in collaboration with the Economic Policy Institute and with
the generous support of the Charles Stewart Mott Foundation
and the Melville Charitable Trust

About This Report

This Labor Day, 2001, Connecticut Voices for Children has joined with the Economic Policy Institute in release of *The State of Working Connecticut 2001*, a report that focuses specifically on state trends in jobs and employment, unemployment, wages, income, income distribution, and poverty. This report updates Voices' *State of Working Connecticut 2000* report, which can be found on Voices' website, www.ctkidslink.org. CT Voices thanks the Economic Policy Institute for access to its data and for its technical assistance in the preparation of this report.

CT Voices for Children is a statewide, nonprofit organization committed to promoting leadership, policy change, and investment on behalf of all Connecticut's children, youth and families through research and policy analysis, strategic communications, citizen mobilizing, organizational collaborations, and youth leadership development. CT Voices receives support from the Charles Stewart Mott Foundation and the Melville Charitable Trust for its *CT Fiscal Analysis and Family Investment Series* of research reports. Shelley Geballe is Co-Director and Co-Founder of CT Voices for Children and holds a J.D. from Yale Law School and an MPH from Yale Medical School. Douglas Hall is a Policy Fellow with CT Voices for Children and holds a Ph.D. in political studies from Queens University at Kingston, Canada.

The Economic Policy Institute is a non-partisan think tank based in Washington DC. Its *State of Working America 2000-01*, written by economists Lawrence Mishel, Jared Bernstein, and John Schmitt, provides a comprehensive examination of the changing living standards of working Americans and presents new data on family incomes, taxes, wages, jobs, unemployment, wealth, and poverty, as well as state-by-state, regional, and international comparisons of key indicators. The introduction and executive summary of the *State of Working America 2000-01* can be found on EPI's website: www.epinet.org. The book, published by Cornell University Press, can be ordered through EPI. Lawrence Mishel is Vice President of EPI and holds a Ph.D. in economics from the University of Wisconsin. Jared Bernstein is a labor economist at EPI and holds a Ph.D. in social welfare from Columbia University. John Schmitt is a labor economist at EPI and holds a Ph.D. in economics from the London School of Economics.

EXECUTIVE SUMMARY

Republican or Democrat, we all agree one of the fundamental roles of government is to offer help to those whose struggles in life are greater than our own. Families in poverty. Children without parents. Adults without jobs. The sick, the addicted, the hungry.

While most of the people of our state enjoy the riches of this strong economy, there are still many who have not had the same opportunity to share the prosperity. At a time of record employment, with the projected budget surplus nearing \$500 million, there is an extra burden on government to provide help where it is needed most.

Governor John Rowland, 2001 State of the State Address

Connecticut began the new century in the enviable position of having the nation's highest per capita personal income. Connecticut also ranked #1 among states in median household income for a family of four, #1 in hourly wages for low-wage workers and median-wage workers, and #2 in hourly wages for high-wage workers.

Through much of 2000, Connecticut's economy remained strong. A growth in jobs, with no concurrently strong growth in our labor force, resulted in extremely low unemployment rates. November 2000's 1.7% unemployment rate was the lowest in state history. The Connecticut Economic Digest warned that a "shortage of workers remains a significant risk to the current expansion."¹

During the 1990s, Connecticut made some important progress:

- **Educational attainment.** The proportion of Connecticut's population with a high school education *or less* fell from 47% in 1989 to 37% in 1999. Residents with some college or a college degree increased from 41% to 47%, and by 2000, the proportion of residents with an advanced degree (14.4%) was the second highest among all states. Connecticut women now have higher average educational attainment than Connecticut men.
- **Median income.** Connecticut's median family income for a family of four increased from \$71,629 in 1989 to \$75,505 in 1999, the highest in the nation.

¹ CT Department of Labor, *Connecticut Economic Digest*, February 2001.

Now, however, warning signs of a cooling economy increasingly are evident. Unemployment in Connecticut again is climbing; nationally unemployment is at a nine-year high. On August 25, 2001, *The Economist* reported, "with GDP growing well below trend for several quarters, profits tumbling and unemployment rising, it now smells horribly like a recession." *The Connecticut Economy* (Summer 2001) recently noted, "Ultimately the state's economy will rise or fall along with the U.S. We can buck the national trend for only so long."

Yet, even before this current slowdown began, the economic boom of the 1990s -- unlike the economic recoveries of the 1970s and 1980s -- had left many Connecticut families without the same opportunity to share in the prosperity. An increasingly two-tiered economy emerged over the 1990s in Connecticut, as manufacturing jobs declined and lower-paying jobs in services markedly increased.

If Connecticut has passed the peak of its most recent economic expansion, the many Connecticut residents left behind in the 1990s are at risk of losing even more economic ground as the economy cools.

For example, as this report shows, between 1989 and the late 1990s:²

- **Payroll employment.** Connecticut's growth in total non-farm payroll employment between 1989 and 2000 was the smallest (1.7%) among all states. Between February 1989 and July 2001, Connecticut lost 120,900 goods-producing jobs, while gaining a total of 141,800 service-producing jobs. Average annual pay in service and trade jobs in 1999 was substantially less than pay in manufacturing, though there were three times more jobs in services and trade than in manufacturing.
- **Wages.** The real (inflation-adjusted) hourly wages of Connecticut's low-wage workers (workers at the 20th percentile) fell by 6.4% -- from \$9.72/hour in 1989 to \$9.10/hour in 2000 (in 2000 dollars). By comparison, real median wages (wages at the 50th percentile) increased by 2% (from \$14.68/hour to \$14.97/hour), while the real hourly wages of high-wage workers (workers at the 80th percentile) increased by 8.2% (from \$22.67/hour to \$24.54/hour).

² Economic indicators fluctuate considerably with short-term swings in the business cycle. For example, incomes tend to fall during recessions and rise during expansions. For this reason, it is important when examining changes in economic indicators to compare business cycle peaks to other business cycle peaks, and troughs with other troughs. Because *State of Working Connecticut 2001* reports on data from 1999-2001, which was a business cycle peak, the years used for comparison purposes, whenever possible, are also peak years, specifically 1973, 1979, and 1989. See Mishel, Bernstein, and Schmitt, *The State of Working America 2000-01* (Cornell University Press, 2001) for further explanation of methodology and documentation.

- **Poverty-level wages.** The proportion of Connecticut jobs that pay poverty-level wages (i.e. full-time, full-year work provides income less than federal poverty threshold, \$17,463 for a family of four in 2000) *grew* from 14.3% (in 1989) to 16.6% (in 2000).
- **Employee benefits.** Employer-provided health insurance declined, particularly for Connecticut's black and Hispanic workers. While there was a 12 percentage point decline in covered employees statewide, there was a 26 percentage point decline for black employees and a 27 percentage point decline for Hispanic employees. Though employer-provided pension coverage increased statewide, it declined dramatically for Connecticut's black and Hispanic workers.
- **Hours worked.** Connecticut's married couple families added a *combined* total of 107 hours of work to their work year (having already added 10 weeks to their work year during the 1980s). Connecticut's single parent families added 113 hours *alone* (twice the extra, per person, work effort of married couple families in the 1990s, and after having already added nearly 5 weeks of work in the 1980s).
- **Unemployment.** Connecticut's unemployment rate declined – from 3.7% in 1989 to 2.3% in 2000. The 2000 unemployment rate, however, is far higher among men aged 18-35 with less than a high school education (with 15% unemployed) as well as among men this age with *only* a high school education (with 6% unemployed).
- **Poverty rate.** Connecticut's statewide poverty rate increased from 2.9% (in 1989) to 7.1% (in 1999). This 4.2 percentage point increase was the greatest among the 17 states that had *any* increase in poverty over the 1990s. Nationally, poverty *declined* over this period.
- **Child poverty rate.** Connecticut's *child* poverty rate increased from 11% (in 1989) to 15% (in 1997), resulting in about 40,000 more children (about 120,000 in total) living in poverty -- enough newly-poor children to fill the towns of Darien, Wilton, and Woodbridge, combined.
- **Income inequality.** Income inequality grew in Connecticut over the 1990s, unlike over the prior two decades. Between the late 1980s and the late 1990s, only the top 40% of Connecticut families enjoyed an increase in their inflation-adjusted income, while the bottom 60% of families had a decline in their real incomes.

Moreover, it appears that the cooling economy may already be having a detrimental impact on the economic well being of *all* of the state's families. Between 1999 and 2000, the real wages of Connecticut's low (20th percentile), median (50th percentile) and high-wage (80th percentile) workers *fell*. Between

1998 and 1999, median household income for a family of four also declined (from \$77,203 in 1998 to \$75,505 in 1999, in 1999 dollars).

Two recent studies of the amount of income it takes for a Connecticut family with children to make ends meet show that a substantial gap exists for many families between the wages earned and necessary family expenses such as housing, food, and child care. For these families, work alone is not enough to make ends meet; many of these families' incomes fall *between* the federal poverty threshold and true economic self-sufficiency. For example:

- The Connecticut Self-Sufficiency Standard, developed for the CT Office of Policy and Management, ranges from \$40,555/year in the Hartford region to \$54,677/year in the Stamford-Norwalk area for a family with two working parents, an infant, and a school-aged child. The "poverty" threshold for such a family is only \$17,463.
- Nearly one in five Connecticut working families with children under age twelve has an income under the Basic Family Budget, as calculated by the Economic Policy Institute.

The structural change in Connecticut's economy – to an increasingly two-tiered economy of those who have benefited greatly from the economic expansion of the 1990s and those who have actually *lost* economic ground over this same period – suggests the need for structural change to narrow the gap between the earnings of our lowest-income families and their essential expenses.

THE STATE OF WORKING CONNECTICUT – 2001

TECHNICAL REPORT

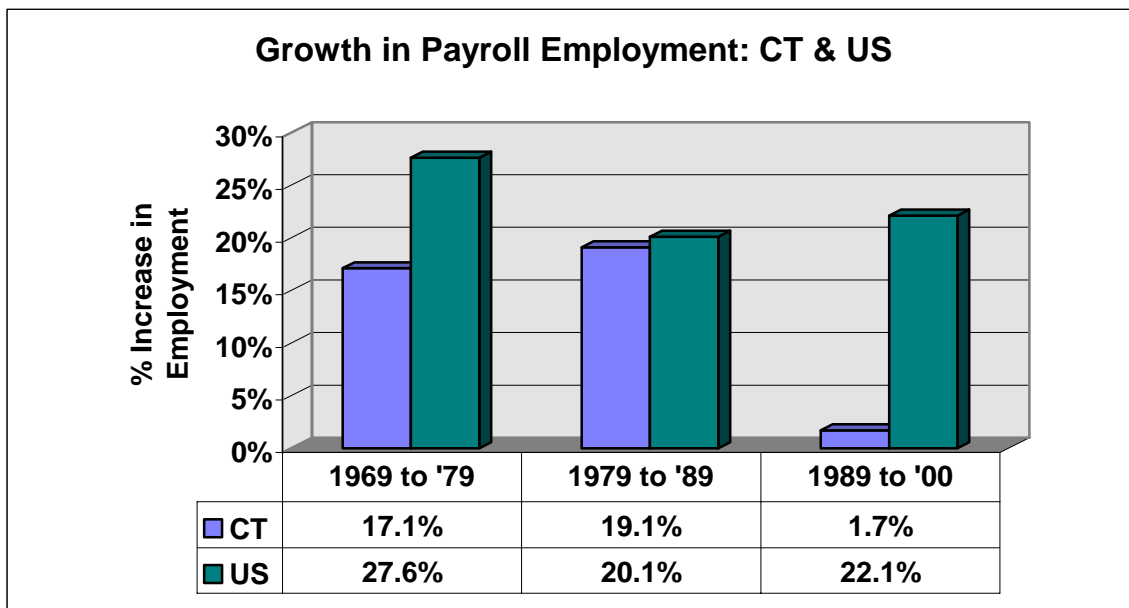
TABLE OF CONTENTS

Job and Employment Trends	3
Payroll Employment	3
Jobs Available	5
Type of Work Arrangement	10
Gender Differences in Work Arrangement	10
Multiple Jobs	11
Hours Worked	11
Health Insurance	13
Pensions	15
Unionization	17
Unemployment, Underemployment, Educational Attainment, and Employment-to Population Ratios	18
Unemployment	18
Under-Employment	19
Educational Attainment	21
Employment-to-Population Ratio	22
Wage Trends	23
Low Wages	25
Median Wages	27
High Wages	28
Income Trends	29
Per Capita Personal Income	29
Median Household Income	30
Median Household Income for Family of Four	30
Income Distribution Trends	31
Poverty Trends	34
Jobs with Poverty-Level Wages	34
Poverty Rate	35
Child Poverty Rate	36
Beyond Poverty to Economic Self-Sufficiency	37
Conclusion	43

Job and Employment Trends³

Payroll Employment.⁴ Connecticut's rate of growth in payroll employment has been less than the nation's since 1969, and the lowest among all states over the 1990s.⁵

- Connecticut's payroll employment increased from approximately 1,194,000 in 1969, to 1,398,000 in 1979, 1,666,000 in 1989, 1,669,000 in 1999, and 1,699,200 in July 2001.
- Connecticut's growth in employment was less than the national average throughout this period, and was uneven over the period. Between 1969 and 1979, Connecticut's non-farm payroll employment grew by 17.1% (compared to 27.6% nationally) and between 1979 and 1989 by 19.1% (compared to 20.1% nationally). However, between 1989 and 2000 Connecticut payroll employment grew by only 1.7% (compared to 22.1% nationally).⁶



³ Unless otherwise indicated, data in this report are based on data from the United States Census Bureau and the Bureau of Labor Statistics, on EPI's analysis of these data, and on CT Voices for Children's secondary analysis of these data. Whenever possible, this report compares the most recent data available to data from prior years that were at similar points in the economic cycle.

⁴ Payroll employment is the number of employed persons, excluding the self-employed and farm and agricultural workers. Increased payroll employment indicates job growth, population growth and changes in people's willingness to work. Source: Bureau of Labor Statistics, CES data.

⁵ Only the District of Columbia fell behind Connecticut on this measure – with a 5% *decline* in payroll employment, compared to Connecticut's 1.7% increase between 1989 and 2000.

⁶ By comparison, more than four-fifths of all states registered double-digit growth in payroll employment between 1989 and 2000, with 14 states showing growth of 30% or more.

While Connecticut has recovered the total number of jobs lost in its recession of 1989-92 (during which the state lost about one-tenth its jobs),⁷ and – as of July 2001 -- had gained 20,900 *additional* jobs, Connecticut was the *last* state in the region to regain the total number of jobs lost in this recession, taking 85 *months* to recover fully.⁸

Importantly, Connecticut's employment growth continues to slow. Between December 1999 and December 2000, total employment in Connecticut grew 1.2% -- less than any other New England state, the region as a whole (with a 2.2% growth rate), and the nation (1.4%). Not since 1996 has the state's job growth been so anemic. The Bridgeport, Hartford, and Waterbury metro areas experienced declines in employment in 2000, after showing positive growth in 1999. By comparison, New Haven led all Connecticut metro areas in employment growth, with an increase above 3.0% (though it had been the only metro area in Connecticut with a decline in 1999).⁹

Most recently, between July 2000 and July 2001, Connecticut's non-farm employment actually *declined* by 200 jobs. Over this period, employment in manufacturing fell by 5,600 jobs, while employment increased by 1,900 jobs in services, 1,200 jobs in transportation, communications and utilities, 900 jobs in construction/mining and another 900 jobs in trade, and 500 jobs in finance, insurance and real estate, as illustrated in the following table:¹⁰

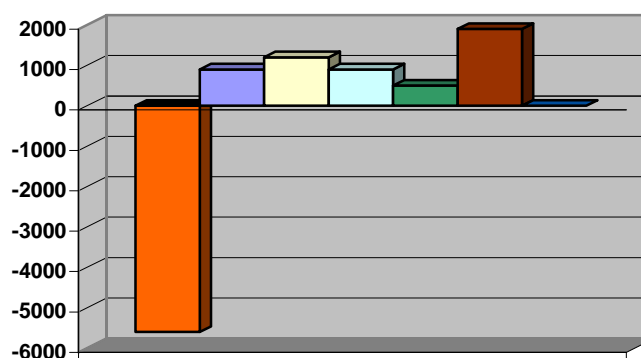
⁷ Connecticut Department of Labor, *Connecticut Economic Digest* (July 2000)

⁸ Connecticut's recession also lasted longer than other states in the region (46 months, from February 1989 to December 1992), compared to 24 months for Vermont, 30 months for Maine, New Hampshire, and Rhode Island, 36 months for Massachusetts, and 41 months for New York.

