

## State of Working Connecticut 2004 Executive Summary<sup>1</sup>

September 2004

### I. The Face of Working Connecticut

- *Gender.* Since 1979, the labor force participation rate among Connecticut men has declined from 80% to 74%, while the participation rate among Connecticut women has increased from 55% to 61%.<sup>2</sup> The entrance of more women into Connecticut's workforce suggests the need to adopt more "family-friendly" policies that assist families in providing adequate care for their children when both parents, or a single parent, is employed full-time.
- *Educational attainment.* Connecticut now ranks 5<sup>th</sup> highest among states in the share of its labor force having a Bachelor's degree or higher (35.9%), behind only the District of Columbia (53.0%), Massachusetts (39.5%), Maryland (36.9%) and New Jersey (36.6%). There has been a striking decline in the labor force participation of Connecticut's less well-educated workers. In 1979, 47% of residents with less than a high school education were in Connecticut's labor force. In 2003, 42% were. Labor force participation among those with a high school degree also has declined – from 71% in 1979 to 66% in 2003.
- *Age.* The proportion of Connecticut workers who are over age 55 (17.6%) is second highest in the nation, behind only South Dakota (17.8%). By comparison, the proportion of Connecticut workers who are aged 16 to 24 years is *second lowest* in the nation, ahead only of New Jersey (12.9%) and tied with Hawaii. The consequences of Connecticut's aging workforce are self-evident. As more "baby boomers" retire, they will need to rely on a relatively smaller cohort of younger workers to support *their* retirements and sustain Connecticut's economy. Reduced out-migration of Connecticut's youthful workers, increased in-migration of younger workers, and/or an increase in Connecticut's birthrate would reverse this trend.

### II. Job and Employment Trends

*Continuing Job Loss.* Connecticut continues to lose jobs, not only in the manufacturing sector, but overall. In fact, the erosion of jobs since July 2000 has been relentless:

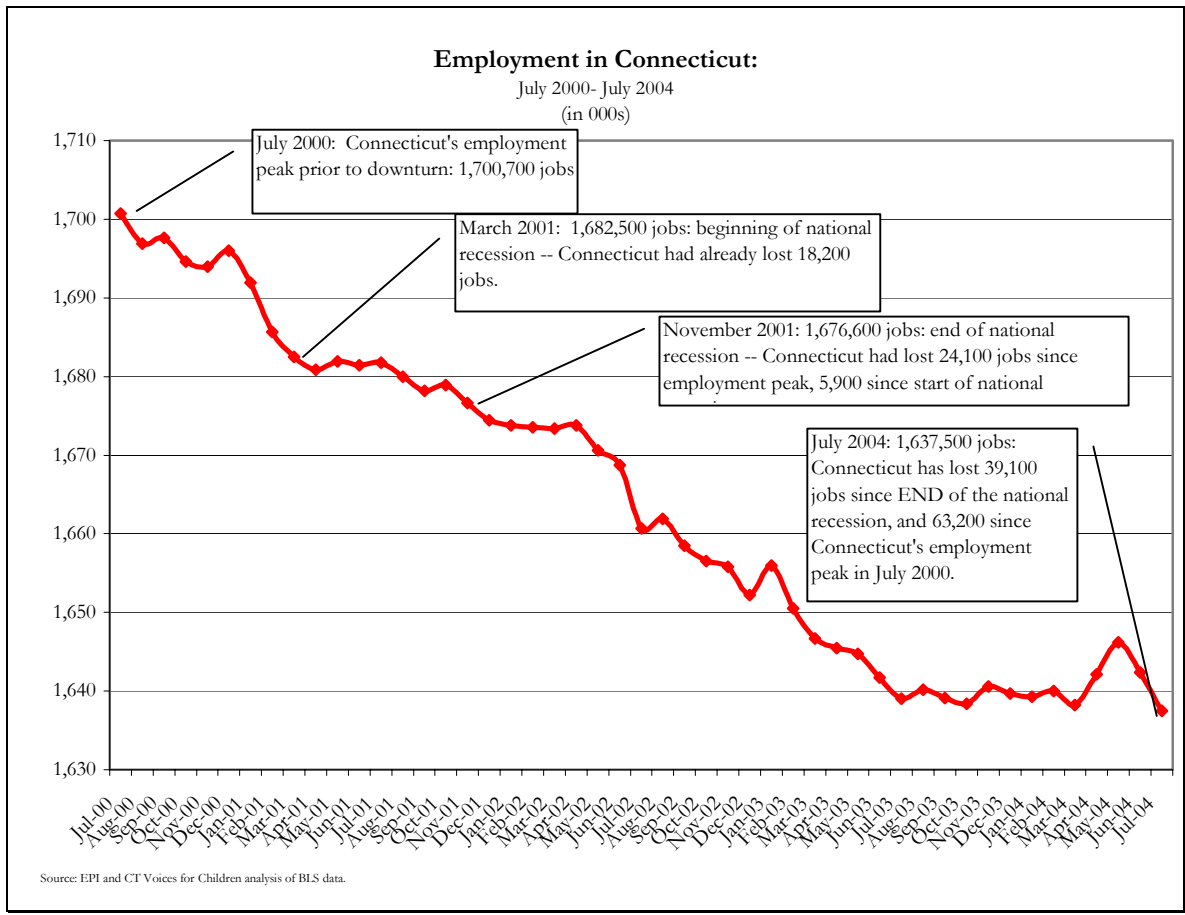
- There are 1,500 fewer jobs today than there were one year ago (July 2003).
- There are 39,100 fewer jobs today than when the national recession ended (November 2001).
- There are 45,000 fewer jobs today than when the national recession began (March 2001).
- There are 63,200 fewer jobs today than at Connecticut's employment peak prior to the national recession (July 2000).

