



Connecticut Workforce Trends: Jobs and Wages

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Connecticut is following the rest of the country into difficult economic times. A lackluster economic recovery between 2003 and 2007 has left the state labor market in worse shape than it was entering the economic troubles of 2001 and 2002. Furthermore, the real wages of many workers in Connecticut are actually *less* than they were prior to the downturn in the early years of the decade - making it even more difficult for families as they deal with sharply rising food and energy costs.

Job Trends

Even before the current recession began, Connecticut's job conditions were worse than they were before the last recession at the beginning of the decade. The state's unemployment rate in 2007 (4.5%), heading into the current recession, was twice the rate in 2000 (2.2%), prior to the last recession. By March 2009, the unemployment rate had risen to 7.5% and the Connecticut workforce shed 58,000 jobs since the beginning of the national recession in December 2007.

Long-term unemployment – the percentage of unemployed workers who have been without work for more than 26 weeks – was higher in Connecticut in 2008 (20.3%) than the national average (17.6%), and Connecticut has the highest rate in New England.

Connecticut is losing higher wage manufacturing jobs and gaining lower wage service sector jobs. The average wage in the job sectors that are gaining jobs (\$49,036) is lower than the average wage in the sectors that are losing jobs (\$64,300).

Jobs in the health and education fields have been increasing more than in any other job sector. The

success of this area of the economy, which is heavily dependent on public sector investment, is threatened by the prospect of major state budget cuts.

Wage Trends

The wages of most Connecticut workers have taken one step forward after taking three steps back. Connecticut's median hourly wage in 2007 was up 1.4% from 2006, with increases at all wage levels. However, despite this recent growth, earners across the wage spectrum earned less in real (inflation-adjusted) wages than they did in 2003.

Although the productivity of Connecticut workers has increased in recent years and Connecticut's economy has grown, the wages of most state workers have not. While Connecticut workers' productivity increased 5% between 2003 and 2007 and gross state product expanded, wages actually declined for most of Connecticut's workforce over this period. In short, most workers are not enjoying any benefit from their increased contributions to the workplace or the expanding economy.

Wages among women and African Americans improved significantly between 2006 and 2007, up 6 percent and 8 percent respectively. Wages among Hispanic workers showed no progress. Despite these increases, wage disparities based on race/ethnicity are wider in Connecticut than in New England and in the United States as a whole.

The gap between high and low wage earners continues to grow. Very high wages (90th percentile) in Connecticut were 4.8 times very low wages (10th percentile) in 2007, a steep increase from 1989, when very high wages were 3.6 times greater than very low wages.

Connecticut's cost of living is the second highest in the continental U.S. Specifically, the state is the most expensive one in which to buy groceries; the fifth most expensive for housing; the third most expensive for utilities; and the fifth most expensive in health care costs.

The cost of living has damaged the buying power and economic security of Connecticut families.

The state's median wage workers have the highest wages in the nation. However, if their wages are adjusted using a state-by-state cost of living index, the ranking of Connecticut's average workers falls to 36th highest in the continental United States. Among low-wage workers, the impact of Connecticut's high cost of living is felt more deeply. Low-wage workers rank 3rd highest in the nation compared to low-wage workers in other states, but their ranking falls to 44th when Connecticut's cost of living is taken into account.

Workers are finding fewer protections and benefits at work. Employer-provided pensions and health insurance coverage have continued to erode. Since the beginning of the decade, the percentage of workers with employer-provided pensions has dropped from 56% to 51%, while the percentage of workers with employer-provided health insurance is down from 65% to 60%.

Education continues to be a strong predictor of income in Connecticut. Workers with bachelor's degree or higher earn a median wage of \$27.85 per hour, compared to \$10.13 per hour to workers without a high school education.

Recommendations

State government needs to take greater, not less, responsibility for supporting Connecticut workers and creating higher-wage jobs. Severe state budget cuts would only worsen economic conditions for families in the state. To address these economic trends and the challenges of the new recession, Connecticut should:

- **Avoid state budget cuts that would further undermine the economy and reduce supports for working families and the unemployed.** A reliance on budget cutting to close the state's budget shortfall could cause further damage to the state's economy and undercut supports for families when they need it most. For example,

Connecticut's education and health job sector, heavily dependent on public investment, is the largest job sector in the state, with the greatest amount of growth, even during the recession. Severe cuts to state spending in this area could undermine the leading area of progress in the state economy, and weaken one of Connecticut's economic advantages – its well-educated workforce. The state should also avoid budget cuts for programs that reduce family expenses (e.g., child care subsidies, housing subsidies, energy assistance), and provide affordable health insurance for the unemployed and uninsured.

- **Rethink the state's economic development strategy, particularly the state's heavy use of business tax credits.** Each year, hundreds of millions of dollars in tax credits and other tax preferences are given to businesses for economic development. The identities of all these businesses are not disclosed, nor is there an adequate evaluation of the benefits to taxpayers. The loss of state revenues from corporation business tax credits alone (an estimated \$306 million in Fiscal Year 2009) has increased 113-fold since 1987. More than one-third of the projected FY 2009 revenue loss results from three new "film industry" credits.
- **Expand our public investment in education and training.** Since post-secondary education clearly is a key to higher earnings and steady employment, barriers to college must be reduced including by investing more in pre-school and K-12 education to reduce the state's growing achievement gap, targeting interventions to curb the number of youth who drop out of high school, increasing funding for college scholarships, and expanding financial support to our public colleges and universities to limit tuition increases.
- **Develop and support an energy program that helps families with immediate needs, but also provides funding and assistance to reduce energy consumption.**
- **Invest in programs that build family assets (e.g., Individual Development Accounts and homeownership incentives).**

This brief is based on two CT Voices reports, The State of Working Connecticut, 2008: Wage Trends, and The State of Working Connecticut, 2008: Job Trends and the Labor Force, available at www.ctkidslink.org.