⁹ Federal Reserve Bank of Boston, *Economic Performance of the New England States in 2000: An Overview* (June 2001). www.bos.frb.org/economic/nee/nee.htm

¹⁰ Connecticut Department of Labor, *Connecticut Labor Market Information At-A-Glance* (data for July 2001). Available on-line at www.ctdol.state.ct.us/lmi.

CT's Changing Employment Structure, July 2000 to July 2001



	Job Loss/Gain
Manufacturing	-5600
Const./Mining	900
TCU	1200
Trade	900
F.I.R.E.	500
Services	1900
Government	0

Changes in Jobs Available. Connecticut has also experienced a dramatic shift in the *type* of jobs now available in Connecticut – with a significant decline in manufacturing jobs and a dramatic increase in service jobs. As the CT Economic Digest notes, “Though a measure of stability has been restored, the manufacturing sector has not gained back jobs lost during the last decade and it is unlikely that manufacturing employment will ever approach its past level.”¹¹

In 1979, about 436,500 Connecticut workers were employed in manufacturing. By 1989, this had fallen to 359,300 workers (a 17.7% drop) and by 2000 to 262,300 workers (an additional 27.0% drop).¹² By 2000, Connecticut had more than 174,000 *fewer* workers employed in manufacturing than it did in 1979 -- just 60% of the number employed in manufacturing in 1979.¹³ Manufacturing employment in Connecticut as a share of total payroll employment in Connecticut has declined from 36.6% in 1979 to 25.7% in 1989 to 15.5% in 2000.

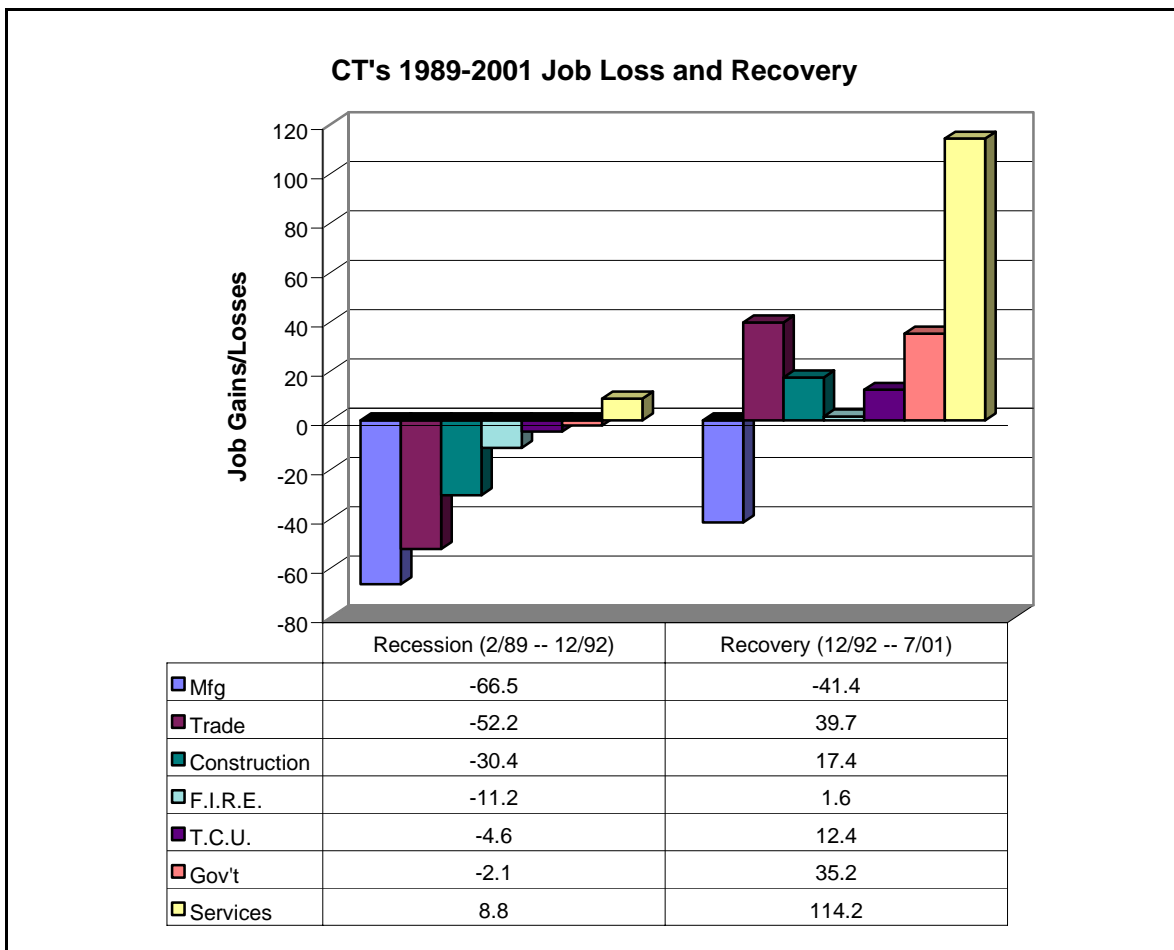
Notably, Connecticut’s decline in manufacturing employment was more than twice the national decline between 1979-89 (-17.7% in Connecticut compared to -7.8%

¹¹ Slepiski J, Regional Economic Retrospective, *The Connecticut Economic Digest* (April 2001).

¹² Bureau of Labor Statistics, CES data, State and Area.

¹³ By comparison, the number of workers in manufacturing employment nationally is 88% what it was in 1979. Loss of manufacturing jobs is an important cause of the decline in the wage structure that particularly affects workers with less than a college degree. Source: Bureau of Labor Statistics, CES data.

nationally) and 5.6 times the national decline between 1989-2000 (-27% in Connecticut compared to -4.8% nationally).¹⁴



Concurrent with Connecticut's loss of manufacturing jobs has been a steady increase in service jobs. From February 1989 (when the state's recession began) through the state's recovery (from December 1992 through July 2001), Connecticut lost a total of 120,900 goods-producing jobs (107,900 manufacturing jobs and 13,000 jobs in construction and mining), while gaining a total of 141,800 service-producing jobs.¹⁵

Most recently, between December 1999 and December 2000:

¹⁴ Connecticut's decline in manufacturing employment between 1989-2000 was also the third greatest among the 25 states (and the District of Columbia) that saw a decline in manufacturing employment over this period. Only Rhode Island (-32.7%), Washington DC (-27.8%), and New Jersey (-27.7%) exceeded Connecticut's decline (-27.0%).

¹⁵ "Service-producing" jobs include: wholesale and retail trade; finance, investment and real estate ("FIRE"); transportation, communications and utilities ("TCU"), "government" (which includes employment on Indian Reservations, i.e. tribal government, Indian casinos and other businesses), and service industries (business, repair, entertainment and recreation, personal, professional [e.g. health, education, social], and services in private households. CT Department of Labor (July 2001).

- Connecticut's manufacturing industry lost 3,600 jobs (a 1.4% decline). This was the ninth loss in the past ten years. Layoffs of over 1,000 workers at Pratt & Whitney, Hamilton Sundstrand, and Sikorsky Aircraft were accompanied by smaller layoffs at other firms.¹⁶
- Connecticut's service sector showed the largest absolute gain, adding 9,600 jobs (1.8% growth).¹⁷
- Connecticut's construction industry showed the largest percentage gain -- 5.2% -- adding 3,300 jobs.¹⁸

Connecticut's continued shift *toward* service employment and *away from* employment in manufacturing is illustrated in the following chart¹⁹:

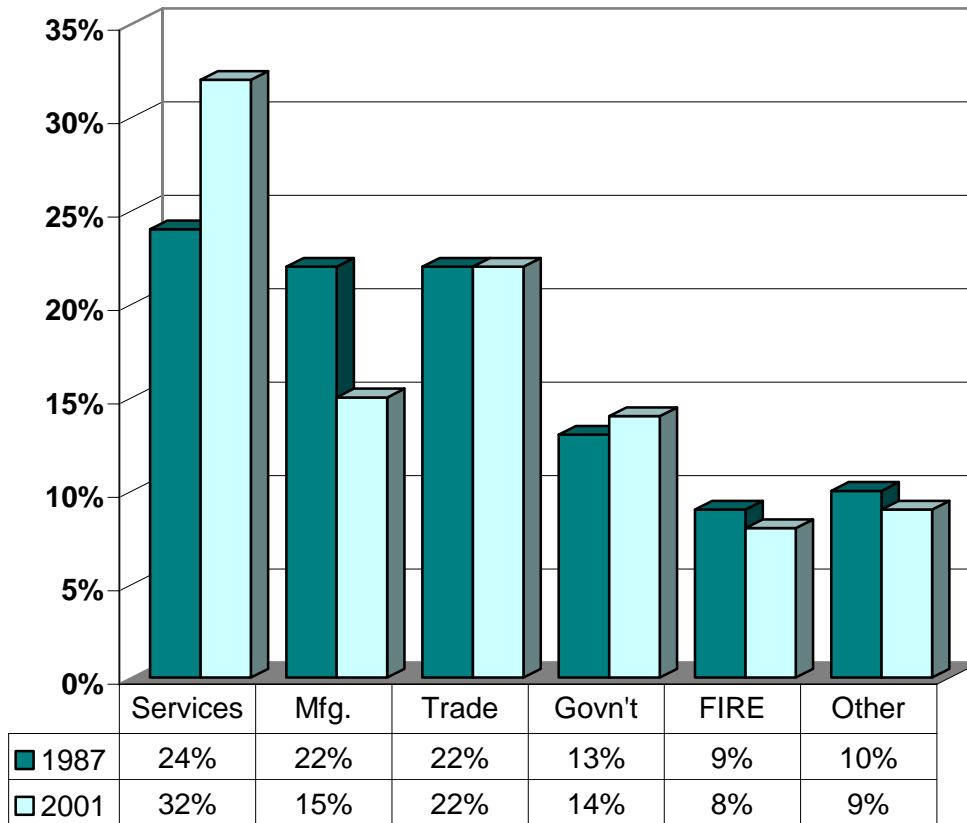
¹⁶ Federal Reserve Bank of Boston, *Economic Performance of the New England States in 2000: An Overview* (June 2001). www.bos.frb.org/economic/nee/nee.htm. By comparison, manufacturing employment declined 2.3% between December, 1998 and December 1999. In 1999, cutbacks at Electric Boat, Sikorsky Aircraft, Hamilton Sundstrand and Stanley Works and reorganization at Pratt & Whitney were primarily responsible for the loss of about 6,300 manufacturing jobs. Federal Reserve Bank of Boston, *New England Economic Indicators* (June 2000).

¹⁷ Federal Reserve Bank of Boston, *Economic Performance of the New England States in 2000 :An Overview* (June 2001). www.bos.frb.org/economic/nee/nee.htm. By comparison, this sector added more than 14,000 jobs between December, 1998 and December 1999. Federal Reserve Bank of Boston, *New England Economic Indicators* (June 2000).

¹⁸ Federal Reserve Bank of Boston, *Economic Performance of the New England States in 2000:An Overview* (June 2001). www.bos.frb.org/economic/nee/nee.htm

¹⁹ Connecticut Department of Labor, *Connecticut Labor Market Information At-A-Glance* (Data for July 2001). Note: "Other" includes jobs in construction and TCU.

CT Employment: % by Industry



The decline in manufacturing jobs has an impact on wages, for “even short-term employees tend to having higher earnings in manufacturing jobs than do many workers in trade and service industries.”²⁰ As noted in the table below²¹, average annual pay in retail trade and services in 1999 was substantially less than annual pay in manufacturing, though there was more than three times more employment in retail trade and services than in manufacturing in 1999.²² In addition, the percentage increase in average annual pay in retail trade and services between 1991 and 1999 was less than it was in manufacturing.

²⁰ CT Department of Labor, *The Connecticut Economic Digest* (July 2000), p. 4.

²¹ This table includes only those workers covered by Unemployment Insurance or the Unemployment for Federal Employees Program.

²² The lower pay in retail trade and services could be a consequence of Connecticut’s shift in employment from manufacturing to services. As former manufacturing workers moved into the service and retail trade sectors, the supply of labor would increase, pushing down wages.

Distribution of Jobs & Average Annual Pay in CT Industries				
Sector	1991 Average Annual Pay (1999\$)	1999 Average Annual Pay (1999\$)	% Pay Change (1991-99)	Approx.# Workers (1999)
Retail Trade	\$19,897	\$20,863	4.9%	277,600
Services	\$33,563	\$36,743	9.5%	526,200
Government	\$38,473	\$39,667	3.1%	235,100
Construction	\$42,067	\$43,342	3.0%	61,300
TCU (transportation, communications & utilities)	\$42,649	\$46,493	9.0%	77,500
Manufacturing	\$46,077	\$56,505	22.6%	268,300
FIRE (finance, insurance & real estate)	\$48,319	\$76,090	57.5%	140,000
Wholesale Trade	\$50,130	\$58,298	16.3%	81,600
Mining	\$54,657	\$65,166	19.2%	804
Total	\$37,283 (average)	\$43,084 (average)	15.6%	1,668,500 workers

Source: US Bureau of Labor Statistics, *Covered Employment and Wages Report*. [<http://stats.bls.gov>]; Federal Reserve Bank of Boston, *New England Economic Indicators* (July 2001).

Interestingly, more than 60% of Connecticut workers in 1999 were employed in either retail trade, services, or government – jobs that paid, on average, less than \$40,000/year.

Within the service industry itself, some jobs pay extremely well (e.g. management and public relations, computer-related), while others (e.g. child day care, amusement and recreation, home health care) pay a wage less than is necessary for family economic self-sufficiency. In 1999, of the approximately 521,000 jobs in Connecticut's service industry, more than two-thirds (354,000) had total annual wages less than \$40,000/year, about one-third (151,900) had wages less than \$30,000/year, and about one in ten (42,000) had wages less than \$20,000/year.²³

Importantly, some of the fastest job growth is in the lowest-paying service jobs. Indeed, among the ten service industries that contributed the most *new* service jobs between 1992 and 1998 (about three-quarters of the 105,000 new service jobs), Connecticut added three jobs that paid less than \$30,000/year for each new job that paid more than \$60,000/year. Among the lower-paying jobs with notable growth were child day care (3505 new jobs, with an average annual wage in 1998 of \$13,675), home health care (6756 new jobs, at \$20,260/year), amusement and recreation (16,831 new jobs, at \$17,834/year), and residential care (4,432 jobs, at

²³ Connecticut Department of Labor, *Covered Employment & Wages by Industry* (1999 ES-202 Program data). These data include workers covered under unemployment compensation insurance, so exclude such workers as employees of religious organizations, certain agricultural and private household workers, and self-employed workers.

\$19,410/year).²⁴ Growth of such jobs is predictable; care of dependent children and the elderly becomes essential as the number of dual wage-earning families increases and Connecticut's population ages.

Type of Work Arrangement.²⁵ Of the approximately 1.58 million people working in Connecticut in 1998-99²⁶, nearly three-quarters (72.5%) were working in a "regular" full-time job, while:

- 10.2% (160,808 workers) were self-employed (full or part-time)²⁷
- 0.8% (13,205 workers) worked for a temporary help agency (full or part-time)
- 16.5% (259,862 workers) worked at a "regular" job, but on a part-time basis.²⁸

Among Connecticut workers who were employed part-time in 1999, nearly nine in ten were working part-time voluntarily.

