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**Labor Day Report: 2006 CT wages lowest in four years, some of
the biggest decreases in the country**

***7th Annual State of Working Connecticut report finds wage earners
at all levels losing ground***

Connecticut wage earners at every level – low, median and high – earned less in 2006 than they did in 2002. For workers with mid to low wages, 2006 earnings also were less than in 2001, according to the seventh annual *State of Working Connecticut* report issued by Connecticut Voices for Children today.

The report, which has been issued since 2001, found that the state’s low wage workers had the biggest real wage decrease in the nation, and the wages of its very low wage workers fell more than all other states but Utah and Minnesota.

“Connecticut’s economy may be growing – in its size, productivity, and profits – but it’s sure not doing much to help Connecticut’s families,” said Shelley Geballe, President of Connecticut Voices for Children. “Until the benefits of our expanding economy are shared by the people whose hard work is creating that growth, it is fair to say that Connecticut workers, families and communities are not truly enjoying our current economic growth.”

The report also finds that the gap in wages between college-educated workers and those without a high school diploma has grown significantly since 1979. Workers with bachelor degrees and higher have seen their hourly earnings rise from \$20 to \$27, or close to triple the wages of workers without high school diplomas, whose wages have fallen from \$12.50 to about \$10.00. Significant disparities in unemployment rates by race/ethnicity persist, and the state’s gender wage gap has been enlarging.

To address Connecticut’s growing gap in economic prosperity, Connecticut Voices for Children is calling for a significant additional investment in education, rethinking the state’s economic development efforts, and enhancing supports for the state’s lowest-wage families.

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“That a fifth of Connecticut wage earners don’t earn enough to meet the basic needs of their families – and continue to lose economic ground with each passing year – is unconscionable in a state of Connecticut’s wealth,” said Douglas Hall, Associate Research Director of Connecticut Voices for Children. “The state’s economy depends on its workforce just as much as it does on its corporations. It is time that greater attention is paid to our state’s struggling families so economic opportunity can be more fairly distributed.”

The report’s findings also include:

Connecticut has recovered nearly all of the jobs lost during the last recession, but lags in employment growth compared to the nation. In July 2007, there were 1,700,100 jobs in Connecticut, slightly less than at the state’s July 2000 peak of 1,700,200 jobs. The state’s employment growth rate since 2003 (3.7%) exceeds neighboring states like Rhode Island, New Jersey, Massachusetts, Pennsylvania, and Maine, but continues to trail 39 other states and the District of Columbia and is far behind the national job growth rate (6.4%).

The state continues to lose manufacturing jobs, but has also lost jobs in the high-end service sector, such as business and professional services, information and trade, transportation and utilities. Average wages in the five sectors that lost the most jobs in the past year in Connecticut are significantly higher than the average wages in the sectors that have gained jobs -- \$67,847 compared to \$45,717.

The Connecticut economy continues to grow, as measured by its size, profits, and productivity, but wages at all levels have lagged or deteriorated. The loss is particularly severe for some subgroups, such as workers without a high school diploma and minority workers.

Real wage loss for Connecticut’s lowest wage earners has been especially great, compared to the rest of the nation. With a 6.9 percent loss since 2001, the state’s “very low” wage earners lost more economic ground than in all but two other states. Utah (7.2 percent) and Minnesota (7.3 percent) are the only states with a higher decline in very low wages. Connecticut’s “low” wage earners lost even more economic ground; Connecticut’s 9.2 percent decline was the *worst* in the country. The state with the next largest drop was Alaska, where low wages fell 6.2 percent, a three percentage point difference.

One in six of Connecticut’s workers receive a “poverty” wage (or less). In 2006, 16.8% of Connecticut workers earned a “poverty” wage (\$9.91 an hour); full-time, full-year work at the wage leaves family income at the federal poverty level. A higher proportion of Connecticut workers earned a poverty wage in 2006 than at any point since 1999. The percentage of the Connecticut workforce earning less than a poverty wage has *risen* by 2.2 percentage points since its most recent low point in 2001. With 16.8% of workers earning poverty wages, Connecticut nonetheless compares favorably to workers in the Northeast (almost 19.8% with poverty-level wages) and nationally (23.3%). Unfortunately, for families struggling to make ends meet, earning a poverty level wage falls far short of meeting a family’s basic needs, particularly in a

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high cost state like Connecticut. In fact, a family with two parents working full-time year round at the 20th percentile cannot support a family of four with two school age children in any region of the state.