<sup>1</sup> Unless otherwise indicated, data in this report are based on primary data from the United States Census Bureau and the Bureau of Labor Statistics (BLS), on the analysis of these data by the Washington DC-based Economic Policy Institute, and on CT Voices for Children's secondary analysis of these data.

<sup>2</sup> The labor force participation rate is the share of civilian non-institutional population (age 16 and above) who are in the civilian labor force.

The *State of Working Connecticut 2003* reported that, despite significant job losses, Connecticut's overall employment situation had deteriorated less severely than the national average. This is no longer the case.

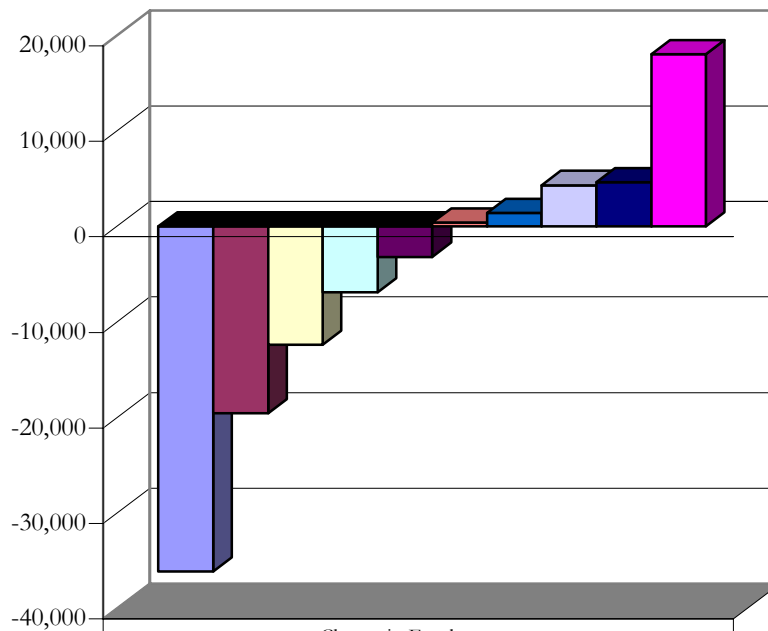
Nationwide, the employed workforce has diminished by over 1.2 million jobs since the beginning of the national recession, a loss of 0.9% of all jobs nationally. While Connecticut's loss of 45,000 jobs represents only a very small portion of the total jobs lost nationally, it represents a loss of 2.7% of the jobs that were in Connecticut in July 2000. The percentage of jobs lost in Connecticut since July 2000 (-2.7%) is triple the national job loss rate (-0.9%) and double the job loss rate in the Northeast region (-1.9%).