Gender Differences in Work Arrangement.²⁹ In 1998-99, men in Connecticut's labor force were more likely to work full-time in a "regular" job or be self-employed than the women in Connecticut's labor force. Women were more likely to work in a regular job on a part-time basis:

Share of CT Labor Force, by Work Arrangement and Gender: 1998-9		
	Women	Men
# of workers	745,080	831,475
"Regular" full-time work	67.6%	76.8%
"Regular" part-time work	24.5%	9.3%
Self-employed (full or part-time)	6.8%	13.3%
Temporary Help Agency	1.1%	0.6%
Source: EPI analysis of US Census Bureau Current Population Survey data		

²⁴ Connecticut Department of Labor, Much Ado About Services, *CT Economic Digest* (December, 1999),

²⁵ These data were reported in *The State of Working Connecticut 2000*; new data were not available.

²⁶ Data are pooled for 1998 and 1999 to enhance reliability of the estimates.

²⁷ "Self employed" workers work for profit or fees in their own unincorporated business, trade, or professional practice. Persons working in their own incorporated business are counted as regular wage and salary employees.

²⁸ The United States Bureau of Labor Statistics defines part-time work as employment in which a worker is regularly scheduled to work less than 30 hours/week.

²⁹ These data were reported in *The State of Working Connecticut 2000*; new data were not available.

Multiple Jobs. In 2000, 6.6% of Connecticut workers age 16 or older (more than 110,000 workers) had more than one job.³⁰ Connecticut's proportion of workers who are multiple job holders is slightly higher than the national average (5.4%) and higher than two-thirds of the other states.

Hours Worked. Nationally, there has been an increase in the number of earners per family, as well as in the number of weeks worked each year and total hours worked each week. Indeed, since 1979, the increases in annual earnings for two-parent families were primarily achieved through more work, rather than through higher wages.

For example, between 1979 and 1998, the average income nationally of middle-income families with children headed by a parent aged 25-54 grew 13.5%. However, this increase was due largely to increased wives' earnings (by joining the paid labor force or working more hours). Over this period, the parents in the average two-parent family added nearly a quarter year (12.5 weeks/year) of work between both parents.³¹

Connecticut families likewise have added more hours to their work year.³²

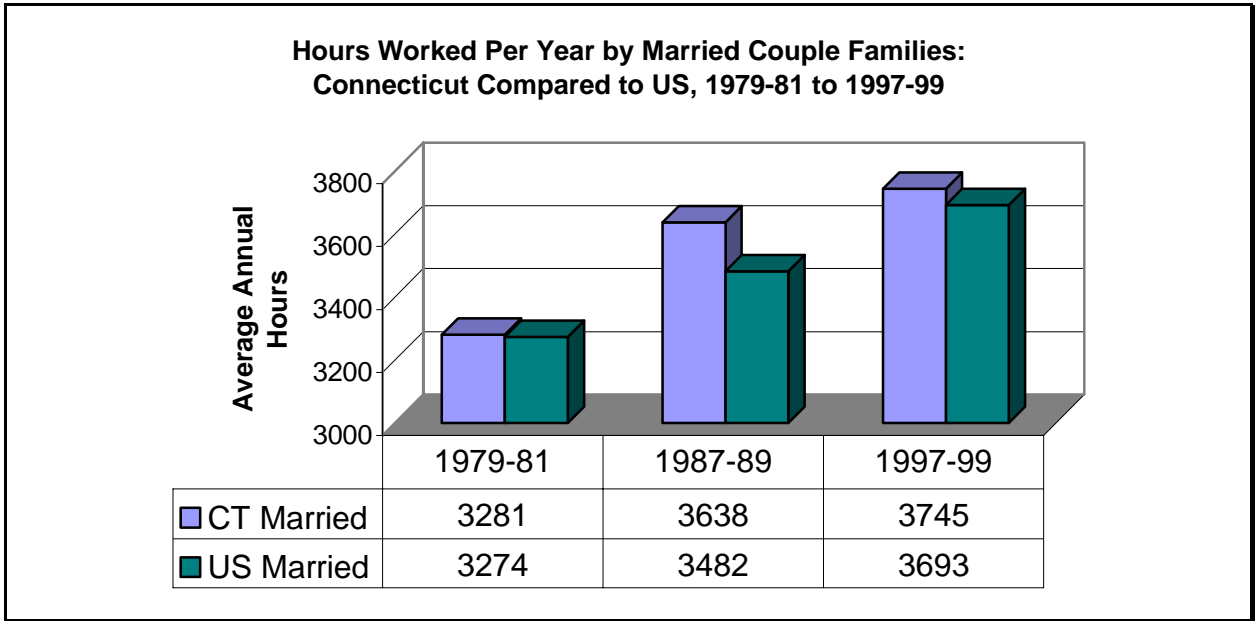
Connecticut married couple families with children. Connecticut married couple families with children (with a household head between the ages of 25 and 54) increased their work effort by nearly 12 weeks of full-time work/year (464 hours) since the late 1970s. Average hours worked per year by these families increased from 3,281 in 1979-81 to 3,745 in 1997-99.³³ Married couple Connecticut families also worked more hours than married couple families nationally throughout this period:

³⁰ United States Census Bureau, Current Population Survey data.

³¹ Mishel L, Bernstein J, & Schmitt J, *The State of Working America 2000-01* (2000).

³² United States Census Bureau, March Current Population Survey data.

³³ Data are pooled across these time periods to increase the reliability of the estimate.

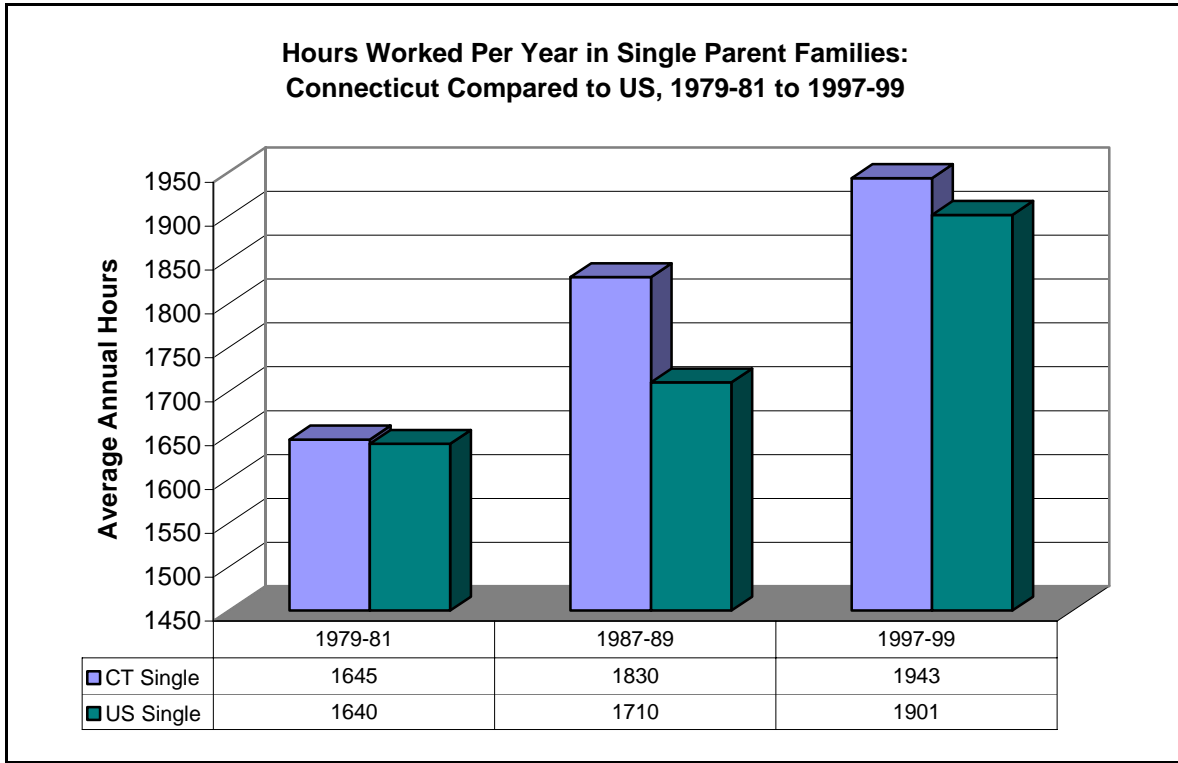


Connecticut's *middle income*, married couple families have added more hours over the past two decades to their work year than either the state's lowest-income families or the state's highest-income families, as the following table and chart show:

Hours Worked Per Year by CT Married Couples: By Income Quintile			
	1979-81	1997-99	Added Hours
Bottom 20%	2489	2722	233
2nd 20%	3064	3589	525
Middle 20%	3367	3902	535
4th 20%	3711	4261	550
Top 20%	3769	4239	470

Connecticut single parent families. Over the last two decades, single parent Connecticut families also markedly increased the average number of hours worked each year -- from 1,645 per year in 1979-81 to 1,943 in 1997-99. Throughout this period, single parent Connecticut families worked more hours per year than single parent families nationally³⁴:

³⁴ United States Census Bureau, March Current Population Survey data.



Employer-Provided Health Insurance.³⁵ From 1979-81 to 1997-99, the proportion of Connecticut workers who worked more than half time, half year who were covered by an employer-provided health insurance plan declined by about 12 percentage points – from 77.2% to 65.3%. About a third of this decline occurred over the 1980s, while two-thirds occurred over the 1990s (a 3.8 percentage point decline between 1979-81 and 1987-89, compared to a 8.1 percentage point decline between 1987-89 and 1997-99).

Connecticut's decline in health care coverage slightly exceeded the nation's decline over this period. However, nationally, employer-provided health care coverage declined more in the 1980s than it did in the 1990s – the reverse of Connecticut's pattern. Despite Connecticut's increasingly rapid decline in health care coverage over the last decade, the proportion of Connecticut employees who are covered remains higher than the national average, as has been true in prior decades:

³⁵ Data here show the proportion of private-sector wage and salaried employees (excluding self-employed) aged 18 to 64 who worked at least 26 weeks in the year and at least 20 hours per week who were included in a health insurance plan that was paid for in whole or in part by an employer (either their own, or another family member's). Source: United States Census Bureau, Current Population Survey data, pooled to increase reliability of the estimates. Note: Data for 1979-81 pools data over a recession since data before 1979 were not collected.

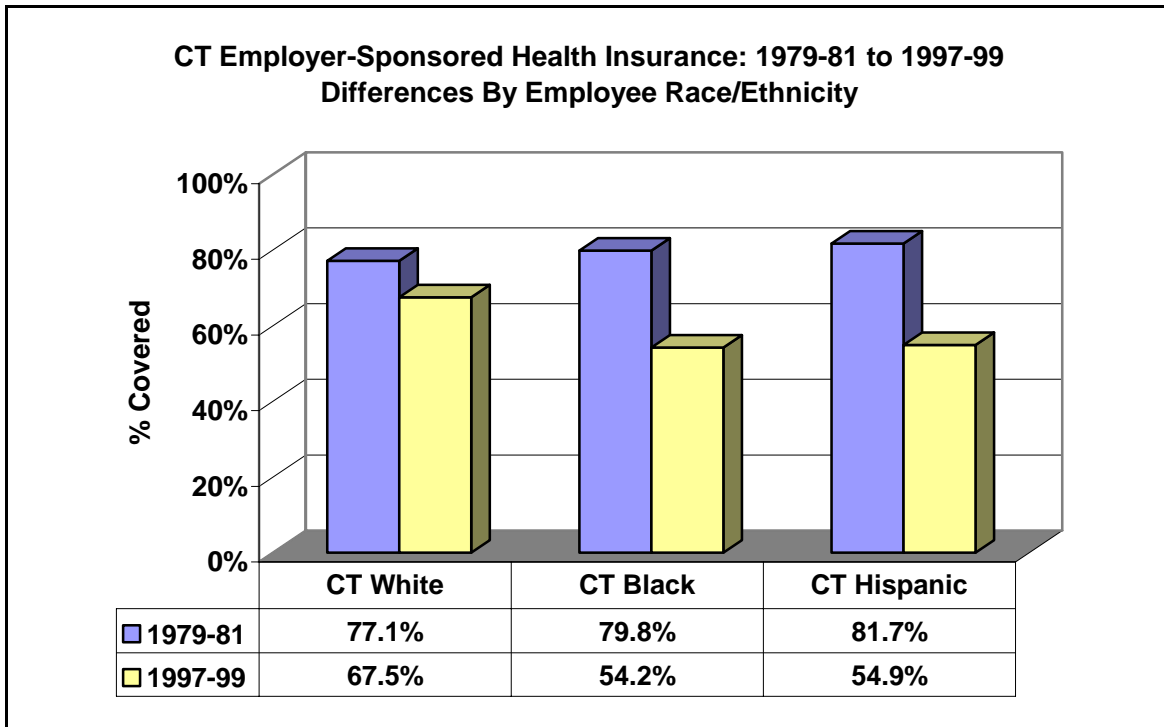
% of Employees Covered by Employer Health Insurance			
	1979-81	1987-89	1997-99
CT	77.2%	73.4%	65.3%
US	70.9%	63.5%	59.9%

These averages, however, disguise two important trends: differences in health care coverage by gender and by race/ethnicity.

Gender differences. For the last two decades, the proportion of Connecticut men with employer-provided health insurance has exceeded the proportion of Connecticut women with such coverage, as is true nationally. However, between 1979-81 and 1997-99, health care coverage declined 15.8 percentage points among Connecticut men, compared to a decline of 5.9 percentage points among Connecticut women. Thus, while the gender gap in coverage among Connecticut men and women has decreased over the past two decades, it is *not* because more women are insured, but because fewer men are.

Change in % of Workers Covered by Employer Health Insurance: By Gender		
	1979-81	1997-99
CT Men	84.9%	69.1%
CT Women	66.2%	60.3%
US Men	77.1%	63.1%
US Women	61.6%	55.6%

Race/ethnicity differences. Connecticut's disparities in employer-provided health insurance coverage by race/ethnicity exceed its disparities by gender. For while there was rough equality in coverage among Connecticut white, black and Hispanic employees in the late 1970s, by 1997-99 a huge gap had emerged, with white employees far more likely to be covered than black or Hispanic employees. In fact, while coverage for white Connecticut employees declined by 9.6 percentage points between 1979-81 and 1997-99, coverage for black employees fell by 25.6 percentage points and coverage for Hispanic employees by 26.8 percentage points:



Over these two decades, the racial divide in employer-provided health insurance coverage also grew nationally, though more modestly than Connecticut's, with an 8.7 percentage point decline for white employees (from 72.1% to 63.4%), compared to a 10.1 percentage point decline for black employees (from 65.7% to 55.6%) and a 20.7 percentage point decline for Hispanic employees (from 62.8% to 42.1%).

Employer-Provided Pension Coverage.³⁶ Employer-provided pension coverage declined in Connecticut over the 1980s (from 57.7% to 49.3%), then increased in the 1990s (to 53.8%), following a national trend.³⁷ Connecticut's 3.9 percentage point decline between 1979-81 and 1997-99 was slightly more than double the national decline over this period. Despite this, Connecticut's coverage remained higher than national averages throughout this period.

³⁶ This shows the proportion of employed civilian wage and salaried workers (excluding the self-employed) between the ages of 18 and 64 who worked at least half the year and at least 20 hours/week who were included in an employer-offered pension plan. Source: United States Census Bureau, March Current Population Survey data.

³⁷ The expansion of employer-provided pension plans in the 1990s is likely due to the expansion of 401(k) and other "defined-contribution" plans. This marks a shift from traditional defined-benefit plans that had been more common. The shift from defined-benefit plans to defined-contribution plans represents an erosion of pension quality. Defined-benefit plans guarantee a worker a fixed payment in retirement based on pre-retirement wages and years of service. In contrast, in defined-contribution plans employers make contributions (to which employees can add) each year and a worker's retirement income depends on his/her success in investing the funds, with investment risks borne by the employee rather than the employer. Mishel, Bernstein, & Schmitt, *The State of Working America 2000-01* (2001), p. 143.

