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CT Voices for Children September 2002

The State of Working Connecticut, 2002

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Produced with the generous support
of the Melville Charitable Trust,
the Ford Foundation, and
the Charles Stewart Mott Foundation

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Summary

Fiscal and Economic Context

For some time now, Connecticut's economy has sat poised on the cusp of recovery, failing to make any impressive strides since hitting a low in December 2001. Although Connecticut's productivity (as measured by its Gross State Product (GSP) per capita) remains above the national GDP per capita, productivity growth slowed considerably in the 1990s.

Connecticut's state budget remains in crisis, with revenues far below anticipated. The revised 2003 budget, patched together with one-time revenues, failed to address the state's growing structural deficit that now threatens the long-term fiscal health of the state and has national bond raters anxious.

Payroll Employment

- Connecticut's rate of growth in payroll employment has declined since the late 1970s. Over the 1990s, Connecticut's employment **growth lagged behind both national and regional averages.** Connecticut's non-farm payroll employment had annualized growth of just 0.1%, compared to 0.6% for the northeast and 1.8% for the nation.
- Connecticut's recession began in July 2000, much earlier than the "official" start nationally in March 2001. The state experienced **declines in payroll employment** from 1,693,000 in 2000 to 1,682,000 in 2001, and a further decline by July 2002 to 1,673,700.
- Connecticut's 0.6% *decline* in employment growth between 2000 and 2001 was the reverse of trends in both the nation and region, which posted employment *increases* of 0.2% and 0.3% respectively.
- Connecticut was **13th worst** among states for employment growth between 2000 and 2001.

Changes in Types of Jobs Available Continuing a long-standing trend, Connecticut had a shift over the 1990s in the types of jobs available -- away from manufacturing jobs and toward service and trade jobs.

- Between July 2001 and July 2002, total employment fell by a net 7,400 jobs, with the following sectors sustaining ***losses:*** 11,500 in manufacturing; 2,500 in transportation, communications, and utilities; 900 in construction and mining; and 900 in finance, insurance and real estate.
- Offsetting these job losses was job growth between July 2001 and July 2002 in wholesale and retail trade (1,800), services (1,000) and "government" (5,600). "Government' includes Native-American tribal employment.
- Connecticut's decline in manufacturing employment has accelerated over the last two decades, compared to national trends. Over the 1980s (1979-1989) Connecticut's decline was **more than twice the national decline,** while Connecticut's decline over the 1990s (1989-2001) was almost **3.5 times the national decline** (and 6th greatest among all states). Between 1989 and 2001, Connecticut **lost 105,500 manufacturing** jobs.
- The bottom line? In 2001, Connecticut had **182,700 fewer** workers employed in manufacturing than it did in 1979. The proportion of Connecticut jobs in manufacturing fell from **nearly one in three** in 1979 to **less than one in seven in 2001**.

- By comparison, the proportion of Connecticut jobs in services **increased from one in 5** in 1979 to **nearly one in three** (32.1%) in 2001.

Multiple Jobs

- In 2001, 7% of Connecticut workers age 16 or older had **more than one job.**
- Connecticut was one of only 8 states that had an *increase* between 1995 and 2000 (our "boom" economic years) in the proportion of workers holding more than one job.
- Connecticut's **rank among states has changed greatly** – from having the ***5th lowest*** proportion of workers holding multiple jobs in 1989 to having the ***15th highest*** proportion in 2001.

Hours Worked

- Connecticut married couple families worked virtually the same number of hours as the national average in the late 1990s, as compared to the end of the 1980s, when Connecticut married couple families worked almost 200 hours *more* than the national average.
- During the late 1990s (1998-2000), **the poorest 40%** of Connecticut married couple families **worked *more* hours** per year than their national peers, while the **top 60% of Connecticut's married couple workers worked *fewer* hours than the national averages**.
- Connecticut married couple families are close to "maxing" out in how many hours they can work. Total work hours for married couple families in the late 1990s period (3,701) were very close to the 4,000-hour benchmark of full-time, full-year work for two people, leaving little room for further growth.

Employer-Provided Health Insurance

- Between the 1970s and late 1990s, 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 12.7 percentage points** – from 77.2% to 64.6%.
- Despite this decline, the proportion of Connecticut workers who are covered remains higher than national and regional averages, and is third highest among all states.

Employer-Provided Pension Coverage

- Employer-provided pension coverage declined in Connecticut from the late 1970s to the late 1980s (from 56.2% to 47.5%), then rebounded to 54.4% by the late 1990s.
- Between the late 1980s and the late 1990s, Connecticut's **rate of increase in employer-provided coverage** outpaced growth in both the nation and region (6.9 percentage points versus 5.6 percentage points and 4.3 percentage points, respectively).

Unionization Rate

- The proportion of Connecticut workers who are in unions has declined over time – from 19.7% in 1984 to 15.8% in 2001. The 4.4 percentage point **decline in Connecticut's unionization rate between 1995 and 2001 was the greatest among all states.**

Impacts of September 11, 2001

- Many Connecticut workers and industries suffered from the economic disruptions after September 11. The hospitality industry and those associated with transportation, particularly air transportation, have been hardest hit. Many Connecticut towns have faced increased unemployment rates since September 11.

- September 11, and its acceleration of economic decline, also had **impacts on Connecticut's state budget.**
    - Some agencies associated with the state's emergency response (e.g. Military Department, Department of Environmental Protection) ran deficits.
    - State revenues plummeted, with total revenues for the fiscal year that ended June 30, 2002 short by $962.8 million; the personal income tax alone was about $510 million under the SFY 02 budget plan.
    - Between SFY 01 and SFY 02, the state's General Fund budget bottom line swung from a $600 million surplus to a $1.1 billion deficit

Unemployment

- Connecticut's seasonally adjusted unemployment rate hit **historic lows in 2000 --** at 2.1% for June-August 2000.
- Connecticut unemployment hit a **recession "peak" of 4.0%** in December 2001.
- The **65,300 unemployed Connecticut residents in July 2002** represent an increase of 5,900 unemployed residents from the year prior.
- Connecticut's increase in unemployment between 2000 and 2001 (1.0 percentage point) exceeded the increase in the region (0.9) and the nation (0.8). Despite this increase, Connecticut's unemployment rate has been among the lowest of all states. During 2001, only two states had a lower rate of unemployment than Connecticut's 3.3% rate (North Dakota at 2.8% and Nebraska at 3.1%).