*Types of Jobs Lost.* As shown in the figure below, since the peak of employment in 2000 Connecticut has lost over 36,000 manufacturing jobs. Significant losses have also been experienced in Professional and Business Services (-19,600) and Trade, Transportation and Utilities (-12,400). Smaller losses have been sustained in Information (-6,900) and Construction and Mining (-3,200). These losses have been somewhat offset by modest gains in Financial Activities (+400), Other Services (+1,400), Leisure and Hospitality (+4,300), and Government (+4,600),<sup>3</sup> and significant gains in Education and Health Services (+18,000).

<sup>3</sup> 'Government' employment includes Native American tribal employment, e.g., persons employed at Connecticut's casinos.

**Change in Connecticut Employment, 2000-2003**  
**Total Employment Change: -49,900**



	Change in Employment
Manufacturing	-36,100
Professional and Business Services	-19,600
Trade Transportation and Utilities	-12,400
Information	-6,900
Construction & Mining	-3,200
Financial Activities	400
Other Services	1,400
Leisure and Hospitality	4,300
Government	4,600
Education and Health Services	18,000

*Impact of Job Losses and Gains on Family Income.* The employment sub-sectors<sup>4</sup> in which Connecticut lost the *most* jobs between 2002 and 2003 pay more, on average, than the sub-sectors in which Connecticut had the greatest job gains over this period. As a result, across these sub-sectors of greatest job change, Connecticut experienced a decline in overall annual wages. This is illustrated in the following table:

Employment Sub-Sector	Employment Change 2002-2003	2003 Average Wage	Annual Wage Gain/Loss
<b>Largest Employment Losses by Sub-Sector</b>			
State government	-4,727	\$50,716	-\$239,734,532
Professional and technical services	-3,142	\$70,819	-\$222,513,298

<sup>4</sup> The categories of jobs included in this table are subsets of the categories in the preceding chart. For example, “state government” is a subset of “government.”

Computer and electronic product manufacturing	-2,126	\$55,602	-\$118,209,852
Transportation equipment manufacturing	-2,020	\$66,384	-\$134,095,680
Fabricated metal product manufacturing	-1,696	\$46,164	-\$78,294,144
Food and beverage stores	-1,652	\$22,216	-\$36,700,832
Machinery manufacturing	-1,628	\$61,574	-\$100,242,472
Administrative and support activities	-1,628	\$29,173	-\$47,493,644
Specialty trade construction	-1,435	\$45,223	-\$64,895,005
Chemical manufacturing	-1,146	\$90,772	-\$104,024,712
<b>Top Ten "Losing" Sectors: Total Job Loss, Average Wage, Total Annual Wage Loss</b>	<b>-21,200</b>	<b>\$54,066</b>	<b>-\$1,146,204,171</b>
<b>Largest Employment Gains by Sub-Sector</b>			
Food services and drinking places	1,877	\$15,286	\$28,691,822
Educational services	1,102	\$43,769	\$48,233,438
Local Government	1,069	\$41,632	\$44,504,608
Ambulatory health care services	878	\$48,486	\$42,570,708
Nursing and residential care facilities	733	\$29,533	\$21,647,689
Hospitals	497	\$46,799	\$23,259,103
Management of companies and enterprises	454	\$105,041	\$47,688,614
Amusement, gambling, and recreation	454	\$20,008	\$9,083,632
Credit intermediation and related activities	349	\$75,621	\$26,391,729
Furniture and home furnishings stores	317	\$31,910	\$10,115,470
<b>Top Ten "Gaining" Sub-Sectors: Total Job Gain, Average Wage, and Total Annual Wage Gain</b>	<b>7,730</b>	<b>\$39,093</b>	<b>\$302,186,813</b>
<b>Net Result: Total Job Loss, Average Wage Loss, Total Annual Wage Loss</b>	<b>-13,470</b>	<b>-\$14,974</b>	<b>-\$844,017,358</b>
Source: Connecticut Department of Labor, <i>CT Economic Digest</i> , August 2004.			

### III. Unemployment, Long-term Unemployment, and Underemployment<sup>5</sup>

*Unemployment.* Connecticut's 4.8% unemployment rate for June 2004 is double the 2.4% rate Connecticut enjoyed in June 2000, prior to its most recent recession.