% of Employees with Employer Pension			
	1979-81	1987-89	1997-99
CT	57.7%	49.3%	53.8%
US	50.5%	43.6%	48.7%

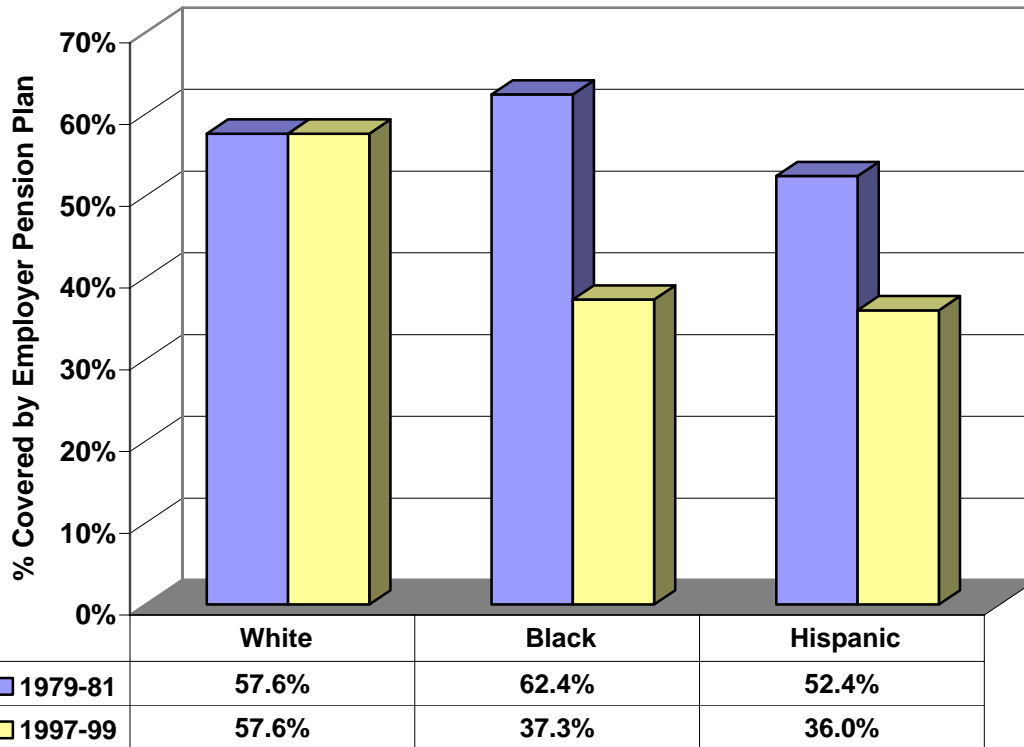
Gender differences. There are also gender differences in pension coverage. Between 1979-81 and 1997-99, Connecticut women had a 1.4 percentage point increase in coverage (from 51.1% to 52.5%), while Connecticut men had a 7.1 percentage point decline (from 61.8% to 54.7%).

CT Employees with Employer Pensions: By Gender. 1979-81 to 1997-99			
	1979-81	1997-99	Percentage Point Change
Men	61.8%	54.7%	-7.1
Women	51.1%	52.5%	1.4
US Men	55.2%	50.3%	-4.9
US Women	42.9%	46.5%	3.6

Race/ethnicity differences. There were also rather striking changes in pension coverage in Connecticut between 1979-81 and 1997-99 for non-white workers. While these declines were similar to declines nationally, they were far more extreme in Connecticut. Whereas the nation's black workers had a 2.4 percentage point decline in pension plan coverage over this period (from 45.1% to 42.7%), Connecticut's black workers had a 25.1 percentage point decline (from 62.4% to 37.3%). Hispanic workers nationally had a 9.7 percentage point decline (from 37.5% to 27.8%), while Connecticut's Hispanic workers had a 16.4 percentage point decline (from 52.4% to 36.0%). By comparison, coverage for white workers remained the same in Connecticut, and increased very slightly nationally between 1979-81 and 1997-99:

Employer Pensions: Connecticut Compared to United States 1979-81 to 1997-99			
	1979-81	1997-99	Percentage Point Change
CT White	57.6%	57.6%	0.0
CT Black	62.4%	37.3%	-25.1
CT Hispanic	52.4%	36.0%	-16.4
US White	52.1%	53.0%	0.9
US Black	45.1%	42.7%	-2.4
US Hispanic	37.5%	27.8%	-9.7

Change in Pension Coverage Among CT Employees by Race/Ethnicity: 1979-81 to 1997-99



Unionization Rate.³⁸ In 2000, Connecticut had the 14th highest proportion of unionized workers, with 16.3% of its workers in unions,³⁹ compared to 13.5% nationally. The proportion of Connecticut workers in unions has declined over time – from 19.7% in 1984 to 18.5% in 1989, to 17.5% in 1998 and to 16.3% in 2000. This is consistent with the national trend of a decline in unionized workers from 24.1% in 1979, to 16.4% in 1989, to 13.9% in 1998 to 13.5% in 2000.

Connecticut's decline is also consistent with all but one state (i.e., New Hampshire, which had a modest *increase* in unionization between 1984 and 2000). Between 1984 and 2000, 28 states had a decline in unionization that exceeded Connecticut's. For example, between 1984 and 2000, the unionization

³⁸ The unionization rate is the proportion of employed civilian workers age 16 and older (excluding the self-employed) who are union members. The unionization rate does not include as union members workers who are covered by a collective bargaining agreement but who have not themselves joined a union. Source: United States Census Bureau, Current Population Survey data.

³⁹ New York had the highest proportion of workers in unions (25.5%). Other states with higher rates of unionization than Connecticut in 2000 were Hawaii (24.8%), Alaska (21.9%), New Jersey (20.8%), Michigan (20.8%), Illinois (18.6%), Washington, Rhode Island and Minnesota (18.2%), Wisconsin (17.6%), Ohio (17.3%), Nevada (17.1%) and Pennsylvania (16.9%). The state with the lowest unionization rate in 2000 was North Carolina (3.6%).

rate fell by 9.2 percentage points in West Virginia (from 23.5% to 14.3%) and by 9 percentage points in Indiana (from 24.6% to 15.6%), compared to Connecticut's 3.4 percentage point decline (from 19.7% to 16.3%).

Unemployment, Underemployment, and Employment-to-Population Ratios

Unemployment.⁴⁰ Since 1979, Connecticut's unemployment rate generally has been lower than the national average, and among the lowest of all states. It has fallen 1.4 percentage points in each of the last two decades – from 5.1% in 1979 to 3.7% in 1989, to 2.3% in 2000.⁴¹ Over 2000, the state's unemployment rate declined even as the state's labor force expanded by more than 2%.⁴² The CT Economic Digest warned "a shortage of workers remains a significant risk to the current expansion."⁴³

- Connecticut's unemployment rate was below the national average in 1979 (5.1% in Connecticut, compared to 5.8% in US), in 1989 (3.7%, compared to 5.3% in US), and in 2000 (2.3%, compared to 4.0% in the US). While the state's unemployment rate tied for sixth lowest in the nation in 1989, during 2000, only one state had a lower rate of unemployment than Connecticut (Virginia at 2.2%).
- The state's unemployment rate fell steadily throughout 2000, from 2.8% in December 1999 to a low in November 2000 of 1.7%, the lowest unemployment rate in Connecticut since at least 1969 and the lowest rate in the nation that month.⁴⁴

⁴⁰ The unemployment rate is determined by dividing number of unemployed workers by the number of unemployed and employed workers. To be counted as "unemployed," one must be looking for and be available to work. Because some consider this measure not to be indicative of the overall jobless rate, this report also describes the state's "underemployment" rate and its employment-to-population ratio, which include additional persons, such as those who are not seeking work, or those who are working part-time involuntarily. Source: Bureau of Labor Statistics and Connecticut Department of Labor data.

⁴¹ Note that changes in Bureau of Labor Statistics survey methodology make unemployment rates for 1994 and beyond not directly comparable to those in earlier years.

⁴² Federal Reserve Bank of Boston, *Economic Performance of the New England States in 2000: An Overview* (June 2001). www.bos.frb.org/economic/nee/nee.htm. NOTE: Employment figures are based on establishment surveys (counting the number of jobs on establishment payrolls), while the labor force figures are based on household surveys (counting the number of individuals with jobs or looking for work). These two series may diverge because some individuals have more than one job, some are self-employed and so are not counted as part of payroll employment, and some commute across state lines to work.

⁴³ Connecticut Department of Labor, *The Connecticut Economic Digest*, p.6 (February 2001). See also Federal Reserve Bank of Boston, *Economic Performance of the New England States in 2000: An Overview* (June 2001). www.bos.frb.org/economic/nee/nee.htm.

⁴⁴ Connecticut Department of Labor, *The Connecticut Economic Digest* (February 2001), p 6.

Importantly, since March, 2001, Connecticut's unemployment rate has been increasing. In July 2001, Connecticut's seasonally-adjusted unemployment rate⁴⁵ was 3.2% (compared to 3.0% in Connecticut in June 2001 and 2.2% in June, 2000).⁴⁶ This represents a total of about 55,600 unemployed people in Connecticut in July 2001 (up from 38,200 unemployed people in July 2000)⁴⁷.

The unemployment rate (not seasonally adjusted) in the Stamford labor market area in July 2001 was 2.2% (up from 1.4% in July 2000), and 2.6% in the Danbury labor market area (up from 1.7%). The Lower River area also posted a 2.1% unemployment rate in July, 2001 (compared to 1.5% a year earlier). Unemployment in July 2001 was highest in the Waterbury labor market area at 4.7%, followed closely by the Bridgeport area at 4.4%.⁴⁸

Not everyone has benefited equally from the state's low unemployment rate however. Less educated Connecticut workers had unemployment rates that were above the national average. For example, over the 1997-2000 period⁴⁹, the unemployment rate for Connecticut men aged 18-35 who had less than a high school education was 15%, compared to 10.2% nationally. Over this same period, the unemployment rate for Connecticut men in this age group who had just a high school diploma (but no additional education) was 6.2%, compared to 5.1% nationally. As discussed below, *under-employment* was also more common among less well-educated workers.

Under-Employment.⁵⁰ Connecticut workers aged 18-35 with less than a high school education are twice as likely to be under-employed than same-aged workers with a high school diploma (but no additional education).

⁴⁵ The "seasonally-adjusted" employment rate more clearly shows the underlying basic trend of employment as it eliminates the influences of regularly-occurring seasonal fluctuations in employment that can be ascribed to such factors as crop-growing cycles, and holidays.

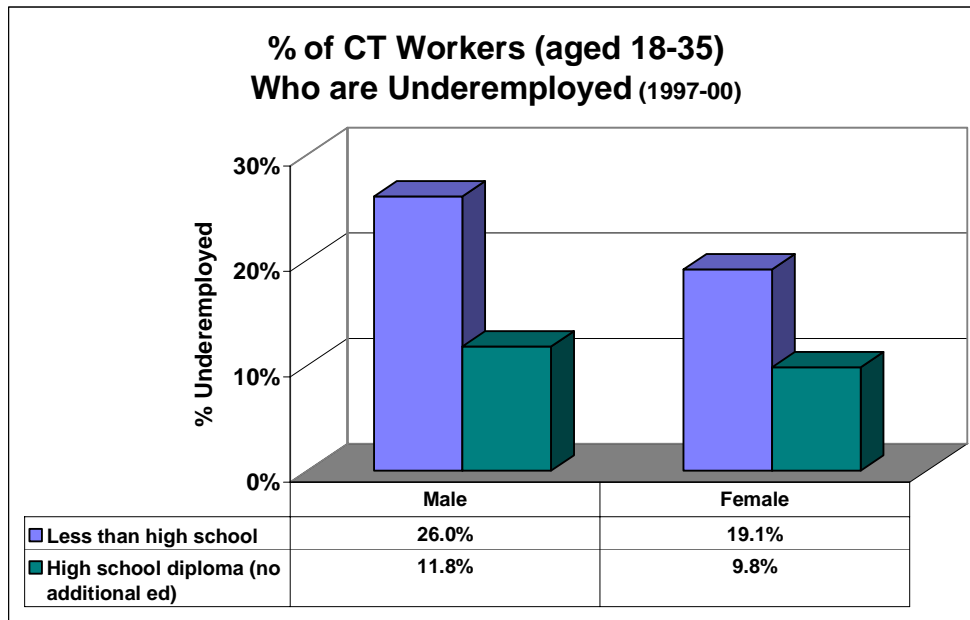
⁴⁶ Connecticut Department of Labor, *Labor Situation*, July 20, 2001. NOTE: Beginning with the publication of July 2001 data, Connecticut's labor force data reflect the results of an expanded monthly household Current Population Survey by the United States Census Bureau. The survey was expanded to meet the requirements of the State Children's Health Insurance Program (SCHIP) which requires the Census Bureau to improve state estimates of the number of children who live in low-income families and who lack health insurance. In Connecticut, the CPS sample size has doubled (from about 600 to about 1,200 households). The change in the sample size makes labor force estimates for June 2001 and thereafter not directly comparable to data from earlier periods, but likely more reliable than prior estimates because of the increased sample size. Preliminary estimates of unemployment based on the larger CPS sample for Connecticut showed higher unemployment rates for the early months of the year than had been reported previously – by about 0.5% on average. The experience of affected states was mixed, some seeing higher rates and others lower rates or no change. Connecticut Department of Labor, *Labor Situation*, August 17, 2001.

⁴⁷ CT Department of Labor, *Labor Situation*, July 21, 2000.

⁴⁸ CT Department of Labor, *Labor Situation*, July 20, 2001.

⁴⁹ To increase the reliability of the estimates, data are pooled for the years 1997-2000.

⁵⁰ Workers are under-employed if they either are unemployed, are not seeking work because they are discouraged about their job prospects, are working part-time involuntarily and prefer full-time work, or have sought work in the past year but are not currently looking for work due to other



Compared to national averages, under-employment in Connecticut is less common among female workers and more common among male workers (aged 18-35). This gender difference is particularly great among workers with less than a high school education.

% of Workers aged 18-35 Who are Under-Employed: 1997-00				
	CT Female	US Female	CT Male	US Male
Less than high school education	19.1%	26.5%	26.0%	17.8%
Only high school diploma (no additional education)	9.8%	13.8%	11.8%	9.4%

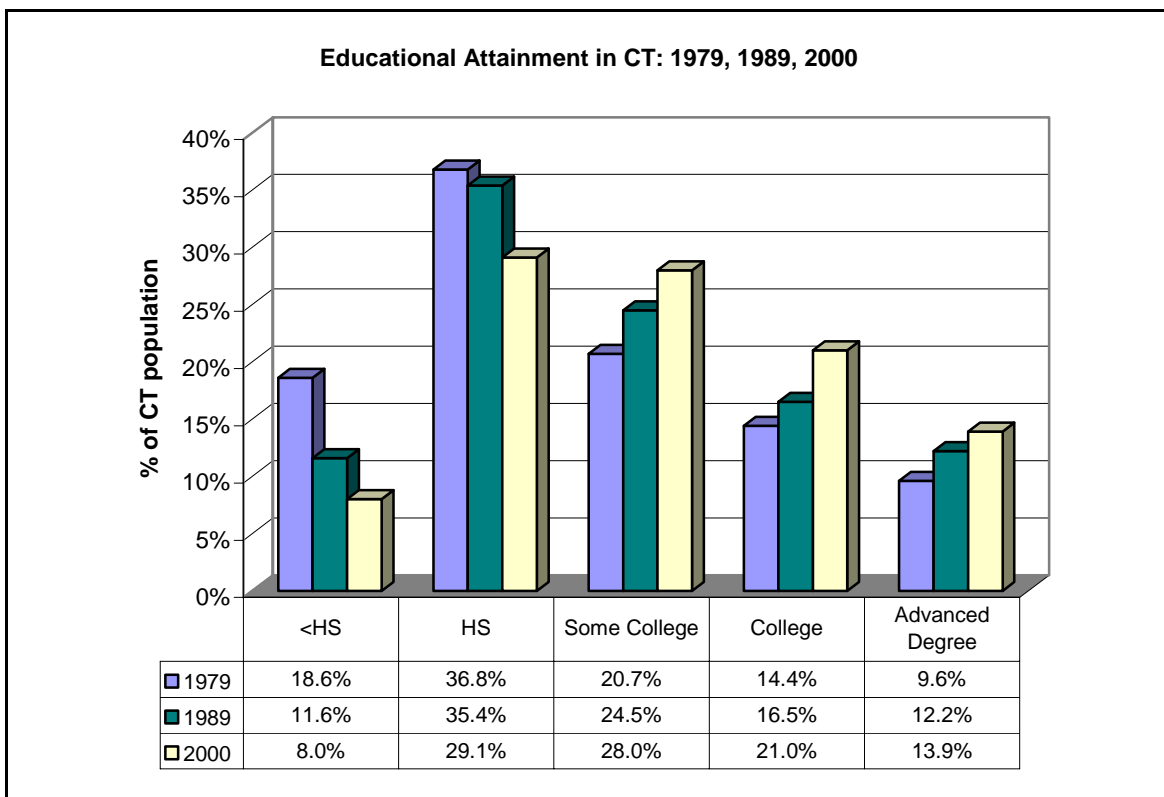
Source: EPI analysis of US Census Bureau Current Population Survey data

Connecticut male workers aged 18-35 with less than a high school education also compare relatively poorly to their peers in other states in under-employment. Only five states (West Virginia, Alaska, Montana, Hawaii, and Louisiana) and the District of Columbia have higher rates of under-employment than Connecticut among these less well-educated young men. By comparison, Connecticut women workers with less than a high school education have the 4th *lowest* proportion of under-employed workers among all states, and its women workers with a high school education (and no further education) have the 2nd lowest proportion of underemployed workers (just behind New Hampshire at 9.6%).

reasons, such as lack of child care. To increase the reliability of the estimates, the data are pooled for the years 1997-2000. Source: United States Census Bureau, Current Population Survey data.