Educational Attainment

- Connecticut enjoys a high level of educational attainment, a critical advantage in this evolving global economy. Fewer Connecticut men and women have *less* than a high school education, and *more* have advanced degrees, than the men and women in other states in the region and in the nation.
- Over the 1990s, the proportion of Connecticut residents with a **high school education or less decreased by 8.6 percentage points** (from 47.0% to 38.4%), while the proportion with a **college degree or higher increased by 5.3 percentage points** (from 28.7% to 34.0%).
- Overall, Connecticut women are better educated than their male counterparts, and their educational advantage widened over the 1990s. In 1989, 54.2% of Connecticut women had some post-secondary education, compared to 52% of Connecticut men. By 2000, 64.4% of Connecticut women had some post-secondary education, compared to 58.8% of Connecticut men.
- **Women also lead on the measure of high school completion**. Only 5.8% of Connecticut women had *less than* a high school education in 2000, compared to 7.4% of Connecticut men.
- **The gender gap reverses** for those having a college degree or *higher* education. In 2000, 34.7% of Connecticut men had a college degree or more compared to 33.4% of Connecticut women).

Employment-to-Population Ratio

- Connecticut's employment to population ratio has risen from 62.4% in 1980 to 67.3% of the population (aged 16 and older) in 2000. That is, **a higher proportion of Connecticut residents are working now than in 1980**.
- Connecticut was one of only eleven states and the District of Columbia that had a **decline over the 1990**s in the proportion of residents who were working; all other states had an increasing proportion of their residents working.

- Since 1981, the **proportion of Connecticut men in the workforce has not changed** – three quarters were, and now are, working. The **participation of Connecticut women in the workforce, on the other hand, has increased** from five in ten working, to six in ten.

Wage Trends

- During the **1980s**, the hourly wages of Connecticut's low, median, and high-wage workers increased at similar rates (at about 1.7% per year on average). Over the 1980s, **all workers benefited equally.**
- Over the **1990s, the state's low-wage workers actually lost economic ground**, while others continued to benefit from the state's expanding economy.
- Between 1989 and 2000, the **real wages of Connecticut's low-wage workers fell** by an average of 0.3% per year. By comparison, **median wages increased** at an annualized rate of by 0.5%, and **high-wage workers** saw gains at an annualized rate of 1.2%
- Only **between 2000 and 2001** – when Connecticut's had historically low unemployment – did Connecticut's **low wage workers see wage growth**, with a 5% gain in wages (compared with a 4.9% increase in median wages and a 3.9% increase in high wages). Also, Connecticut's minimum wage is among the highest in the nation at $6.70 per hour, behind only California's and Massachusetts's ($6.75/hour), and Washington's ($6.90/hour).
- Between 1979 and 2001, the increase in the real wages of Connecticut's **low-wage workers** was **less than half** of the increase enjoyed by the state's **median wage workers**, and **less than a quarter** of the increase enjoyed by its **high-wage workers**.
- Since 1979, **Connecticut's wage growth generally has outpaced wage growth in the region and nation.** Connecticut's **wages now exceed wages** in both the region and the nation – again for low, median, and high wages.

Per Capita Personal Income

- Connecticut's **per capita personal income in 2001 remained the highest** in the nation at $41,930 ($11,659 more than the national average $30,271)

Median Household Income

- Connecticut's **median household income *declined* over the 1990s** at a rate of 1.1% per year, falling from $57,069 to $50,374 (in 2000 dollars). Connecticut's **rate of decline was the greatest in the country. Connecticut slipped from highest in the nation in 1989** to third highest in 1999, and **5th highest in 2000**.
- Over the 1990s, Connecticut's **advantage in the median income over the national average was eroded by almost $10,000**, to only $8,223 (in 2000 dollars).

Median Family Income for Four-Person Families

- Connecticut's median income for a four-person family placed Connecticut #1 in the nation in the late 1990s (1999-2000) -- $18,260 over the national median income for a family of four ($62,112), and ahead of New Jersey (at $78,259) and Maryland (at $77,440).
- Between 1995-2000, the "boom" years, Connecticut's annualized growth in this measure of family well-being (2.9%) exceeded the national average (2.6%), but was mid-range among states (19th overall).

Income Inequality

- During the 1990s, the top 20% of Connecticut families benefited greatly while Connecticut families in the bottom 40% actually lost economic ground.

- Connecticut was **one of only 13 states where the real incomes of the poorest 20% fell**. In all other states, the poorest 20% enjoyed real income gains. Nationally, the income of the poorest 20% increased by $1,601 (12.3%).
- **In only 6 states did families in the middle 20% fare worse than in Connecticut**. The real income gain for Connecticut families in the middle 20% was one-fifth the national average ($1,019 in Connecticut, compared to $4,935 nationally).
- **Connecticut was one of only 2 states** (the other being Massachusetts), **where the bottom fifth lost economic ground, while the top fifth gained ground**. **The income gap between the richest 20% and the poorest 20% of families grew most in Connecticut** (followed by Oregon and New York). Connecticut's richest 20% of families had an average income in the late 1980s that was six times as large as the bottom 20%. By the late 1990s, the richest fifth had an average income more than 9 times as large as the poorest fifth.

Family Economic Self-Sufficiency

- Measured by Connecticut's Self-Sufficiency Standard, Connecticut's wages are inadequate for many families to meet their essential needs, as illustrated in the following table:

2001 Hourly Wages	
Low wage workers (20th percentile)	$9.82
Median wage workers (50th percentile)	$16.15
High wage workers (80th percentile)	$26.22

Connecticut Self-Sufficiency Standard for Family with One Infant and One School-Aged Child (2001$)		
Region	**Two parent family:** Average hourly wage needed for economic self-sufficiency for *each* working parent	**Single parent family:** Average hourly wage needed for self-sufficiency for single working parent
Middletown	$10.01	$17.49
Northeast	$10.17	$17.81
Waterbury	$10.31	$18.10
New Haven	$10.36	$18.23
Stamford-Norwalk	$13.34	$24.26

Source: Pearce & Brooks, *The Self Sufficiency Standard for Connecticut* (1999). Note: Hourly wage data is for 2001, 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 2001 dollars.

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THE STATE OF WORKING CONNECTICUT – 2002

TECHNICAL REPORT

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Fiscal and Economic Context

Like the rest of the nation, Connecticut continues to face economic uncertainty. Initial indications in 2002 pointed optimistically to recovery, as illustrated by the titles of articles in the Spring 2002 issue of *The Connecticut Economy* -- "Inkling of a Turnaround", and "The Connecticut Economy Springs to Life".[1] Yet months later that initial optimism seems like wishful thinking. Recent trends suggest instead that the economy is "essentially moving sideways."[2] Job losses of 1,900 in July and 3,400 in June negated the job gains of 5,400 in May.

Yet even within this context of continued uncertainty, on many measures Connecticut has a generally healthy economy. Connecticut's productivity, as measured by Gross State Product (GSP)[3] per capita, began to exceed the United States' average in 1979, a time when Connecticut's productivity only slightly surpassed that of the nation as a whole. As illustrated in Figure 1, Connecticut has since pulled away, expanding its lead over the national average and continuing to make impressive strides in productivity. Connecticut's rate of productivity growth slowed considerably in the 1990s, however. While the nation's average annual growth in productivity in both the 1980s and 90s was 1.8%, Connecticut's annual growth in productivity fell from 4.1% in the 1980s to 2.1% in the 1990s -- a nearly 50% decline.