<sup>5</sup> The unemployment rate is the percent of the labor force that is on layoff or seeking employment. The more comprehensive underemployment rate includes the unemployed, discouraged workers (people who looked for work at some point over the previous year but have given up due to lack of prospects), involuntary part-timers, and a smaller group of people who want to work but face a barrier such as lack of transportation or child care.

*Impact of education on unemployment rates.* The Table below shows the significant association between educational attainment and unemployment rates. In Connecticut and nationally, those lacking a high school degree experienced unemployment rates in 2003 that were four times greater than those experienced by people with bachelor's degrees or higher – 12% as compared to 3%.

<b>Unemployment rate by Educational Attainment: Connecticut, US, and Northeast Region, 2003</b>				
	<b>Less than high school</b>	<b>High school</b>	<b>Some college</b>	<b>Bachelor's or higher</b>
<b>UNITED STATES</b>	12%	7%	5%	3%
<b>NORTHEAST</b>	12%	6%	6%	4%
<b><i>New England</i></b>	12%	6%	5%	3%
Maine	14%	5%	4%	3%
New Hampshire	8%	5%	4%	3%
Vermont	11%	5%	5%	3%
Massachusetts	12%	7%	5%	4%
Rhode Island	11%	6%	4%	3%
<b>Connecticut</b>	<b>12%</b>	<b>7%</b>	<b>5%</b>	<b>3%</b>
<b><i>Middle Atlantic</i></b>	12%	6%	6%	4%
New York	13%	6%	6%	4%
New Jersey	11%	6%	6%	4%
Pennsylvania	11%	6%	6%	3%

*Race and ethnicity disparities in unemployment rates.* Disparities in unemployment by race and ethnicity also are striking. In 2003, the unemployment rate among Connecticut's African-American workers was 9.7%, more than twice the rate of its white workers (4.5%). More than one in ten Hispanic workers (10.3%) were unemployed in 2003, also more than twice the rate of unemployment for Connecticut's white workers.

*Long-term unemployment.* In Source: United States Census Bureau, Current Population Survey Connecticut, as in the nation and region, about a quarter of all persons who were unemployed in 2003 had been unemployed for more than 26 weeks. Long-term unemployment was more common among Connecticut unemployed men (25.3%) than Connecticut unemployed women (24.6%).

*Underemployment.* The underemployment rate is a more comprehensive measure than the unemployment rate of prevailing conditions in the labor market. The “underemployed” include not only the unemployed, but also discouraged workers (people who looked for work at some point over the previous year but have given up due to lack of prospects), involuntary part-timers (those working part-time who would rather be working full-time), and a smaller group of people who want to work but who have not looked for work recently because they face a barrier to employment, such as lack of transportation or child care.

Connecticut's *underemployment* rate in 2003 (10%) was 4.5 percentage points higher than its *unemployment* rate (5.5%). Underemployment was also higher regionally by 3.7 percentage points (9.5% underemployment compared to 5.8% unemployment) and nationally (10.1% underemployment compared to 6.0% unemployment). Although in the past, Connecticut has had considerably lower rates of underemployment than regional and national averages, this ‘advantage’ has disappeared in these 2003 data.

#### **IV. Wages and Wage Trends**

*Wage Trends.* The following table shows trend data on real (inflation-adjusted) hourly wages for Connecticut's very low-wage workers (10<sup>th</sup> percentile),<sup>6</sup> low-wage workers (20<sup>th</sup> percentile), median-wage workers (50<sup>th</sup>

<sup>6</sup> The “very low wage” is the wage of the worker at the 10<sup>th</sup> percentile of wages. That is, the hourly wage for a “low wage” worker is the wage at which 10% of wage earners earn less and 90% of wage earners earn more. Similarly, the hourly wage for a “low wage”

percentile), high-wage workers (80<sup>th</sup> percentile), and very high wage workers (90<sup>th</sup> percentile). By definition, fully 10% of Connecticut workers earn wages below the “very low” wage level, while fully 10% of Connecticut workers earn wages above the “very high” wage level.