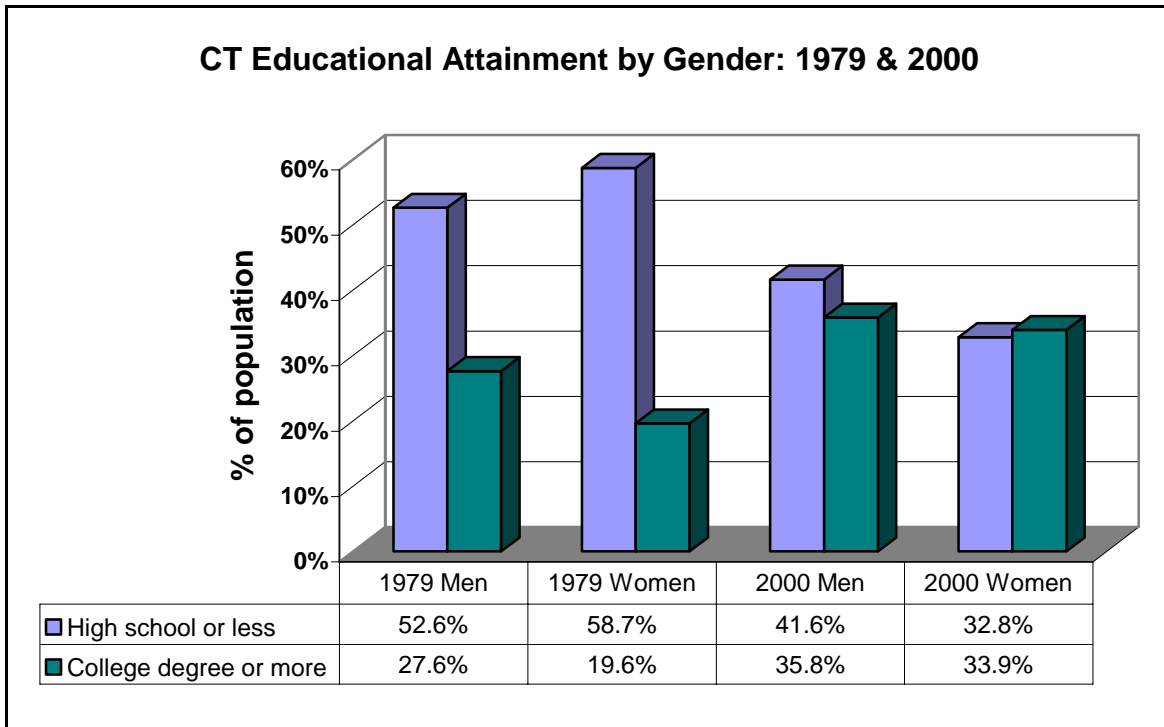
Educational Attainment. Given the strong association between education and employment/unemployment and earnings, particularly in the state’s “new economy,” Connecticut’s steady progress since 1979 in increasing the proportion of its population with more than a high school diploma is noteworthy.

In 1979, more than 55% of Connecticut’s population had a high school diploma or *less* education. By 2000, about 37% of the population had this level of education. Over the same period, the proportion of the Connecticut population with a college degree or *greater* education attainment increased from 24% to 35%. Indeed, in 2000, the proportion of Connecticut men and women with an advanced degree (14.4% of Connecticut men and 13.3% of women) was exceeded only in Maryland and Washington, D.C.



Between 1979 and 2000, Connecticut women advanced more in their educational attainment than did Connecticut men. As illustrated in the following table, the proportion of Connecticut women with a high school education or *less* declined by 26 percentage points, compared to an 11 percentage point decline for men. The proportion of Connecticut women with a college degree or *more* increased by 14 percentage points, compared to an 8 percentage point increase for Connecticut men. Now, Connecticut women now are better educated than Connecticut men. In 2000 67% of Connecticut women had some post-secondary education, compared 58% of Connecticut men (compared to 1979 when 41% of Connecticut

women had some post-secondary education compared to 47% of Connecticut men).



Employment-to-Population Ratio.⁵¹ In 1998, 65.3% of Connecticut residents aged 16 and older were working in paid, non-agricultural employment. Half the states had a higher ratio than Connecticut's (Minnesota had the highest ratio at 73.5%).

The share of Connecticut residents working in 1998 was 2.1 percentage points *less than* the share working in 1989 (67.4%), a year when Connecticut had the 9th highest share of residents working. Connecticut's *decline* in the share of residents working between 1989 and 1998 was the 4th greatest decline among states. Indeed, only eleven states and the District of Columbia experienced a decline in the 1990s in the share of residents working; all others had an increasing proportion of their residents working.

In 1998, 71.2% of Connecticut male residents 16 and older were in paid, non-agricultural employment, compared to 76.9% in 1989 and 75.0% in 1981.

⁵¹ The employment-to-population ratio indicates the level of participation in paid, non-agricultural employment among state residents age 16 and over. It is influenced by social trends (women's increasing employment) as well as the availability of jobs, and can be used to show the pace of job growth as well as the willingness and ability of people to work for pay. The ratio is calculated by dividing the number of workers age 16 and older (excluding the self-employed and agricultural workers) by the number of state residents (including the elderly who are not working). Source: Bureau of Labor Statistics, CES data.

Connecticut women were less likely than Connecticut men to be in paid employment. In 1989, 59.7% of Connecticut women age 16 and older were in paid, non-agricultural employment, compared to 58.9% in 1989 and 51.0% in 1981.

Interestingly, as shown in the table below, the difference in the proportion of Connecticut men and women in paid employment has narrowed substantially since 1981. Between 1981 to 1989, both men *and* women in Connecticut increased their participation in paid employment. However, the growth in paid employment among Connecticut women far exceeded the growth in employment among Connecticut men. Moreover, during the 1990s, the proportion of Connecticut men in paid employment actually *declined* by 5.7 percentage points, while the proportion of women in paid employment continued to increase -- by 0.8 percentage points.

CT Employment-to-Population Ratio: 1989 to 1998					
	1981	1989	1998	Percentage point change 1981-89	Percentage point change 1989-98
CT-All	62.4%	67.4%	65.3%	5.1	-2.1
CT Men	75.0%	76.9%	71.2%	1.9	-5.7
CT Women	51.0%	58.9%	59.7%	7.9	0.8

Wage Trends

Data on hourly wages⁵² for low-wage workers (20th percentile),⁵³ hourly median wages (50th percentile),⁵⁴ and hourly wages for high-wage workers (80th percentile)⁵⁵ indicate how workers at different income levels have fared over time.⁵⁶

⁵² The wages given here are for waged and salaried workers (excluding the self employed). Source: United States Census Bureau Current Population Survey data.

⁵³ "Low-wage worker" is defined here as the worker at the 20th percentile of wages. That is, the hourly wage for a "low-wage" worker is the wage at which 20% of wage earners earn less and 80% of wage earners earn more.

⁵⁴ The "hourly median" wage is the wage that is in the middle of the income distribution for all workers. It is the wage at which 50% of wage earners earn less, and 50% of wage earners earn more.

⁵⁵ "High-wage worker" is defined here as the worker at the 80th percentile. That is, the hourly wage for a "high-wage" worker is the wage at which 80% of wage earners earn less, and 20% of wage earners earn more.

⁵⁶ Since it is unlikely that a person would stay at a given percentile in the wage distribution over an extended time, these data do not indicate how individual workers are faring, since with increases in

One initial point bears special emphasis. When this report provides data on wages for “low-wage” workers by reporting on the wage for workers at the 20th percentile, *by definition* this means that fully 20% of the workers in the state have hourly wages that are *less than* the wage reported. Conversely, when the report provides data on wages for “high-wage” workers by reporting on the hourly wage for workers at the 80th percentile, *by definition* this means that fully 20% of the workers in the state have hourly wages that are *greater than* the wage reported.

The inflation-adjusted (“real”) hourly wages of Connecticut’s low, median, and high wage workers increased at similar rates between 1979 and 1989 (at about 15% in each category). This consistent growth maintained a stable level of wage inequality over the decade, allowing all to benefit. Unfortunately, this trend did not continue in the 1990s. In contrast, over the 1990s the state’s low-wage workers actually *lost* economic ground, while others benefited from the state’s expanding economy. Between 1989 and 2000, the real wages of Connecticut’s low-wage workers *fell* by 6.4%, while median wages increased by 2.0% and the hourly wages of the state’s high-wage workers increased by 8.2%.

In addition, over the *two* decades between 1979 and 1999, the increase in the real wages of the state’s low-wage workers was less than half the increase enjoyed by median wage workers, and less than a third of the increase enjoyed by the state’s high-wage workers.

Percent Change in Hourly Wages of CT Low, Median, and High-Wage Workers (2000 \$)			
	1979-1989	1989-2000	1979-2000
Low	15.1%	-6.4%	7.7%
Median	14.9%	2.0%	17.1%
High	15.6%	8.2%	25.1%
Source: EPI analysis of US Census Bureau Current Population Survey data			

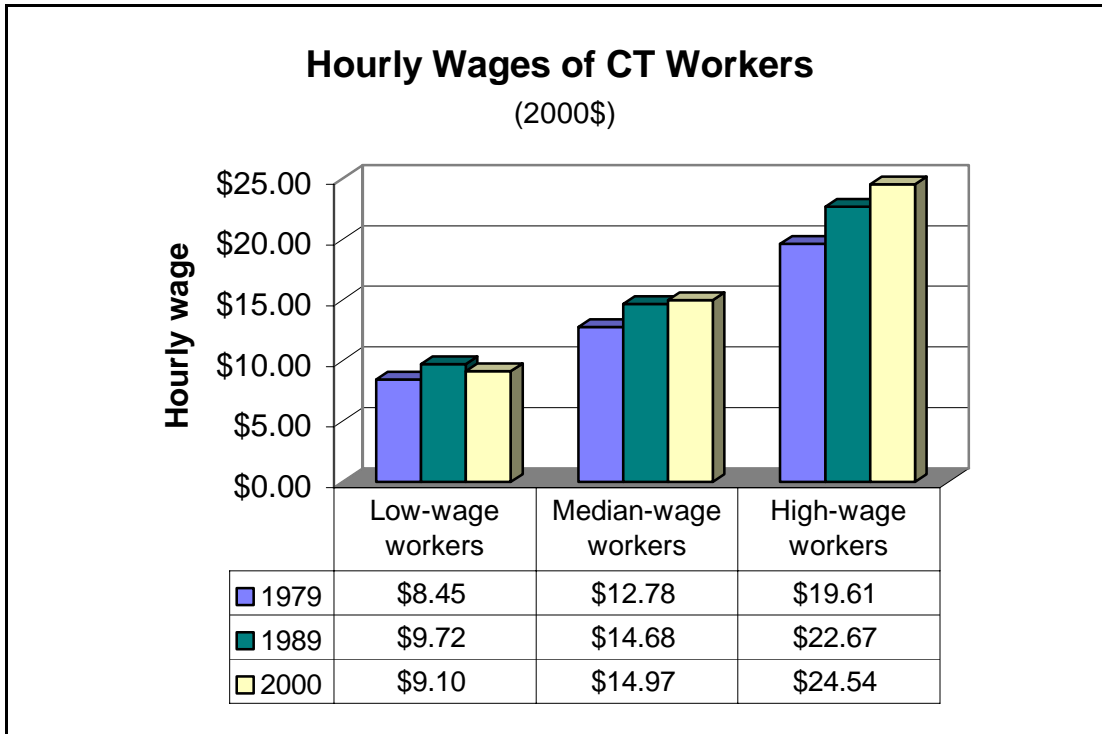
Specifically, since 1979, the real wages of Connecticut’s high-wage workers have increased by nearly \$5/hour (or more than \$10,000/year)⁵⁷, while the real wages of the state’s median wage workers have increased \$2.19/hour (about \$4,400/year) and those of low-wage workers by just \$0.65/hour (about \$1,300/year)(in 2000 dollars).

Importantly, the real hourly wages of those in the middle of Connecticut’s income distribution and above not only increased from 1979 to 1989, but also *continued*

experience, education and/or training, workers usually see wage gains as they change jobs, get promotions etc. Rather, these data illustrate changes in wage structure that reflect changes in job quality, and therefore how workers fare economically when in these jobs.

⁵⁷ Yearly numbers assume full-time, full-year work.

increasing from 1989 to 2000. By comparison, the real hourly wages of Connecticut's low-wage workers increased from 1979 to 1989, but then fell between 1989 and 2000.

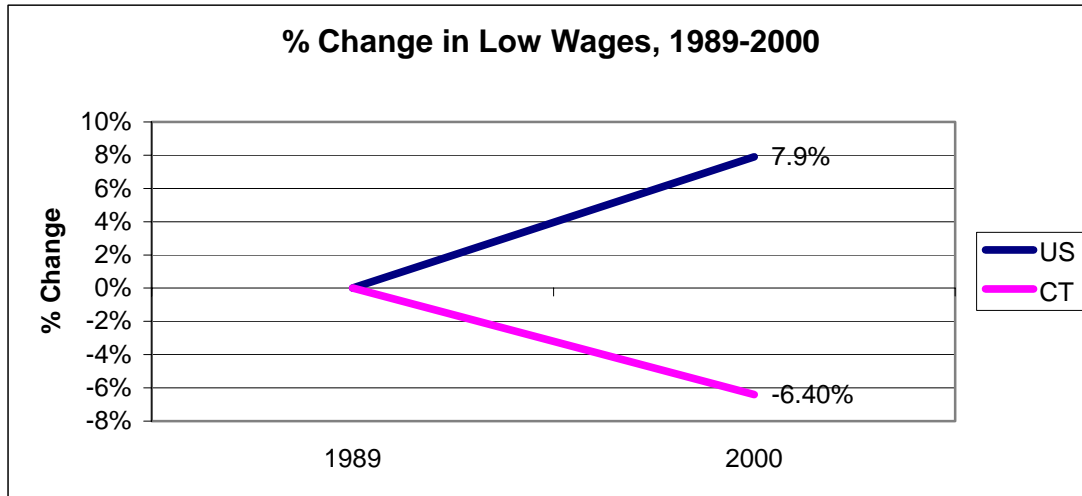


Despite this disparate growth in wages over the 1990s, the state ranked highest in the nation in hourly wages in 2000 for its low and median wage workers and second highest in the nation for its high wage workers, improving its state standing consistently since 1979, but with the greatest relative improvement during the 1980s:

Real Hourly Wages (and State Ranking) Of CT's Low, Median And High Wage Workers: 1979, 1989, 2000 (2000\$)			
	1979	1989	1999
Low	\$8.45 (8 th highest)	\$9.72 (2 nd highest)	\$9.10 (highest)
Median	\$12.78 (17 th highest)	\$14.68 (2 nd highest)	\$14.97 (highest)
High	\$19.61 (19 th highest)	\$22.67 (3 rd highest)	\$24.54 (2nd highest)
Source: EPI and CT Voices' analysis of US Census Bureau Current Population Survey data			

A Closer Look at Low Wages. The real wages of Connecticut workers at the 20th percentile ("low wage workers") increased by 15.1% between 1979 and 1989 (the second greatest increase in the nation, next to Massachusetts which had a 16.1% increase). Wages then fell 6.4% (or about \$1,240/year) between 1989 and

2000. Interestingly, Connecticut's trend was the reverse of low wage trends nationally over this period. Nationally, low wages *fell* by 8.5% between 1979-89 and *increased* by 7.9% between 1989-00. The following chart illustrates Connecticut's divergence from low-wage trends nationally:⁵⁸



Only nine states had *declines* in the real wages of their low-wage workers over the period between 1989 and 2000; six of the nine were in the Northeast.