Though much of Connecticut prospers, there is another Connecticut that is being left behind. The "other" Connecticut endures high poverty rates, low wages, and a degree of economic uncertainty that does more than threaten the health of investment portfolios – it threatens the health and futures of children.

The "other" Connecticut is challenged by a "new" economy that:

- places a wage premium on higher education, and penalizes those without it;
- is expanding the state's income and asset "divides;" and
- is buffeted by global economic forces that seemingly value profit above all else.

The "other" Connecticut also is at risk in Connecticut's current state budget crisis. Connecticut has had a dramatic shift in its budget's "bottom line" – from nearly $600 million in surplus in State Fiscal Year 2001 to a $1.1 *billion* deficit in the fiscal year ending June 30, 2002 (SFY 02). The projected deficit in this current year (SFY 03) was addressed using $600 million in "one-time" revenues.[4] However, using one-time revenue sources to balance this year's budget delayed, but did not solve, Connecticut's budget crisis. Moreover, despite this year's significant cuts in state investments in education, health, and social services, the past decade's massive revenue reductions – through new tax exemptions, credits, and rate reductions – have resulted in state revenues now inadequate to meet the state's essential needs – a "structural deficit." Current economic conditions accelerated the state's budget crisis, they did not alone cause it.

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[1] *The Connecticut Economy*, University of Connecticut, Spring 2002, 18.

[2] Barbara Nagy, "State Loses More Jobs." in *The Hartford Courant*, August 16, 2002.

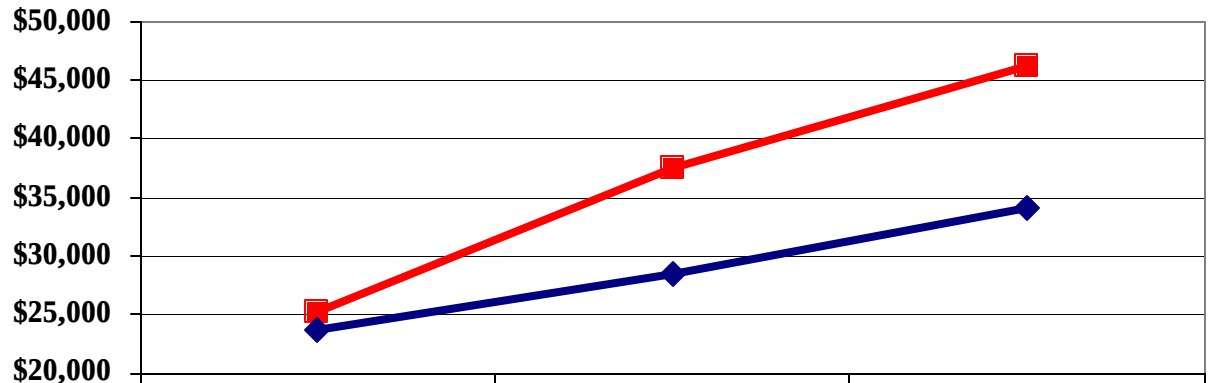
[3] Gross State Product, or GSP, is the state level equivalent of the GNP, the Gross National Product. GSP measures the value of the goods and services produced in the state. Further information on GSP and how it relates to GDP can be found on the Bureau of Economic Analysis' website. http://www.bea.doc.gov/bea/newsrel/gspnewsrelease.htm#table2.

[4] S. Geballe, SFY 03 *Budget Revised: Part 1Addressing the SFY 02 Deficit & Adjusting SFY 03 Revenues* (CT Voices for Children, August 2002). Available on www.ctkidslink.org.

As state policy leaders scramble to plug holes in this leaky state fiscal ship now buffeted by unpredictable economic waves, programs and services vital to the well-being of Connecticut's children and their families face state spending cuts that are not only harmful to Connecticut families today, but also will cost the state dearly in future years.[5] The economic and societal costs associated with neglecting the well-being of children are well documented.[6]

The risk, as Connecticut seeks *structural* balance in its budget, is that those who are asked to bear the burdens of state spending cuts and to contribute more in state revenues will be the same lower and middle-class Connecticut families who -- as this report repeatedly shows -- fared far less well economically in the 1990s than did Connecticut's wealthier families.

CT Gross State Product Per Capita, and US GDP: 1979, 1989, and 1999 (1999$)



	1979	1989	1999
Connecticut	$25,233	$37,555	$46,245
US GDP	$23,708	$28,446	$34,138

Figure 1

[5] The Moody's Investors Service, one of the major bond rating agencies, recently "smack[ed] Connecticut with a negative credit outlook after two years in stable territory." Carrie Budoff, "Moody's: State Credit Outlook Negative", *The Hartford Courant*, August 17, 2002. The Courant article cites a Moody's analyst's assertion that "we will be looking for the state to develop a plan to achieve long-term budget balance". The danger, of course, is that the long-term budget might be balanced on the backs of Connecticut's most vulnerable – children and working families struggling to make ends meet.

[6] See, for example, M. Cohen, "The Monetary Value of Saving a High-Risk Youth," *Journal of Quantitative Criminology*, Vol. 14 (1998); Centers for Disease Control and Prevention. *An Ounce of Prevention…What Are the Returns? 2nd Edition*, (United States Department of Health and Human Services, 1999); National Governor's Association. *School Readiness* (Washington, DC, 1994); and L. Schorr, *Within Our Reach: Breaking the Cycle of Disadvantage* (Doubleday, New York, 1988).

Job and Employment Trends[7]

Payroll Employment.[8] Connecticut's rate of growth in payroll employment has declined since the 1980s and lags the nation's growth.

Total payroll employment. Connecticut's payroll employment increased from approximately 1,194,000 workers in 1969, to 1,398,000 in 1979, then jumped to 1,666,000 in 1989. Payroll employment fell to 1,562,000 in 1995, before rebounding to 1,693,000 in 2000. The recession that began nationally in March 2001[9] reduced Connecticut's payroll employment to 1,682,000 in 2001, with a further decline by July 2002 to 1,673,700.[10] The table below shows the significant expansion of Connecticut's payroll employment in the 1970s and 1980s, the slowing of its growth through the 1990s, and the loss of employment since 2000.