Very Low to Very High -- Connecticut Real Wages, 1980-2003 (\$2003)								
Wage Decile	1980	1985	1990	1995	2000	2001	2002	2003
10th percentile: "Very Low Wages"	\$6.98	\$7.37	\$7.97	\$7.07	\$7.59	\$7.95	\$7.99	\$7.92
20th percentile: "Low Wages"	\$8.41	\$9.02	\$9.59	\$9.34	\$9.70	\$10.19	\$10.05	\$9.88
50th percentile: "Median Wages"	\$12.74	\$13.86	\$15.31	\$15.69	\$16.00	\$16.75	\$16.66	\$17.04
80th percentile: "High Wages"	\$20.04	\$22.04	\$24.70	\$25.49	\$26.21	\$27.17	\$27.59	\$29.12
90th percentile: "Very High Wages"	\$25.33	\$28.84	\$30.36	\$33.55	\$34.71	\$35.07	\$35.48	\$37.60

Source: United States Census Bureau, Current Population Survey

These data suggest<sup>7</sup> that since 2001, both low and very low wage workers have had a decline in their real (inflation-adjusted) wages, while high and very high wage workers continued to enjoy wage growth. The fact and the extent to which workers earning higher wages enjoy real wage growth in bad economic times, as well as good, is noteworthy.

*Longer-term trends.* The table below compares changes in real wages between 1980 and 1990, and then between 1990 and 2003 for the various wage deciles. The extent to which growth in high and very high wages has outstripped growth in low and very low wages over this period is striking. Also noteworthy are the differences in real wage growth evident in the two time periods. Over the 1980s, real wages increased about 14% for low and very low wage workers, compared to gains of 20% and more for median and higher wage workers. Since 1990, however real wage gains have been far more uneven, with Connecticut workers in very low wage jobs actually *losing* economic ground, while those in very high wage jobs have enjoyed real wage gains that are even greater than in the 1980s. *In short, Connecticut's low and very low wage workers are increasingly being 'left behind' in Connecticut's economy.*

Changes in Connecticut's Real Wages (\$ 2003): 1980-2003							
Wage Decile	1980	1990	2003	\$ Change, % Change, '80 to '90		\$ Change, % Change, '90 to '03	
				\$ Change	% Change	\$ Change	% Change
10th percentile: "Very Low Wages"	\$6.98	\$7.97	\$7.92	\$0.99	14%	(\$0.05)	-1%
20th percentile: "Low Wages"	\$8.41	\$9.59	\$9.88	\$1.18	14%	\$0.29	3%
50th percentile: "Median Wages"	\$12.74	\$15.31	\$17.04	\$2.57	20%	\$1.73	11%
80th percentile: "High Wages"	\$20.04	\$24.70	\$29.12	\$4.66	23%	\$4.42	18%
90th percentile: "Very High Wages"	\$25.33	\$30.36	\$37.60	\$5.03	20%	\$7.24	24%

*Low wages.* Connecticut's “low” (20<sup>th</sup> percentile) wage in 2003 is almost \$1.00/hour higher than the “low” wage in the Northeast, and almost \$1.50 higher than the average national low wage. Connecticut's relatively high minimum wage has helped boost Connecticut's low wages as compared with other states. Connecticut's 2003 minimum wage of \$6.90 (or \$7.01 in inflation adjusted 2004 dollars) surpassed every other state's

worker is the wage at which 20% of wage earners earn less and 80% earn more; the “median wage” is the wage at which 50% of wage earners earn less and 50% of wage earners earn more; the “high wage” is the wage at which 80% of wage earners earn less and 20% of wage earners earn more; and the “very high wage” is the wage at which 90% of wage earners earn less and 10% of wage earners earn more.

<sup>7</sup> Small sample sizes in these specific data limit the precision of the estimates of these changes in wages.

minimum wage, except for Alaska’s \$7.26 and Washington’s \$7.12. Oregon also had a 2003 minimum wage of \$7.01.<sup>8</sup> In 2000, Connecticut had the highest “low wage” among all states. At \$9.88/hour, Connecticut’s 2003 wage stood 7<sup>th</sup> highest among states.

*Median Wages.* Connecticut’s median wage continued to outpace both national and regional median wages in 2003. Compared to other states, Connecticut’s median wage ranked first in 2003, as it has in recent years.