Despite Connecticut's 6.4% decline in real wages for its low wage workers between 1989 and 2000 (the fourth greatest decline in the nation),⁵⁹ the state's low wage workers in 2000 still had higher wages (at \$9.10/hour) than low wage workers in any other state and had wages about 17% greater the national low-wage average (of \$7.77/hour). Importantly, however, the state's high cost of living – estimated by many to be about 20% higher than national averages⁶⁰ -- offsets the benefit of these higher wages.

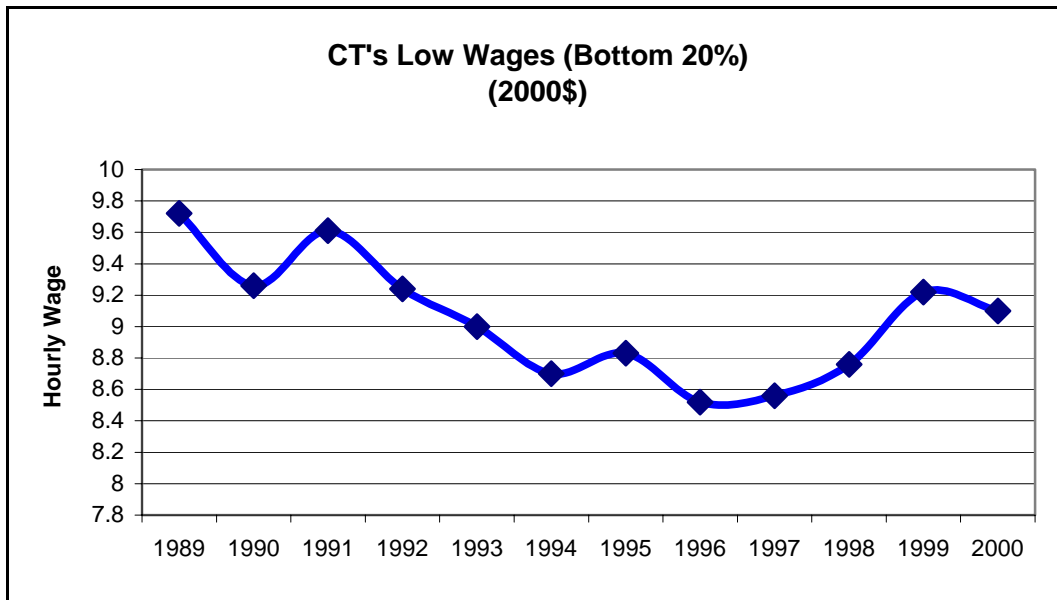
The current trend of Connecticut's low wages remains a continuing concern, however. After falling by more than \$1/hour between 1989 and 1996 (from \$9.72/hour in 1989 to \$8.52/hour in 1996, in 2000 dollars), wages for the state's low-wage workers began to increase in 1996, reaching a high of

⁵⁸ The chart is intended to illustrate this divergence only, and not a particular rate of change over time through the period from 1989 to 2000.

⁵⁹ States with a greater percent decline in low wages over this period were Alaska (-11.9%), Hawaii (-9.0%) and Massachusetts (-7.4%).

⁶⁰ See, CT General Assembly, Office of Legislative Research, *Cost of Living Index* (2001-R-0446, April 24, 2001)(reporting on the Census Bureau's cost of living index for CT municipal areas, as of the end of 1999: Hartford's index was 118.8 and New Haven-Meriden's 125.0, with the national average equal to 100). See also Lanza SP, *Low Inflation and High Incomes Temper Connecticut Prices, The Connecticut Economy* (Winter, 1999). Lanza's estimate that Connecticut's cost of living is about 20% greater than the national average is based on a survey by the American Chamber of Commerce and a similar one done by the University of Connecticut.

\$9.22/hour in 1999 (in 2000 dollars). Low unemployment and an increase in the state's minimum wage likely contributed to the reversal in the decline of wages of low-wage workers. The year 2000, however, saw low wages again falling – to \$9.10/hour (in 2000 dollars). So, though the state's low wage workers never recovered the economic ground they lost between 1989 and 1996, it appears that they may now be starting, once again, to fall further behind.



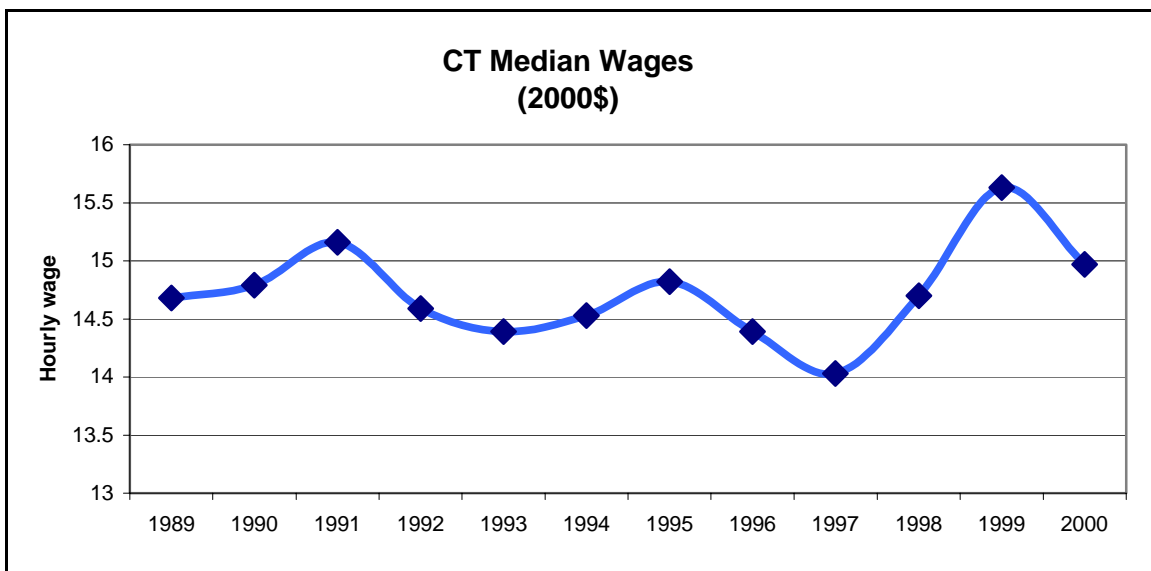
A Closer Look at Median Wages.⁶¹ Since 1979, hourly median wages in Connecticut have increased by \$2.19/hour (17%), or more than \$4,380/year (in 2000 dollars). Connecticut's greatest growth was over the 1980s, when hourly median wages increased by nearly 15% (the third greatest increase among states). Connecticut's growth over this period was typical only of the Northeast states. Between 1979 and 1989, hourly median wages *declined* in nearly two-thirds of all states, and fell 2.4% nationally. Over the 1980s, in fact, only the Northeast region had increases in the hourly median wage.

By contrast, between 1989 and 2000, the Midwest and South showed growth in hourly median wages, while the Northeast and West saw declines. Among the Northeast states, only Connecticut, Massachusetts, Vermont, Rhode Island and Pennsylvania had increasing median wages in this period; New Hampshire, Maine, New York and New Jersey all saw declines. By 2000, Connecticut's hourly median wage (at \$14.97/hour) was \$2.71/hour more than the median wage nationally (\$12.26/hour), or about 22% higher than the national average.

⁶¹ This measure of wages more accurately reflects Connecticut's "average" wage than an hourly mean wage, since the extremely high wages of a relatively small proportion of the population would dramatically skew the mean wage upward.

This year's drop in median wage may foretell a troubling new trend, however. Real hourly median wages in 1998 surpassed the wage set in 1989, making up for ground lost in the early 1990s. The median wage reached a high of \$15.63 in 1999. However, in 2000, the hourly median wage *fell* to \$14.97.

The real wage of Connecticut's median wage worker is now \$0.66 less per hour than it was a year ago, a loss of more than \$1,300 in real annual income. This \$0.66/hour decline was the greatest among the states that showed a decline over this period⁶² Despite this decline, however, the hourly median wage in Connecticut remains highest among all states.

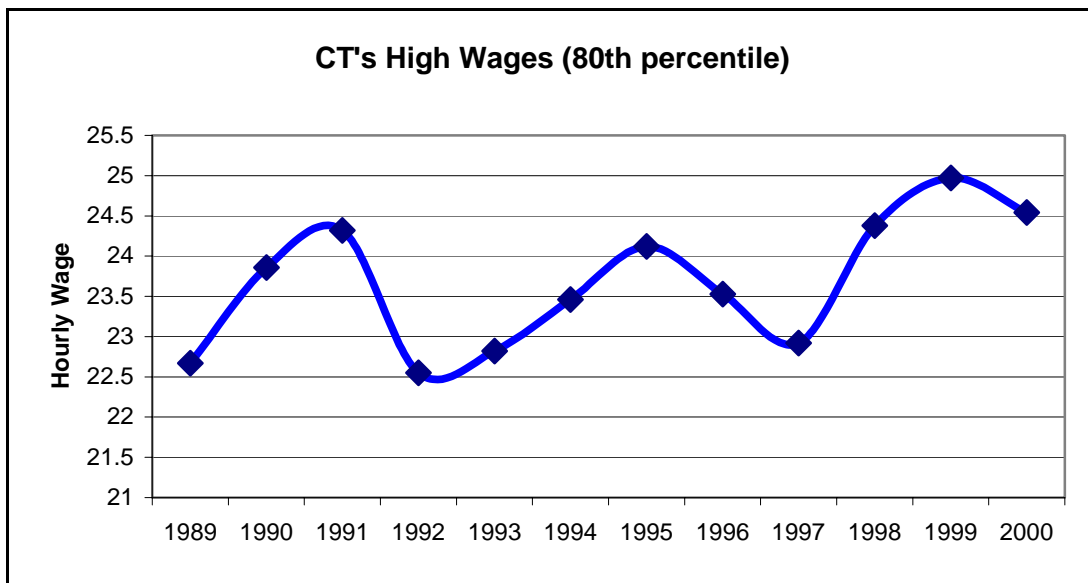


A Closer Look at High Wages. Hourly wages of Connecticut's high-wage workers (80th percentile) increased both from 1979 to 1989 (by 15.6%) and also from 1989 to 2000 (by 8.2%). In only 16 other states did high wages increase over *both* periods. Connecticut's increase between 1979 and 1989 was third greatest in the nation (next to New Hampshire and Massachusetts). Its increase between 1989 and 2000 was 16th greatest in the nation. By 1999, Connecticut led the nation in hourly wages for high-wage workers (at \$24.97/hour, in 2000\$), about \$4.38/hour (or 21%) above the national average (of \$20.59/hour).

Of some concern is that the hourly high wage in 2000 was \$0.43/hour less than the hourly wage in 1999 (\$24.54/hour in 2000, compared to \$24.97/hour in 1999, in 2000\$). In 2000, Connecticut lost its #1 position on this measure. Now, New Jersey can boast of the nation's highest hourly high wages (at \$25.10/hour for

⁶² By contrast, more than half all states had an *increase* in hourly median wages between 1999 and 2000).

workers at the 80th percentile). Despite this recent decline, real hourly high wages in Connecticut remain higher than were at any time between 1989 and 1998.



Income Trends

Per Capita Personal Income.⁶³ Connecticut's per capita personal income in 2000 remained the highest in the nation at \$40,640. This is \$10,964 (and about 37%) more than the United States' 2000 per capita personal income of \$29,676. Connecticut's per capita personal income increased about 3.8% between 1999 and 2000 (compared to a 4.9% increase between 1998 and 1999).⁶⁴

⁶³ The Bureau of Economic Analysis, which provides data about per capita personal income, defines "personal income" as the sum of net earnings, rental income, personal dividend and interest income, and government and business transfer payments. Personal income is measured *before* the deduction of personal income taxes and other personal taxes and is reported in current dollars. This measure of per capita income differs from that used by the Census Bureau which reports on per capita "money" income, defined as all income received as cash (e.g. wage income, government cash assistance, interest, and dividends), but *excluding* capital gains income and non-cash "in-kind" income (e.g. food stamps, health benefits, rent-free housing). Connecticut's per capita *money* income, as reported by the United States Census Bureau based on its 2000 Supplemental Survey, is \$29,177, which is much less than the state's per capita personal income. In addition to differing on how "income" is defined, these two sources differ in how they gather the data on which each income measure is calculated. The BEA uses federal administrative reports to estimate per capita personal income, whereas the Census Bureau relies on interviews with household respondents, who are asked to report on their income. Survey information is subject to both sampling and non-sampling errors.

⁶⁴ Federal Reserve Bank of Boston, *Economic Performance of the New England States in 2000: An Overview* (June 2001). www.bos.frb.org/economic/nee/nee.htm; Connecticut Department of Labor, *Census Income Data* (May 2001).

Median Household Income.⁶⁵ Connecticut's median household income *declined* between 1989 and 1999 – falling from \$56,860 to \$50,798⁶⁶ (in 1999 dollars). The state's rank on this measure slipped from highest in the nation in 1989 to third highest in 1999. By comparison, between 1984 and 1989, Connecticut's median household income increased from \$48,025 to \$56,860 (in 1999 dollars). Despite losing ground on this measure over the 1990s, Connecticut's median household income remains nearly \$10,000 higher than the national median household income.

Median Family Income for Four-Person Families.⁶⁷ Change in median family income for a family of four over time shows change in family economic well-being while holding family size constant. In the United States, median family income for a family of four increased from \$50,419 in 1979 to \$54,767 in 1989 to \$59,981 in 1999 (in 1999 dollars). This was an 8.6% increase between 1979 and 1989 and a 9.5% increase between 1989 and 1999.

In Connecticut, median family income for four-person families grew from \$54,955 in 1979 to \$71,629 in 1989 and then to \$75,505 in 1999 (in 1999 dollars). Connecticut's 1999 median income for a four-person family ranks Connecticut #1 in the nation -- \$15,524 over the national median income for a family of four (\$59,981) and highest among all states (with New Jersey at \$75,425 and Maryland at \$74,806, trailing close behind).

Importantly, however, much of Connecticut's advantage in this measure of income was gained between 1979 and 1989, when this measure of income grew 30.3% (from \$54,955 to \$71,629, in 1999 dollars) and Connecticut's rank moved from 10th highest among states to #1. Connecticut's growth over this period on this measure was the greatest in the nation, and more than three times the national rate of growth (8.6%). However, between 1989 and 1999, the growth in median income for a family of four in Connecticut was far more modest – just 5.4% --

⁶⁵ "Median household income" is the income of the household whose income is larger than half of all other households and smaller than half of all other households – the household right in the middle if all households were arrayed from low to high by income. This measure of income is a better indicator of how an "average" household is faring economically than are measures of mean (or "per capita") income, which can be distorted by very high incomes bringing up the average. Source: United States Census Bureau, Historical Income Tables, Households, Table H-8. Note: No comparable pre-1984 data are available.

⁶⁶ Note: This figure for median household income differs slightly from the median household income number released on August 6, 2001 by the Census Bureau and reported in local newspapers as \$53,108. This \$53,108 figure is taken from the Census 2000 Supplemental Survey (also known as the American Community Survey or ACS) which uses a new methodology and a different sampling method than is used for standard census data and the CPS. Since this was the first release of state data from the ACS for all 50 states, in most cases no comparisons can be made with earlier time periods. The \$50,798 median household income figure used in this report, because it is taken from the 1999 CPS, *may* be used to make historical comparisons.