Three+ Decades of Payroll Employment Growth in Connecticut	
Time Period	**# of New Jobs**
1970s (1969-79)	204,000
1980s (1979-89)	268,000
1990s (1989-99)	27,000
2000-2002 (July)	(19,300)

Connecticut's growth compared to the nation and region. Over the last decade, Connecticut's employment growth has lagged behind both national and regional averages [see Figure 2]. Even in the 1980s, when Connecticut experienced annualized growth of 1.8%, that growth was just comparable to the national average. Over the 1990s (1989-2000), by comparison, Connecticut's non-farm payroll employment saw annualized growth of just 0.1%, compared to 0.6% for the Northeast, and 1.8% for the nation. During this period, Connecticut had the *second lowest* growth rate, behind only Delaware (the only state to experience negative employment growth in the 1990s).[11]

Connecticut's 0.6% *decline* in employment growth between 2000 and 2001 was the reverse of both the nation and region, which posted employment *increases* of 0.2% and 0.3% respectively. Connecticut's performance over this period placed it 13th worst among all states for employment growth. While Connecticut was the only New England state to lose payroll employment over the period 2000-2001, Connecticut's continued negative growth in employment over the past year echoed the overall trend

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[7] Unless otherwise indicated, data in this report are based on primary 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.

[8] "Payroll employment" is the number of employed persons, excluding the self-employed and farm and agricultural workers. Increased payroll employment indicates some combination of job growth, population growth and changes in people's willingness to work. Source: Bureau of Labor Statistics, Current Employment Statistics (CES) data.

[9] The Connecticut Department of Labor sets July 2000 as the "peak" of Connecticut's booming 1990s economy – the point at which the expansion of economic activity came to an end and a period of contraction began. D. Kennedy, The Connecticut Business Cycle: A Short History (1939-2002), *The Connecticut Economic Digest* (Connecticut Department of Labor and Connecticut Department of Economic and Community Development, June 2002).

[10] Bureau of Labor Statistics, "Employees on nonfarm payrolls by state and selected industry division, Seasonally Adjusted" and Connecticut Department of Labor, *Labor Situation* (August 2002), available at www.ctdol.state.ct.us/lmi.

[11] Delaware was the only state to experience negative growth in payroll employment during the 1990s. Forty-nine states, induding Connecticut, experienced employment growth.

throughout New England, where only Maine and Rhode Island enjoyed employment gains between May 2001 and May 2002. [12]

The three-decade decline in growth in Connecticut's payroll employment, illustrated in Figure 2, is of concern.

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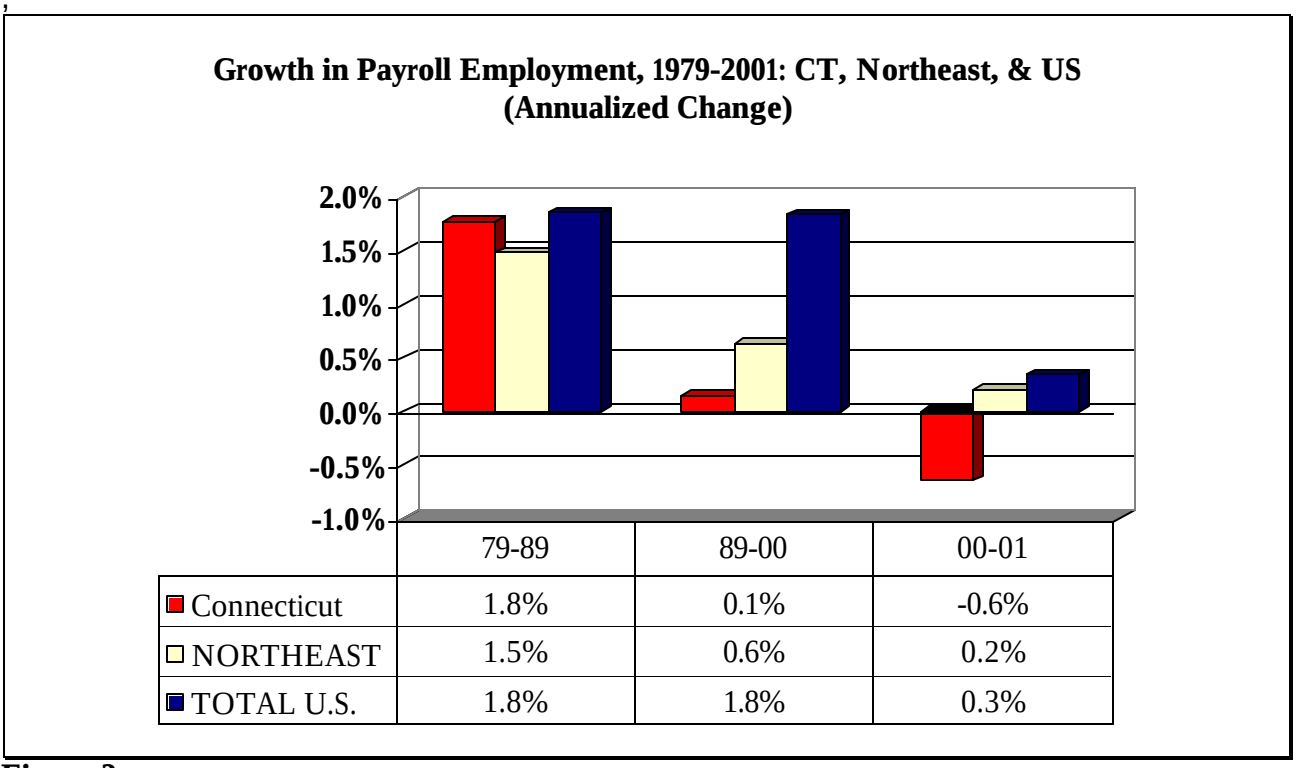


	79-89	89-00	00-01
Connecticut	1.8%	0.1%	-0.6%
NORTHEAST	1.5%	0.6%	0.2%
TOTAL U.S.	1.8%	1.8%	0.3%