*High Wages.* Of these three wage categories, only the “high” wage (80<sup>th</sup> percentile) group demonstrates considerable growth in average real hourly wages throughout the period -- in Connecticut, the Northeast, and the United States. Connecticut’s “high” average hourly wage of \$29.12 in 2003 exceeds both the national and regional average “high” wages. It is second highest among states, in fact, after the District of Columbia’s \$29.27, and up from third place last year (behind Washington DC and New Jersey).

*Wage gap.* CT Voices for Children has written elsewhere about the growing inequality of family income in Connecticut.<sup>9</sup> A basic contributor to growing inequality in income is growing inequality in wages. Since 1979, the gap between low and high wages in Connecticut has grown considerably in absolute terms. The gap between *very high* (90<sup>th</sup> percentile) and *very low* (10<sup>th</sup> percentile) wages is even more pronounced.

Expressing the gap between very high and very low wages as a ratio, one finds that growth in the wage gap has been accelerating in Connecticut. Specifically, in 1980, the wage gap ratio was 3.6 (i.e. the 90<sup>th</sup> percentile wage was 3.6 times greater than the 10<sup>th</sup> percentile wage). By 1990, the wage gap ratio had increased slightly, to 3.8. However, by 1995, the wage gap ratio had increased to 4.7. Since then, it has fluctuated some, but returned to a ratio of 4.7 in 2003. Connecticut’s “very high”/“very low” wage gap ratio surpassed the national rate only after 1990 and is now quite high compared to other states. In 2003, Connecticut had the 5<sup>th</sup> highest gap between very high and very low wages (ratio of 4.7), behind only New Jersey (5.0), the District of Columbia (5.0), California (4.9), and New York (4.9).

## V. Wage Inadequacy

Data released by the United States Census Bureau show that in 2003, despite working full-time, full-year, there were over 100,000 Connecticut workers earning less than \$20,000 annually, and more than a quarter of a million workers earning less than \$30,000 annually. These same data indicate that the proportion of women earning both less than \$20,000 (13%) and less than \$30,000 (30%), despite working full-time, year-round, is approximately double the proportion of Connecticut men earning such low incomes (6% and 17% respectively).

Connecticut Full-Time, Year-Round Workers Earning Less than \$20,000; Less Than \$30,000 (2003)			
	All	Men	Women
Less Than \$20,000 (#)	104,461	43,580	60,881
Less Than \$20,000 (%)	9%	6%	13%
Less Than \$30,000 (#)	260,421	118,610	141,811
Less Than \$30,000 (%)	23%	17%	30%

Source: US Census Bureau, American Community Survey, 2004<sup>10</sup>

Connecticut’s Self-Sufficiency Standard, released by the Office of Policy and Management in 1999, defines for multiple family types and for 12 regions in the state, the hourly/monthly wage necessary for a family to be economically self-sufficient in Connecticut.<sup>11</sup>

<sup>8</sup> With the exception of Connecticut’s nominal 2003 minimum wage of \$6.90, these data are all inflation-adjusted figures.

<sup>9</sup> Douglas Hall and Shelley Geballe, *Pulling Apart in Connecticut: An Analysis of Trends in Family Income* (Connecticut Voices for Children, 2002).

<sup>10</sup> Percentages are percentages of those working full-time, year round.

The Self-Sufficiency Standard includes costs for housing, child care, food, transportation, health care, taxes, and miscellaneous expenses. It assumes that working 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 the family's children. It incorporates regional and local variations in costs and includes the net effect of taxes and tax credits. It is now widely viewed as a more accurate measure of what it "takes to get by" in Connecticut than the federal poverty threshold.

The federal poverty threshold is based on the cost of a single item (food) and assumes a fixed ratio between food and non-food expenses (food costs are assumed to be 1/3<sup>rd</sup> of all expenses, a now outdated notion). Moreover, the federal poverty threshold is a national measure, and fails to take into account significant differences both between, and within, states in the cost of living. It also does not take into account the expenses associated with parental work. By comparison, the Self-Sufficiency Standard is based on the costs of each basic need, determined independently, and adjusted for regional cost differences.

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<sup>11</sup> Pearce and Brooks, *The Self-Sufficiency Standard for Connecticut* (1999).