Connecticut men continue to make more than Connecticut women. In 2006, at the median, men made \$5 more per hour than women, earning \$20.04 to women's \$15.20. Compared with other states, Connecticut is in the bottom fifth when ranked by gender equity in wages, far below other states with a comparably educated workforce like New York and Maryland. Overall, Connecticut women earn roughly 80 percent of the wages men earn, slightly less than the national and Northeast regional ratios of 83 percent.

Connecticut's gender wage gap is greater today than it was 10 years ago. The percentage of women in Connecticut's workforce is higher than the nation as a whole (47 percent women/53 percent men). Yet women's wages in Connecticut were worse in comparison to men's in 2006 than they were ten years ago, despite national trends in which the gender gap in wages has lessened since 1995.

Education is an increasingly strong predictor of income in Connecticut. Graduates with a bachelors degree or higher now enjoy median wages of \$26.39 per hour, more than double the \$9.79 paid to workers lacking a high school education.

Wage earners with a lower level of education are more likely to be unemployed. The association between level of educational attainment and rates of unemployment was stronger in Connecticut in 2006 than in any other state in the Northeast. The unemployment rate of Connecticut workers without a high school degree was six times greater than that of people with bachelors degrees or higher. In Massachusetts, by comparison, the ratio was half this.

Given the troubling trends documented in this report, Connecticut Voices for Children argues that Connecticut needs to do much more to help its families share in the benefits of the state's expanding economy and assure more equal economic opportunity. Connecticut Voices for Children recommends that Connecticut:

- *Greatly increase our public investment in education.* Since post-secondary education clearly is a key to higher earnings and steady employment, barriers to college must be reduced by investing more in preschool and K-12 education to reduce the state's enlarging 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. Assuring that Connecticut's workforce remains one of the most highly educated in the nation not only helps Connecticut families, but also keeps Connecticut economically competitive.
- *Re-think the state's economic development strategy; implement a comprehensive economic development plan that focuses on increasing higher-wage jobs and assuring a well-educated, healthy workforce.* In the last decade, the state's economic development efforts have been fragmented, lacking a cohesive strategy. There also has been little competent assessment of

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the economic returns to current state economic development investment, particularly in transient economic activity (e.g., the movie tax credit) and the creation of low-wage jobs. The success of state economic development initiatives (whether through grants, loans or tax benefits) should be measured by the number of higher-wage jobs created and the preparedness of our workforce, not just increased productivity. Economic development resources not achieving these purposes should be re-deployed.

- *Ramp up supports for the families of low-wage workers and workers who have lost their jobs.* With household costs rising and wages shrinking, the state must do more to help low-wage families make ends meet. Restoring funds cut in the last recession for programs that reduce family expenses (e.g., child care subsidies, housing subsidies, energy assistance), assuring affordable health insurance for all who are uninsured, making the state tax code more equitable (e.g., providing income tax deductions for dependent children, a refundable state earned income tax credit), expanding the supply of housing that is affordable for low-wage families and curbing predatory lending practices all will reduce poverty's adverse impacts on children living in families earning low wages. Expanding the coverage and benefits of our unemployment insurance program, and providing wage insurance for workers who lose their jobs, also can help cushion families from economic catastrophe.

The *State of Working Connecticut* is released each year in partnership with the Economic Policy Institute, an economic think tank based in Washington, DC. Connecticut Voices for Children is a statewide, research and policy organization that works at the state and federal levels to advance strategic public investment and wise public policies to benefit our state's children, youth and families. For more information on Connecticut Voices, or to read the Voices' report, see www.ctkidslink.org.

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