⁶⁷ This measure of income addresses the critique of some who say that while family income may be falling, families are actually better off than in earlier years because family size also has declined. This measure of income holds family size constant, allowing comparisons in median income for families of the same size over time. Source: United States Census Bureau, Income Website.

compared to national growth of 9.5%. Only six states had growth *less than* Connecticut's over the 1990s.⁶⁸

Indeed, in the last year Connecticut actually lost absolute and relative ground on this measure of family economic well-being. While median family income for a family of 4 in 1998 was \$77,203, it was \$75,505 in 1999 (in 1999 dollars). In addition, in 1998, median family income for a family of four in Connecticut was nearly \$20,000 greater than the national average (\$57,300) and more than \$4,500 greater than second-ranked New Jersey. However, in 1999, Connecticut's median income for a family of four was \$15,524 more than the national average, and only \$80 greater than second-ranked New Jersey.

Median Family Income for Family of Four (1999\$)				
	CT	US	CT % over US	CT's state rank
1974	\$52,889	\$47,339	12%	5 th highest
1979	\$54,955	\$50,419	9%	9 th highest
1989	\$71,629	\$54,767	31%	Highest
1998	\$77,203	\$57,300	35%	Highest
1999	\$75,505	\$59,981	26%	Highest
Source: EPI and CT Voices' analysis of US Census Bureau Current Population Survey data				

Income Distribution Trends

Income Inequality.⁶⁹ During the 1990s, Connecticut's economic growth was not shared evenly among the state's families. Rather, the top 20% of Connecticut families benefited greatly from the state's economic recovery while Connecticut families in the bottom 60% actually lost economic ground.

In particular, over the 1990s Connecticut's bottom fifth "bottomed out." The families in Connecticut's bottom fifth lost \$6,160/year in real income – a decline of 26%. This decline reflected falling wages among the state's low-wage workers over this period and an increase in Connecticut jobs with poverty-level wages (see below). The decline in family income among the state's poorest families was so great that it exceeded the decline *in any other state*. Rhode Island was next closest to Connecticut. Its poorest families, however, lost \$3,781/year in real income -- far less than Connecticut's poorest families.

⁶⁸ Minnesota, for example, enjoyed a 17.1% growth in median income for a four-person family between 1989 and 1999 – with income increasing from \$56,919 to \$66,677, nearly a \$10,000 jump (in 1999 dollars), compared to Connecticut's much more modest \$3,876 increase over the same period.

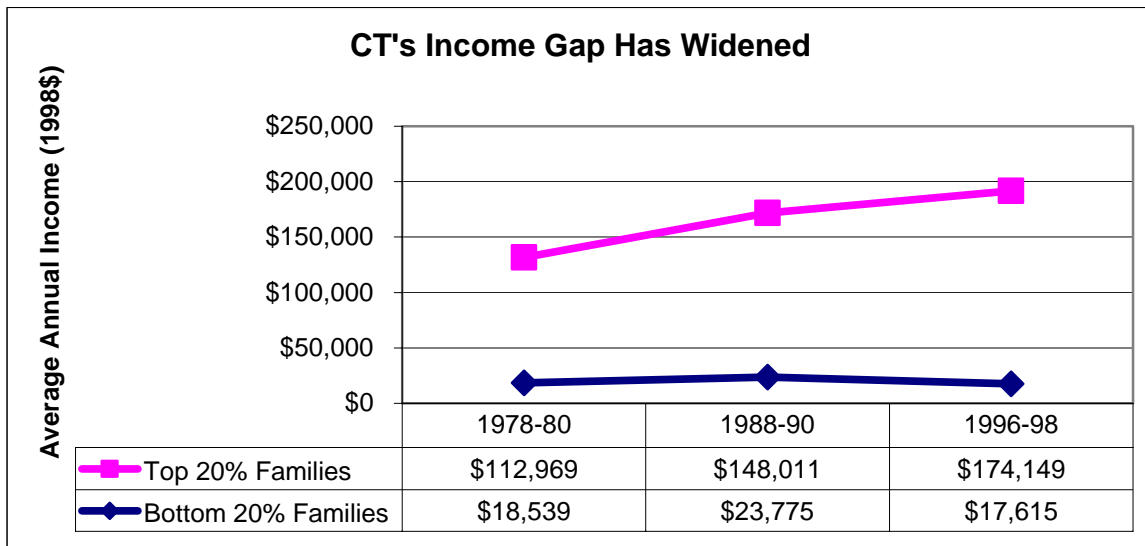
⁶⁹ Data reported here were first reported in *The State of Working Connecticut 2000*. They are not updated in this report.

Income losses, however, were not limited to Connecticut's lowest income families. The next-to-bottom fifth of families lost \$7,505 in real income (a 17% decline) and even the middle fifth had an income decline – of \$2,992 (or 5%). In short, *more* Connecticut families *lost* economic ground between the late 1980s and the late 1990s than gained it. As the state's economy recovered, prosperity was not shared equally. In fact, less than half the state's families actually saw an increase in their real incomes.

Average Annual Income for CT Families: Late 1980s to Late 1990s (1997 \$)			
	1988-90	1996-98	Change (%)
Bottom 20%	\$23,775	\$17,615	-\$6,160 (-26%)
Next-to-bottom 20%	\$45,458	\$37,953	-\$7,505 (-17%)
Middle 20%	\$64,453	\$61,461	-\$2,992 (-5%)
Next-to-top 20%	\$86,486	\$87,309	\$823 (1%)
Top 20%	\$148,011	\$174,149	\$26,140 (18%)

Source: Economic Policy Institute/Center on Budget and Policy Priorities, *Pulling Apart: A State-by-State Analysis of Income Trends* (2000). This report is based on before-tax income data for families (two or more related individuals living together) from the United States Census Bureau's March Current Population Survey public use files. All figures are expressed in 1997 dollars and were adjusted for inflation. The report compares "pooled" data from 1996-1998 to pooled data from the late 1980s. Pooling data increases sample size, and thereby the precision of the data.

Between the late 1980s and the late 1990s, only 14 states besides Connecticut had a significant *decline* in real income among the bottom fifth of families *and also* an increase in real income in its top fifth. The inequality in income between Connecticut's richest and poorest families expanded markedly over the 1990s, as the following chart illustrates:



In 1978-80, Connecticut families in the top 20% had an average income about six times that of families in the bottom 20%. Though the incomes of the top and the bottom both increased over the 1980s, in 1988-90, the state's highest income families still had an annual income about six times (6.2) that of the families in the

bottom 20%. Among states, only Utah had a smaller income gap between rich and poor.

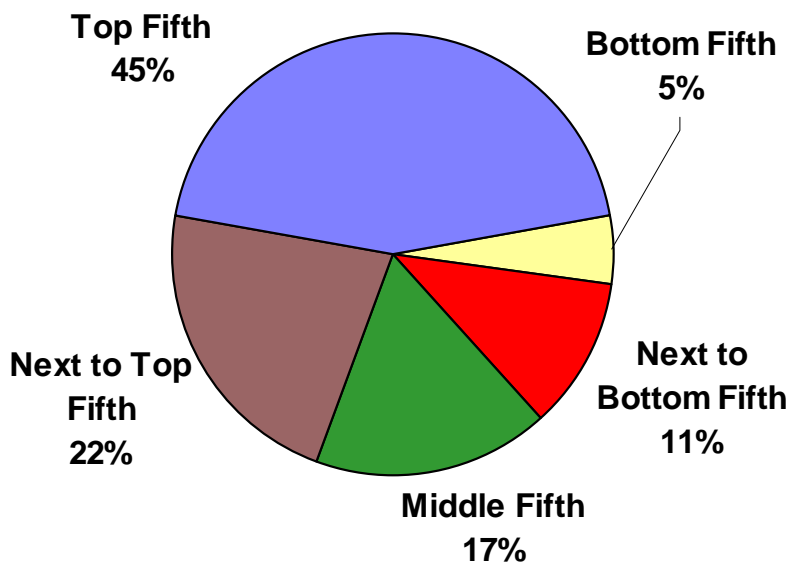
However, over the 1990s the gap between Connecticut's wealthiest and its poorest families grew markedly. By 1996-98, Connecticut's top fifth had nearly *ten times* more income than its bottom fifth. In fact, Connecticut's *increase* in income inequality between the late 1980s and late 1990s was greater than in all but three states (Rhode Island, Oregon, and Arizona) and Washington DC, and it was about three times the average increase nationally.

Connecticut's position relative to other states in equality of income declined over the 1990s, as well. While in the late 1980s only one state had a smaller gap between rich and poor than Connecticut, by the late 1990s, 31 states had greater equality in their income distribution than did Connecticut. The change in the share of income held by Connecticut's poorest, middle, and wealthiest families also shows this increasing inequality:

Change in Share of Income Held by Low, Middle, and High Income CT Families: Late 1980s & Late 1990s		
Income Fifth	Share of Total Income Held: 1988-90	Share of Total Income Held: 1996-98
Bottom 20% of Families	6.1%	5.2%
Middle 20% of Families	17.7%	16.7%
Top 20% of Families	38.0%	44.4%

Source: Economic Policy Institute/Center on Budget and Policy Priorities, *Pulling Apart: A State-by-State Analysis of Income Trends* (2000).

Share of Total Income Held by Each Income Fifth of CT Families, late 1990s



Poverty Trends

Jobs with Poverty-Level Wages.⁷⁰ Many jobs in Connecticut pay poverty-level wages—that is, wages so low that a person working full-time, year round, would earn too little to lift a family of four out of poverty (\$17,463/year for a family of four in 2000).

In 1979, 19.4% of jobs in Connecticut paid less than the wage needed to lift a family of four above the 1979 federal poverty threshold with full-time, year-round work. This was less than the national average (of 23.7%) and lower than all but 7 other states.

Over the 1980s, the proportion of Connecticut workers with poverty-level wages **declined** by 5.2 percentage points, to 14.3%. This was less than half the national average (of 28.5%) and second lowest in the country among states. Connecticut's decline in the share of jobs with poverty-level wages was the fifth greatest among all states.

⁷⁰ Included in this analysis are workers between 18 and 64 years of age, excluding the self-employed. Source: United States Census Bureau's Current Population Survey data.

The 1990s, however, marked a reverse in trend in Connecticut. By 2000, the proportion of Connecticut workers with poverty-level wages had increased 2.3 percentage points – from 14.3% in 1989 to 16.6% in 2000.

Over this same period, the proportion of workers earning poverty level wages *fell* by 3.5 percentage points nationally, and only eleven states had an *increase* in the share of workers earning poverty level wages. Connecticut's increase was 4th *greatest* among states that had an increase poverty level wages.⁷¹ Despite Connecticut's increase, however, in 2000 it had the second smallest proportion of its workers in poverty-level wage jobs among all states (Minnesota had the smallest at 16.0%), and remained well below the national average of 25.1%.

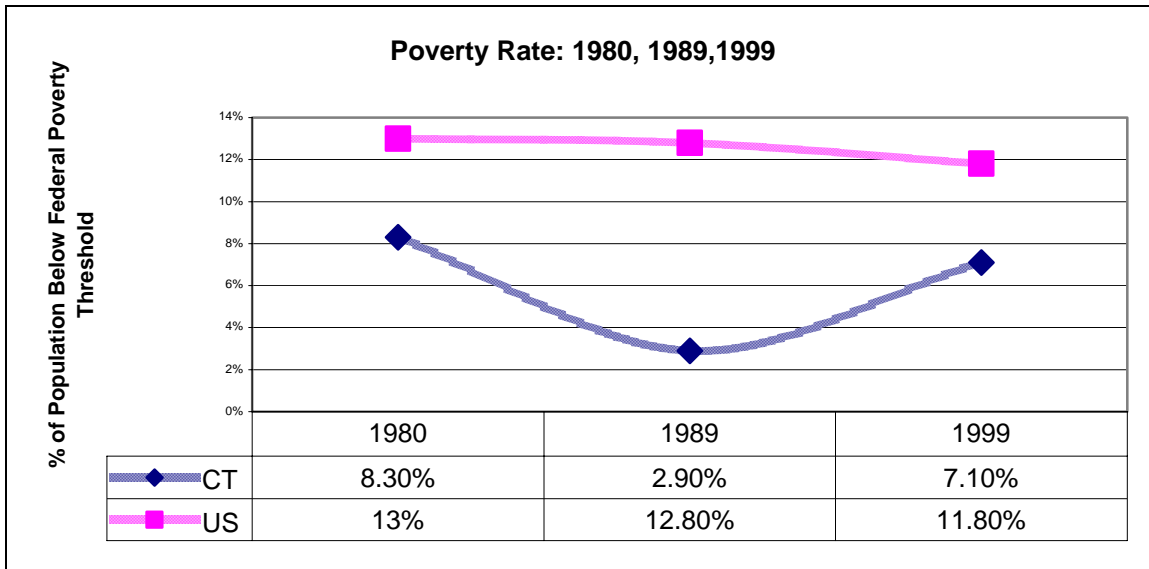
However, many more Connecticut workers have a poverty-level standard of living than these numbers would suggest. As noted earlier, prices in Connecticut are estimated to be about 20% higher than national averages. The poverty line, however, is not adjusted to reflect regional differences in cost of living.

Poverty Rate.⁷² In the late 1980s, Connecticut had the lowest overall poverty rate in the nation. However, Connecticut's poverty rate *grew* over the 1990s, increasing from 2.9% in 1989 to 7.1% in 1999. Connecticut's 4.2 percentage point increase over this decade was the greatest among the 17 states that had an increase in poverty over this period.

Relative to the nation, Connecticut also lost ground on this basic measure of well-being over the 1990s. Nationally, poverty *declined* from 12.8% in 1989 to 11.8% in 1999. In 1989, Connecticut was nearly 10 percentage points below the national average for poverty. In 1999, Connecticut was only 4.7 percentage points lower than the national average.

⁷¹ Hawaii had a 4.9 percentage point increase, Alaska 4.0, and Massachusetts 2.9, and New York tied at 2.3.

⁷² The "poverty rate" represents the proportion of the people in the state who are living in households with income below the federal poverty thresholds set by the Census Bureau. These thresholds are uniform nationally (i.e. not adjusted for cost of living in different parts of the nation) and vary depending on family size. They are adjusted annually. The table presented compares 1980, a year in which the nation was in recession, to two years (1989, 1999) which were peak years in the business cycle. Interestingly, Connecticut's poverty rate in 1999 was closer to its poverty rate in 1980 than it was to its poverty rate in 1989. Source: U.S. Census Bureau, Historical Poverty Tables, Poverty Rate by State, Table 21.



Despite this adverse trend, however, Connecticut only slipped two ranks when compared to other states, falling from having the lowest poverty rate among all states in 1989 (and, at 2.9%, far better than the next lowest – Rhode Island – at 6.7%) to having the third lowest poverty rate in 1999 (behind Utah at 5.7% and Indiana at 6.7%). Although Connecticut’s poverty rate in 1999 remained lower than the United States average (11.8%), Connecticut has failed to return to the very low level of poverty (2.9%) it enjoyed at its last business peak in the late 1980s.

Child Poverty Rate.⁷³ Unlike much of the rest of the Nation, the states in the Northeast (Connecticut included) saw a *decline* in poverty among children over the 1980s. However, the recession of 1989-92 and the state’s subsequent recovery proved to be particularly difficult for Connecticut children. While about 11% of Connecticut children (84,000 children) lived in poverty in 1989, by 1995 and 1996 the proportion of Connecticut children living in poverty had increased to 14%. By 1997, the proportion had increased yet again -- to 15% (or more than 121,000 children).⁷⁴

⁷³ The child poverty rate is defined here as the share of children under age 18 who live in families with incomes below the federal poverty threshold. In 1997, the poverty threshold for a family of two adults and two children was \$16,276. Note: Poverty status is not determined for people living in military barracks, institutional quarters, or for unrelated individuals under age 15 (such as foster children).

⁷⁴ These child poverty data are taken from the Small Area Income and Poverty Estimates (SAIPE) series of the United States Census Bureau, which provides annual state-level estimates of income and poverty (including child poverty). State-level estimates currently are available for 1989, 1993, 1995, 1996 and 1997. The data series used in this report differs from the one used in *State of Working Connecticut 2000*, which was based on data from the Current Population Survey. CT Voices’ change in data series used is consistent with the change made by the Annie E. Casey Foundation in its annual Kids Count Data Book reports.