The accompanying table shows the self-sufficiency standard for a Connecticut family with two parents, and two children – an infant and a school aged child, as well as for a single parent family with children of the same age. Even in the most ‘affordable’ region – Hartford – the annual income needed to achieve self-sufficiency is more than double the federal poverty level (FPL). For the family composition shown in the table, the income required to meet self-sufficiency needs ranges from more than double the FPL in the Hartford region (2.4 times FPL), to more than triple the FPL in Stamford-Norwalk (3.2 times FPL).

As is evident from this table, the hourly wages of at least 1 in 5 Connecticut workers is less than is needed for a family of four to be economically self-sufficient even if both parents work full-time, full-year. The hourly wages of at least half of Connecticut’s workers is less than is needed for a family of three to be economically self-sufficient even if the single parent is working full-time, full year.

*One manifestation of the failure of Connecticut wages to meet the economic self-sufficiency needs of many Connecticut families is child poverty.*

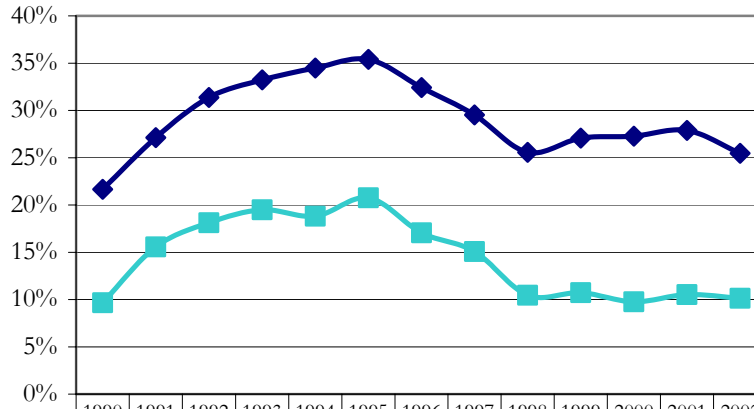
While the number and proportion of Connecticut children living below the federal poverty level is of great concern, one also must look to the proportion of children living below 200% of the FPL as that provides a more accurate (though still underestimated) measure of how many children are living in families where essential needs are not being met.

*As the following chart illustrates, since 1990 the proportion of Connecticut children living at under 200% of the FPL has ranged between about 1/4 of all Connecticut children to more than 1/3. In the wealthiest state in the wealthiest country in the world, these proportions of children living below the self-sufficiency standard demands a concerted public policy response.*

2003 CT Hourly Wages (\$ 2003)		
Very low wage workers (10th percentile)	\$7.92	
Low wage workers (20th percentile)	\$9.88	
Median wage workers (50th percentile)	\$17.04	
High wage workers (80th percentile)	\$29.12	
Very high wage workers (90th percentile)	\$37.60	
CT Self-Sufficiency Standard for Family with One Infant and One School-Aged Child ( \$ 2003)		
Region	Two parent family:	Single parent family:
	Average hourly wage needed by <i>each</i> working parent for economic self-sufficiency	Average hourly wage needed by single working parent for self-sufficiency
Bridgeport	\$12.34	\$22.09
Bristol	\$10.77	\$18.89
Danbury	\$11.70	\$20.75
Hartford	\$10.43	\$18.17
Middletown	\$10.56	\$18.44
New Haven	\$10.92	\$19.23
Northeast	\$10.71	\$18.78
Old Saybrook	\$11.78	\$20.91
Southeast Region	\$11.05	\$19.46
Stamford-Norwalk	\$14.06	\$25.57
Torrington	\$11.06	\$19.47
Waterbury	\$10.86	\$19.08

Source: Pearce & Brooks, *The Self Sufficiency Standard for Connecticut* (1999). Note: Hourly wage data is for 2003, 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 2003 dollars. Table assumes that parents work full-time, full-year at the wages shown to attain self-sufficiency.

**Child Poverty in Connecticut: 100% and 200% of Federal  
Poverty Level: 1990-2002  
(3-year rolling averages)**



Children Under 100% of FPL	10%	16%	18%	19%	19%	21%	17%	15%	10%	11%	10%	11%	10%
Children Under 200% of FPL	22%	27%	31%	33%	34%	35%	32%	30%	26%	27%	27%	28%	25%