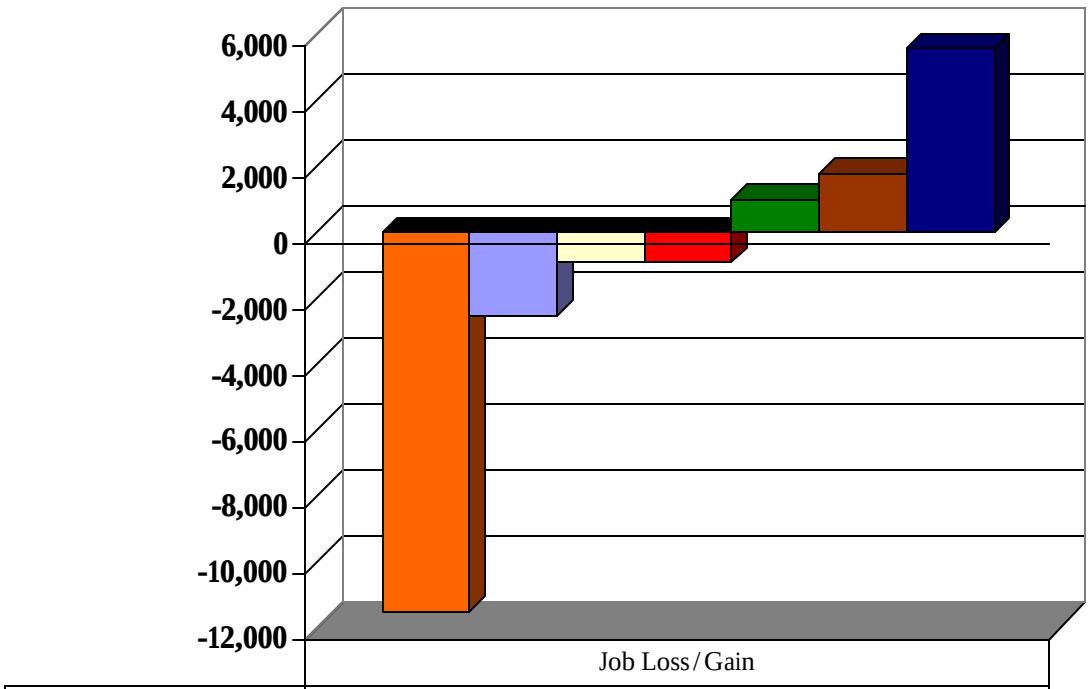
Figure 2

Within Connecticut changes. The 22,000 jobs lost within the state during 2001 (the first year-to-year decline since 1992) were not distributed equally across the state; the larger cities took the biggest hits.[13] Adding to job losses in 2000, Bridgeport and Hartford saw further erosion of employment in 2001 (almost a 2% decline), while New Haven's fortunes slipped from modest growth in 2000, to 2001 employment losses of 1%.[14]

Changes in Types of Jobs Available. Although Connecticut's total non-farm employment declined by 7,400 jobs between July 2001 and July 2002, some employment sectors had increases in jobs, while others sustained losses. As shown in Figure 3 below, over this period, employment in manufacturing fell by 11,500 jobs, in transportation, communications and utilities by 2,500 jobs, in construction and mining by 900 jobs and in finance, insurance and real estate by 900 jobs. Growth in

[12] Federal Reserve Bank of Boston, *New England Economic Indicators*, (July 2002), 4.
[13] Federal Reserve Bank of Boston, *Economic Performance of the New England States in 2001:An Overview* (June 2002. www.bos.frb.org/economic/neei/neei.htm
[14] Federal Reserve Bank of Boston, *Economic Performance of the New England States in 2000:An Overview* (June 2001). www.bos.frb.org/economic/neei/neei.htm

wholesale and retail trade (1,800 jobs), services (1,000 jobs), and government (5,600 jobs)[15] moderated the impact of declines in other sectors:[16]



	Job Loss / Gain
Manufacturing	-11,500
TCU*	-2,500
Construction and Mining	-900
FIRE**	-900
Services	1,000
Trade	1,800
Government	5,600

* Transportation, Communications and Utilities
** Finance, Insurance, and Real Estate

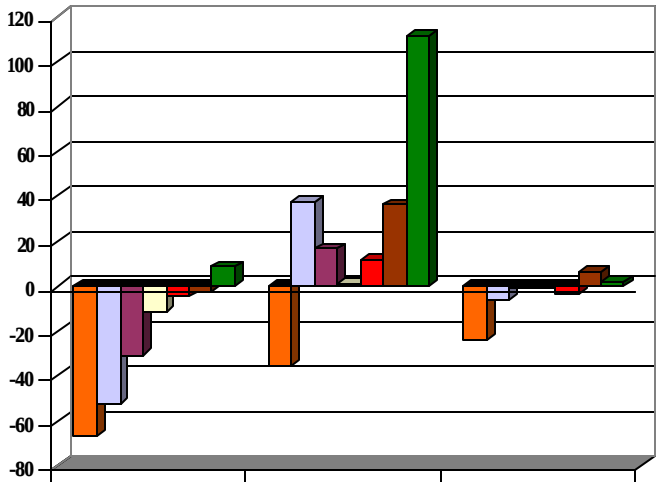
Figure 3

[15] Growth in "government" employment includes casino related tribal employment. The Casino of the Sky, a new 115,000 square-foot gaming space, opened on September 25, 2001, at the Mohegan Sun Casino, employing an additional 2000 people there. Additional hotel jobs (500) were added in June 2002.

[16] Connecticut Department of Labor, *Connecticut Labor Market Information At-A-Glance* (data for July 2002). Available on-line at www.ctdol.state.ct.us/lmi.

This recent decline in Connecticut manufacturing jobs continues a trend that has been altering the face of Connecticut's employment base, as illustrated in the Figure 4 below. Through both recessions and recovery periods, Connecticut has been shedding manufacturing jobs and adding service jobs. In this continued growth of service sector jobs, Connecticut has followed closely national trends.

CT Employment, 1989-2002: Recession, Recovery, and Recession
(thousands of jobs)

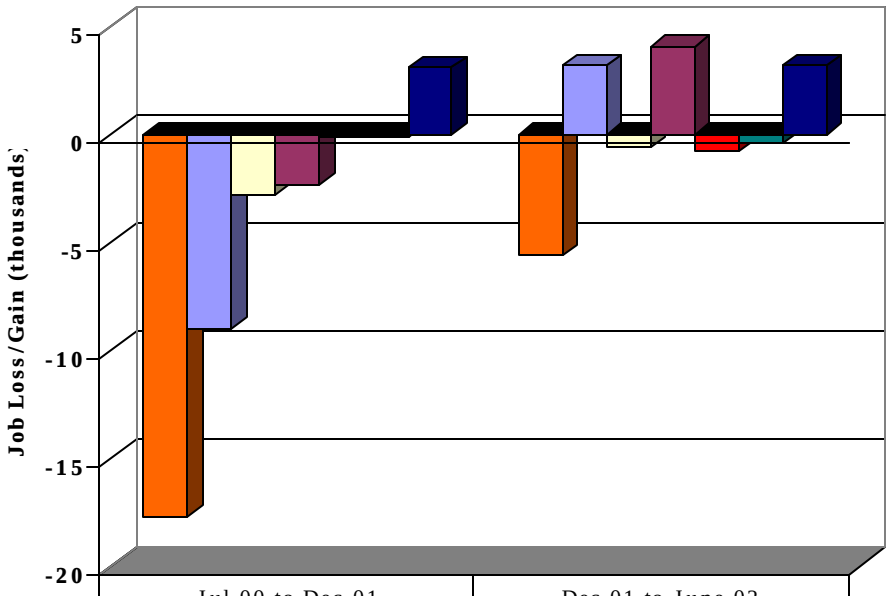


	Feb-89 to Dec-92	Dec-92 to Jul-00	Jul-00 to June-02
Manufacturing	-66.5	-35.1	-23.3
Trade	-52.2	37.7	-5.8
Construction and Mining	-30.4	16.8	-0.9
FIRE	-11.2	1.5	-0.5
T.C.U.	-4.6	12.2	-3.4
Government	-2.1	36.3	6.3
Services	8.8	111.5	1.8