Over the period 1989 to 1997, Connecticut fell from having the second *lowest* child poverty rate in the nation to sharing 8th place with 10 other states. Seven states (New Hampshire, Minnesota, Nebraska, Utah, Vermont, Iowa, and Wisconsin) now have lower child poverty rates than Connecticut does.

Thus, despite our historic low unemployment rates and one of the longest economic expansion periods in the state's history, our child poverty rate has failed to return to 1989 levels (when we were last in a time of great economic prosperity). This reflects, as discussed above, falling wages among the state's low-wage workers and an increasing proportion of jobs with poverty-level wages. As a result, about 40,000 *more* Connecticut children are living in poverty now than in 1989 – enough *newly-poor* children to fill the towns of Darien, Wilton, and Woodbridge, combined.

Beyond Poverty to Economic Self-Sufficiency⁷⁵

Since the late 1960s, the official federal poverty thresholds⁷⁶ produced by the United States Census Bureau have been a universally-accepted comparative measure of family economic well-being. There is, however, now widespread agreement that the poverty threshold is both outdated and inappropriate for measuring families' economic status and hardship.

For example, the poverty threshold's basic premise --that families spend about one-third of their income on food -- is now incorrect; currently families now spend less than one-fifth of their incomes on food. Also, and very importantly for a high-cost state like Connecticut, the poverty threshold is a national standard that is not adjusted to account for geographic differences in the cost of living. The poverty thresholds have fallen in relative terms; they have not been increased as real incomes have grown.⁷⁷ The thresholds use a pre-tax definition of income and a post-tax definition of expenses. They also exclude non-cash government benefits (such as food stamps, energy assistance, and housing subsidies) in the definition of resources and do not account for the differences among families in the costs for child care and medical care.⁷⁸

⁷⁵ For general information on the measurement of poverty and the calculation of Basic Family Budgets, see the Economic Policy Institute's *Issue Guide* on Poverty and Family Budgets at www.epinet.org/Issueguides/poverty/poverty.html.

⁷⁶ The threshold is constructed by costing out the United States Department of Agriculture's "thrifty food plan," adjusting it for family size and composition, and multiplying it by 3. The "1/3" rule was based on research in the 1960s that documented that families spent about 1/3 of their total budget on food. The threshold is updated each year based on the consumer price index.

⁷⁷ When the threshold was first introduced, the threshold for a family of four was 42% of the median income for that family size. The threshold is now only about 35% of median family income, because of real growth in family income.

⁷⁸ In the 1990s, at the request of Congress, the National Research Council of the National Academy of Sciences recommended basing the thresholds on the median expenditures of two-adult, two-child families for food, clothing, shelter and utilities, plus a small amount for other incidentals. The Council also recommended, among other things, that the thresholds be adjusted to

Recognizing these (and other) limitations of the federal poverty threshold, there have been increasing efforts nationally to develop “basic family budgets” and “self-sufficiency standards” that not only better reflect the essential household costs of today’s low-income working families, but also reflect geographical differences in the cost of living. Typically, these budgets reflect the costs incurred by a working family and are specific to a particular family type in a particular locality. The budget is calculated based on the real costs of necessities in a given locality.

Two such budgets for Connecticut help to provide a more accurate estimate of the number of Connecticut families with children who have incomes that are inadequate to assure that basic needs are met.

Self-Sufficiency Standard. The *Self Sufficiency Standard for Connecticut* (1999), released by the Connecticut Office of Policy and Management, defines for multiple family types and for 12 regions in the state what hourly wage is necessary for a family to be economically self-sufficient in Connecticut.

The Self-Sufficiency Standard includes costs for housing, child care, food, transportation, health care, taxes, and miscellaneous expenses. It assumes that adults (whether married or single) work full-time, and therefore includes costs associated with employment (transportation, taxes and for families with young children, child care). It takes into account that many costs differ not only by family size and composition, but also by the age of family’s children. It incorporates regional and local variations in costs and includes the net effect of taxes and tax credits. While the poverty threshold is based on the cost of a single item (food) and assumes a fixed ratio between food and non-food expenses, the Self-Sufficiency Standard is based on the costs of each basic need, determined independently.

As is clear from the following table, the self-sufficiency standard for a Connecticut family with two parents, an infant, and a school-aged child, for example, far exceeds the federal poverty threshold for a family of four (\$17,463 in 2000), in every region of the state. Accordingly, the number of Connecticut families with children whose wages are inadequate to meet essential family needs far exceeds the number that the state’s current child “poverty” rate would suggest.

take into account differences in costs of living across the country and to include costs associated with working (such as child care, and increased transportation costs).

CT Self-Sufficiency Standard for Family with Two Working Parents With One Infant and One School-Aged Child (2000\$)		
Region	Average annual income needed for economic self- sufficiency	Federal Poverty Threshold
Hartford	\$40,555	\$17,463
Middletown	\$41,062	\$17,463
Northeast	\$41,658	\$17,463
Bristol	\$41,873	\$17,463
Waterbury	\$42,253	\$17,463
Danbury	\$42,330	\$17,463
New Haven	\$42,482	\$17,463
Southeast	\$42,976	\$17,463
Torrington	\$43,001	\$17,463
Old Saybrook	\$45,816	\$17,463
Bridgeport	\$49,796	\$17,463
Stamford-Norwalk	\$54,677	\$17,463

Source: Pearce & Brooks, *The Self Sufficiency Standard for Connecticut* (1999). Note: The Self Sufficiency Standard report defines hourly wages necessary for self-sufficiency as of 1998. Accordingly, the "self-sufficiency" wages were adjusted for inflation using the CPI-U to allow a comparison in 2000 dollars to the federal poverty threshold for 2000.

Also, a comparison of the hourly self-sufficiency wage in five representative regions of the state with the hourly wages of Connecticut workers in 2000 illustrates that work alone, for many families, is not sufficient to make ends meet:

2000 CT Hourly Wages		
Low wage workers (20 th percentile)		\$9.10
Median wage workers (50 th percentile)		\$14.97
High wage workers (80 th percentile)		\$24.54
CT Self-Sufficiency Standard for Family with One Infant and One School-Aged Child (2000\$)		
Region	Two parent family: Average hourly wage needed for economic self- sufficiency for <i>each</i> working parent	Single parent family: Average hourly wage needed for self-sufficiency for single working parent
Middletown	\$9.72	\$16.98
Northeast	\$9.87	\$17.29
Waterbury	\$10.01	\$17.57
New Haven	\$10.06	\$17.70
Stamford-Norwalk	\$12.95	\$23.55

Source: Pearce & Brooks, *The Self Sufficiency Standard for Connecticut* (1999). Note: Hourly wage data is for 2000, while the Self Sufficiency Standard report defines hourly wages necessary for self-sufficiency as of 1998. Accordingly, the "self-sufficiency" wages were adjusted for inflation using the CPI-U to allow a comparison in 2000 dollars.

Basic Family Budgets. Similarly, the Economic Policy Institute has calculated separate “basic family budgets” for each metropolitan statistical area (MSAs) in the nation, as well as one combined budget for the rural areas of each state. To create these 400 separate budgets, EPI determined the items necessary for a working family with children under age 12 to maintain a safe and decent standard of living, and then determined the cost of providing each item at an adequate level based on family composition. Included in the budgets were food, housing, health care, transportation, child care, taxes (include refunds from the federal earned income tax credit), and other necessary expenses such as telephone, clothing, household items, bank fees, and school supplies. The basic family budgets do *not* include the costs of eating out, vacations, entertainment, or savings for education or retirement.

Using this methodology⁷⁹, EPI has found that the median basic family budget in the nation for a family of two parents and two children under the age of 12 is \$33,511/year. The basic family budget for a family of this size in Connecticut, however, far exceeds this national median. For a Connecticut family with two parents and two children, the basic family budget ranges from a low of \$39,420/year in the Northeast to a high of \$49,718/year in Stamford-Norwalk (in 1999\$).

The following table shows EPI’s estimated costs for the basic family budget for a family of two parents and two children in the Northeast Connecticut and Stamford-Norwalk MSAs:

⁷⁹ For a more complete description of methodology and results, see Boushey, Brocht, Gundersen, and Bernstein, *Hardships in America: The Real Story of Working Families* (Economic Policy Institute, 2001). Note: The Basic Family Budgets are in 1999 dollars, while the OPM Self-Sufficiency Standard is reported here in 2000 dollars.

**Basic Family Budget for Two Parents, Two Children (under age 12):
Northeast CT and Stamford-Norwalk (1999)**

	Northeast CT	Stamford-Norwalk
Housing ⁸⁰	\$632	\$1,106
Food ⁸¹	\$510	\$510
Childcare ⁸²	\$968	\$968
Transportation ⁸³	\$208	\$208
Healthcare ⁸⁴	\$236	\$236
Other Necessities ⁸⁵	\$354	\$501
Taxes ⁸⁶	\$378	\$616
TOTAL MONTHLY	\$3,285	\$4,143
ANNUAL TOTAL	\$39,420	\$49,718

The following table shows basic family budgets for Connecticut for six family types in the nine regions of the state:

Basic Family Budgets for Connecticut in 1999: Annual Family Income (1999\$)

Family	Stamford-Norwalk	Danbury	New Haven-Meriden	Rural CT	Waterbury	New London-Norwich	Hartford	Bridgeport	NE
1P,1C	38,620	34,333	31,854	30,761	30,759	30,357	30,066	29,940	28,459
1P,2C	46,528	42,118	39,446	38,273	38,270	37,528	37,506	37,377	35,858
1P,3C	63,792	57,011	52,315	51,499	50,386	49,919	49,520	49,374	47,448
2P,1C	42,199	38,068	35,640	34,783	34,524	34,061	33,913	33,645	32,116
2P,2C	49,718	45,531	43,056	42,192	41,932	41,422	41,273	40,968	39,420
2P,3C	65,521	59,411	55,568	55,120	53,691	53,215	52,911	52,616	50,648

Source: *Hardships in America: The Real Story of Working Families* (Economic Policy Institute, 2001) Tables A4.1 through A4.6. A family that is "1P,1C" is a family with one parent and one child.

⁸⁰ Based on a two-bedroom apartment for families with one or two children that costs no more than 40% of all structurally safe and decent housing in the community, as measured by the US Department of Housing and Urban Development's fair market rents. Note that the *current* fair market rent for a two-bedroom apartment in Northeast Connecticut now is \$732/month, and the *current* fair market rent in Stamford-Norwalk for a two-bedroom apartment now is \$1,364/month.

⁸¹ Based on the minimum amount a family needs to spend for food prepared at home, as recommended by the US Department of Agriculture's "low-cost food plan."

⁸² Based on center-based child care or family child care centers for 4 and 8 year olds, as reported by the Children's Defense Fund.

⁸³ Based on average miles driven to work and other necessary trips. Takes into account different driving distances for cities, suburbs and rural areas from US Department of Transportation and based on cost-per-mile estimates from the Internal Revenue Service.

⁸⁴ Based on an amount that recognizes that not all families receive health insurance through their employers. Amount shown is a weighted average of the employee share of the premium for employer-sponsored health insurance (from the Bureau of Labor Statistics) and the premium costs for a non-group plan, plus estimated costs for out-of-pocket medical expenses (from a Lewin Group model).

⁸⁵ Includes telephone service, clothing, personal care, household items, bank fees, reading materials, school supplies and television, as reported in Consumer Expenditure survey data.

⁸⁶ Includes federal payroll taxes and federal and state income taxes. Also takes into account the funds the family receives from the federal EITC and the child and dependent care tax credit.

Notably, the annual basic family budgets in Connecticut are from about 17% to nearly 50% greater than the national median (of \$33,511), reflecting our relatively high cost of living.

Based on EPI's analysis of pooled data from the 1997-1999 Census Bureau Current Population Surveys, **nearly one in five** (approximately 18%) of all Connecticut working families with children under the age of 12 had incomes below the family basic budget for their region (as specified above). Thus, this measure too shows that a much larger share of Connecticut's low-income working families are earning too little income to make ends meet than would be suggested simply by the state's poverty statistics.

The Widening Gap Between Wages And Economic Self-Sufficiency. Though the methodologies of the OPM Self-Sufficiency Standard and EPI's Basic Family Budget vary somewhat, their estimates of what is necessary for a Connecticut family to make ends meet are roughly comparable.

Importantly, what is clear from both standards is that the income required for a Connecticut family to make ends meet far exceeds the federal poverty threshold. Indeed, nationally, the Economic Policy Institute estimates that two-and-a-half times more families fall below the basic family budget levels than fall below the federal poverty threshold. For *all* of these families, work alone is not enough to make ends meet.

Some of the consequences of having inadequate wage income to make ends meet were also identified by EPI in its recently-released *Hardships in America: The Real Story of Working Families*. Using 200% of the federal poverty threshold as a national proxy for the basic family budget, EPI found that in 1996:

- Nearly 30% of families with incomes under 200% of the federal poverty threshold faced at least one critical hardship in the year (such as missing meals, being evicted from their housing, having utilities disconnected, doubling up on housing, or not having access to needed medical care).
- Over 72% of such families had at least one serious hardship (such as worries about having enough food, missed rent or mortgage payments, reliance on the emergency room as the main source of medical care, or inadequate child care arrangements).
- Families with incomes below the basic family budget had nearly the same prevalence of critical and serious hardships as those with incomes below the poverty line.

Conclusion

The American humorist Will Rogers once said, “Even if you are on the right track –you’ll get run over if you just sit there.” Our challenge is to keep Connecticut moving toward the horizon of a brighter future, mindful that the path may not always be smooth....

Our challenge is to harness the power of this economy, to expand the circle of opportunity. To seize this moment of promise to give hope to Connecticut families in their quest for the American dream.

Governor John Rowland, 2001 Budget Address

As this report illustrates, for many families with children the Connecticut of 2000-01 is quite different from the Connecticut of 1989. Gone are thousands of manufacturing jobs that paid relatively well, had good family benefits, and could be held by a parent with a high school education. Rapidly growing is a two-tiered service-producing economy that highly values post-secondary education, yet which also includes thousands of relatively low-paying jobs that are essential to supporting the lifestyles of higher-income working Connecticut.

This changed, “new economy” Connecticut has many families with children living in poverty or well below standards of economic self-sufficiency, despite working more hours each year. For these families, work is not enough to make ends meet in a state with so high a cost of living as Connecticut’s.

The structural change in Connecticut’s economy – to an increasingly two-tiered economy of those who have benefited greatly from the economic expansion of the 1990s and those who have actually *lost* economic ground over this same period – suggests the need for structural change to narrow the gap between the earnings of our lowest-income families and their essential expenses.

Yet, ironically, over the 1990s Connecticut also reduced its financial support for many of the initiatives that invested in lower-income families. During the late 1980s, for example, Connecticut bonded about *\$100 million* each year to finance the construction and substantial rehabilitation of housing that low and moderate income families could afford, as well to help families become homeowners. Such supports were essential; housing is a family’s single greatest expense. In 1999 and 2000 new bonding for housing was *only \$5 million* per year. Similarly, total annual benefits per family under Connecticut’s Energy Assistance Program were cut by more than half since the winter of 1990-91, and though total state funding for early care and education has increased, child care subsidies have been based on 1991 market rates, making child care increasingly unaffordable as costs increased over the 1990s.

Re-building the bootstraps necessary for families to attain economic self-sufficiency is not only morally right, but also in the state's long-term best interests economically. Currently, there is only one child for every three adults in Connecticut. These children are Connecticut's workforce for the next twenty years. To handicap the development of one-fifth of the state's children through unstable and unsafe housing, inadequate nutrition and unequal educational opportunities from birth through post-secondary education is to jeopardize *their* futures as individuals, and *Connecticut's* future as an economic leader.

Connecticut's challenge, in Governor Rowland's words, "is to harness the power of this economy, to expand the circle of opportunity. To seize this moment of promise to give hope to Connecticut families in their quest for the American dream."

Because "one generation's inequality of outcomes is the next generation's inequality of opportunities,"⁸⁷ a significant re-investment in Connecticut's families – to enable *all families* to meet their essential needs -- is necessary now to reverse the growing structural inequalities of Connecticut's "new economy."

⁸⁷ James Tobin, Sterling Professor of Economics, Yale University, in *The New Inequality: Creating Solutions for Poor America* (1999)