Figure 4

A closer look at the period from July 2000 (Connecticut's most recent economic peak) to June 2002 shows that even the service sector lost jobs over the period July 2000 to December 2001 (losses shown are of thousands of jobs):

CT Employment, July 2000 to June 2002: Recession and Recovery(?)
(thousands of jobs)



	Jul-00 to Dec-01	Dec-01 to June 02
Manufacturing	-17.7	-5.6
Trade	-9	3.2
TCU*	-2.8	-0.6
Services	-2.3	4.1
Construction and Mining	-0.1	-0.8
FIRE**	-0.1	-0.4
Government	3.1	3.2

* Transportation, Communications and Utilities
** Finance, Insurance, and Real Estate

Figure 5

A closer look at service jobs. Over the period 1979-2001, Connecticut consistently *gained* jobs in the service sector. Specifically, over the 1980s, Connecticut added 150,100 service sector jobs, increasing the proportion of jobs in this sector by 5.9 percentage points (or 55%) -- from 19.5% of the employed workforce (approximately one in every five workers) to 25.4% of the workforce (or one in every four workers). Over the 1990s, growth in this sector continued in lockstep with the national trend, adding an additional 116,900 jobs between 1989 and 2001, and increasing the proportion of Connecticut jobs in the service sector from 25.4% (one in four) to 32.1% (nearly one in every three).

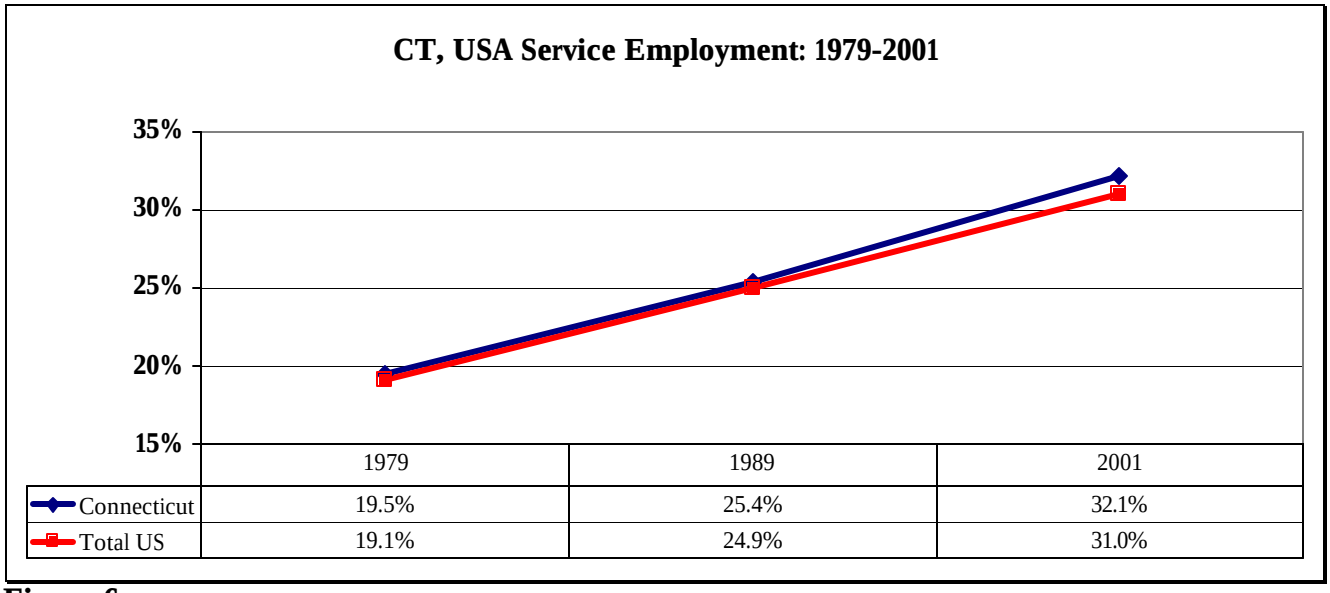


Figure 6

A closer look at manufacturing. Over the same period that Connecticut was adding thousands of jobs in the service sector (1979-2001), Connecticut was losing jobs in manufacturing. Indeed, Connecticut's decline in manufacturing employment was more than twice the national decline between 1979-89 (-17.7% in Connecticut compared to -7.8% nationally) and almost 3.5 times the national decline between 1989-2001 (-29.4% in Connecticut compared to -7.8% nationally).

- ***1980s.*** In 1979, about 436,500 Connecticut workers were employed in manufacturing. By 1989, this had fallen to 359,300 workers. That is, 77,200 fewer Connecticut workers were employed in manufacturing, a 9.7 percentage point (or 17.7%) decline. This 9.7 percentage point drop was the second largest in the nation over this period, behind only Rhode Island.

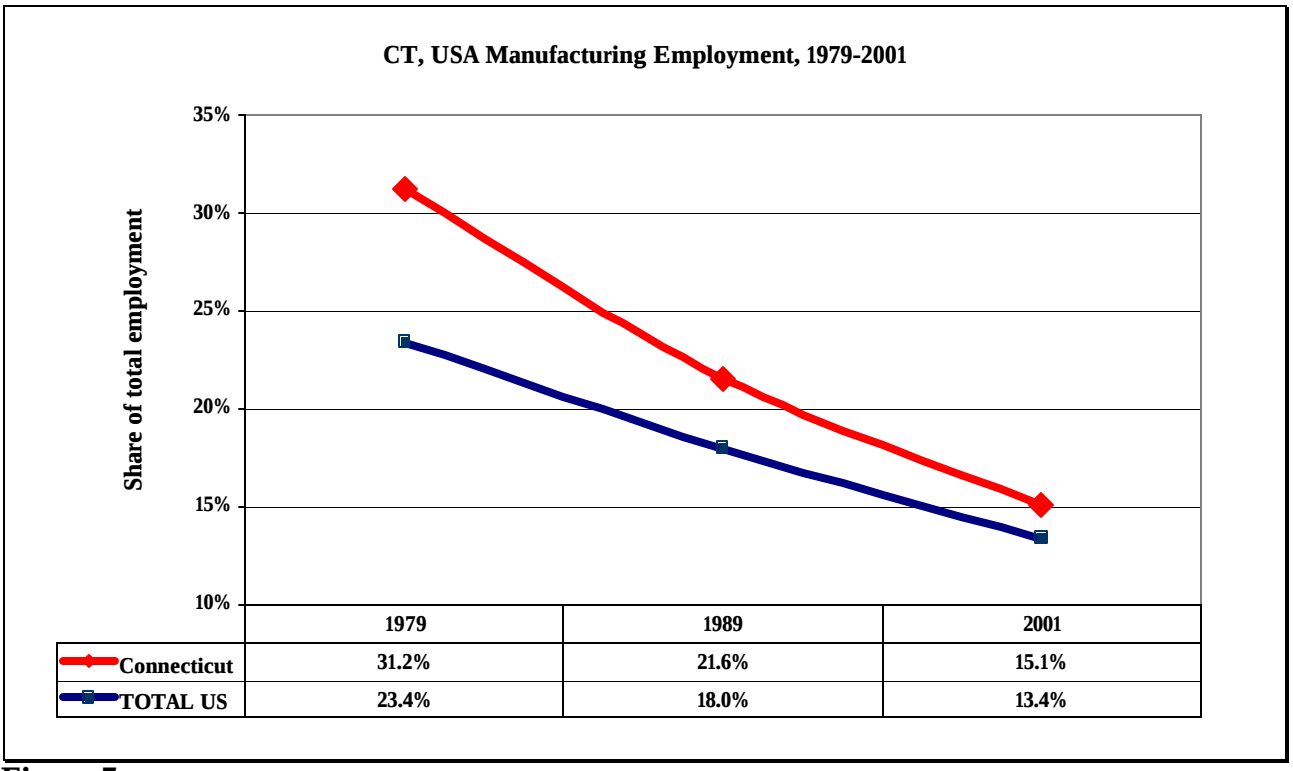
- ***1990s.*** Between 1989 and 2001, 105,500 more Connecticut workers left the manufacturing sector, an additional 6.5 percentage point (29.4%) decline. This left just 253,800 persons employed in this sector in 2001. Connecticut's 6.5 percentage point decline in the share of jobs that are in manufacturing was the 6th greatest decline among all states.

- ***More recent trends.*** Between December 2000 and December 2001, Connecticut's manufacturing industry declined by 6.1%, the greatest single year's loss since 1982. Firms facing significant layoffs in 2001 included Union Carbide (chemicals), Corometrics Medical (cardiac monitors), Ortronics (electronic components), Philips Medical Systems (diagnostic equipment) and VDO America (automotive supplies). United Technologies announced layoff plans affecting about 2,500 employees for 2002.[17]

- ***The bottom line.*** By 2001, Connecticut had 182,700 *fewer* workers employed in manufacturing than it did in 1979 -- just 58% of the number employed in manufacturing in 1979. Manufacturing employment in Connecticut as a share of total payroll employment declined from 31.2% in 1979 to 21.6% in 1989 to 15.1% in 2000. The proportion of

[17] Federal Reserve Bank of Boston, *Economic Performance of the New England States in 2001: An Overview* (June 2002). www.bos.frb.org/economic/neei/neei.htm.

Connecticut jobs in manufacturing fell from nearly one in three in 1979 to *less than* one in seven in 2001 and the state's comparative national advantage in the proportion of its jobs in manufacturing diminished markedly, as illustrated in Figure 7 below:



	1979	1989	2001
Connecticut	31.2%	21.6%	15.1%
TOTAL US	23.4%	18.0%	13.4%

Figure 7

Despite the continued erosion of Connecticut's manufacturing sector, it remains a significant component of the Connecticut labor market, though it has now been eclipsed by both the service and trade sectors.[18]

Impact of Changes in Types of Jobs on Wages. The decline in manufacturing jobs has an impact on overall wages in Connecticut, for "even short-term employees tend to have higher earnings in manufacturing jobs than do many workers in trade and service industries."[19] As noted in the table below[20], average annual pay in retail trade and services in 2000 was substantially less than annual pay

[18] Connecticut Department of Labor, *Connecticut Labor Market Information At-A-Glance* (data for June 2002).
[19] Connecticut Department of Labor, *The Connecticut Economic Digest* (July 2000), p. 4.
[20] This average annual pay portion of the table is based on the Bureau of Labor Statistics (BLS) Covered Employment and Wages Program (CEW), which includes those workers covered by Unemployment Insurance or the Unemployment for Federal Employees Program. In 1999, the following categories of workers (and corresponding numbers of people) were excluded from this measure (See BLS, http://www.bls.gov/cew/peoplebox.htm#1.):

- 0.2 million wage and salary agricultural employees,
- 1.3 million self-employed farmers,
- 8.8 million self-employed nonagricultural workers,
- 0.5 million domestic workers,
- 0.1 million unpaid family workers.
- 0.2 million workers covered by the railroad unemployment insurance system.
- 0.9 million state and local government workers; and
- certain nonprofit employees.

in manufacturing. Yet there were almost three times more jobs in retail trade and services than in manufacturing in 1999.[21] As noted in *The Connecticut Economic Digest* (July 2000), "In today's economy, those who formerly worked in factories will find a greater number of jobs in the trade and the service industries, which are the fastest growing." By 2000, almost two thirds (64%) of Connecticut workers were employed in retail trade, services, or "government" – jobs that paid, on average, less than $40,000/year.

Distribution of Jobs & Average Annual Pay in CT Industries

Sector	1991 Average Annual Pay (2000$)	2000 Average Annual Pay (2000$)	% Pay Change (1991-2000)	Approx.# Workers (June 2002)*
Retail Trade	$20,494	$23,584	15.2%	285,200
Services	$34,570	$38,555	11.5%	548,000
Government	$39,627	$39,667	0.1%	247,400
Construction**	$43,329	$44,856	3.5%	68,300
TCU (transportation, communications & utilities)	$43,928	$47,999	9.3%	77,200
Manufacturing	$47,459	$59,987	26.4%	241,900
FIRE (finance, insurance & real estate)	$49,769	$85,626	72.1%	142,500
Wholesale Trade	$51,634	$61,691	19.5%	77,900
Total	$38,401	$46,020	19.8%	1,688,400

US Bureau of Labor Statistics, *Covered Employment and Wages Report*. http://stats.bls.gov.
* Not seasonally adjusted. Source: CT Department of Labor
** Construction and Mining are often grouped together. The *Approx. # Workers* shown here combines construction and mining, though the pay data do not.

Three trends in average annual pay in this table merit mention. First, despite declines in the number (and percent of total labor force) employed in manufacturing, manufacturing jobs enjoyed considerable pay growth, outpacing pay growth in both retail trade and services. Second, the 72% growth in pay in the finance, insurance, and real estate sector is truly striking. Third, the lack of growth in pay in the government sector likely reflects the inclusion in this sector of hundreds of relatively low paying casino-related jobs in this sector (rather than the service sector where they would more appropriately belong).

Subsector wage differences. Each industry sector includes a variety of jobs that are classified into subsectors, each with its own annual pay average. Variation in pay within an industry across sub-sectors can be significant. This variation is particularly great within Connecticut's "service" sector, and merits special mention[22].

[21] The lower pay in retail trade and services could be in part a consequence of Connecticut's shift in employment away from manufacturing to services and trade. As former manufacturing workers moved into the service and retail trade sectors, the supply of labor would increase, pushing down wages. When unemployment rises, this excess labor supply increases further.
[22] The CT Department of Labor's *Connecticut Occupational Employment and Wages: Statewide 2002* provides further illustration of the variation in wages among service jobs. This report shows, for example, that in 2002 the average annual wage of lawyers was $105,030, of personal financial advisors was $88,059, and of embalmers was $63,618. In the same year, child care workers earned $20,724 on average, personal care workers $19,500, and gaming dealers $13,970.

In 2000, Connecticut's "service" sector included jobs with wages in the low $20,000 range (hotel and other lodging places: $20,815; personal services: $20,209; motion pictures: $21,751; social services: $21,740; and museums and botanical and zoological gardens: $21,372), as well as jobs with wages in the $70,000 range (engineering, accounting, and management: $73,225; and miscellaneous services: $79,506).[23] As seen in the table below, the largest sub-sectors of Connecticut's "service" sector -- health and business services -- paid wages in the midrange, at $38,865 and $44,125 respectively.

Subsector	Average Wage (2000$)	# Employed	% of Services Sector
Personal services	$20,209	18,140	3.4%
Hotel and other lodging places	$20,815	11,604	2.2%
Museums and botanical gardens	$21,372	2,057	0.4%
Social services	$21,740	46,916	8.8%
Motion pictures	$21,751	4,178	0.8%
Amusement and recreation services	$24,620	37,618	7.1%
Educational services	$38,254	40,398	7.6%
Health services	$38,865	158,160	29.8%
Business services	$44,125	117,886	22.2%
Legal services	$55,940	14,652	2.8%
Engineering, accounting and management	$73,225	39,562	7.4%
Miscellaneous services	$79,506	854	0.2%

Multiple Jobs. In 2001, 7.0% of Connecticut workers age 16 or older had more than one job.[24] Connecticut's proportion of workers who are multiple jobholders is somewhat higher than the national average (5.2%) and higher than over two-thirds of the other states. Figure 8 below shows that between 1995 and 2000, the proportion of Connecticut workers holding multiple jobs surpassed the national average. Indeed, over this period of great economic prosperity, Connecticut was one of only 8 states that had an *increase* in the proportion of workers holding more than one job. Moreover, Connecticut's rank among states has changed greatly – from having the *5th lowest* proportion of workers holding multiple jobs in 1989 to having the *15th highest* proportion in 2001.

[23] Connecticut Department of Labor, "Covered Employment & Wages by Industry: 2000", http://www/ctdol.state.ct.us/lmi/202/00ct202.htm..

[24] EPI analysis of United States Census Bureau, Current Population Survey data.

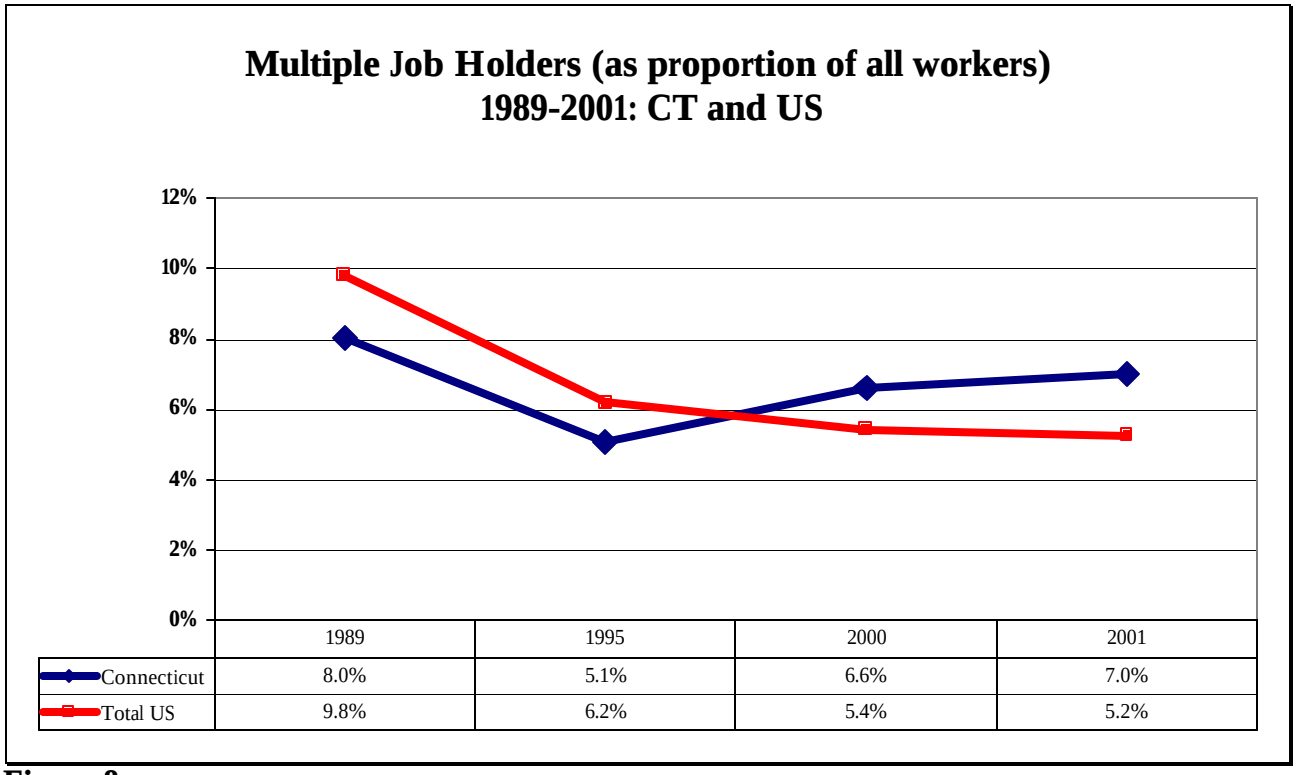


Figure 8

Hours Worked. Nationally, much of the increase in household income in recent years can be attributed to an increase in the number of hours worked.[25] As seen in the figure below, in the late 1990s (1998-2000), United States married couple families worked on average 432 more hours than during the late 1970s (1979-81) – 3,706 hours compared to 3,274 hours. While Connecticut married couple families worked virtually the same amount as the national average in the late 1990s, this was a significant departure from the end of the 1980s, when Connecticut married couple families worked almost 200 hours *more* than the national average.

Considering that full-time, full-year employment for two adults represents a family total of about 4000 hours of annual employment, these data show that Connecticut married couple families are close to "maxing" out in how many hours they can work, though many people may work more than forty hours a week. These data also include hours worked by children. As shows in Figure 9, below, both the national and Connecticut hours in the late 1990s period (3,706 and 3,701, respectively), and Connecticut's hours in the late 1980s period were very close to this 4,000 hour benchmark, leaving little room for further growth.

[25] Note that "hours worked" is a function both of the number of hours worked per week, and also the number of weeks worked per year. Thus, a change in the number of "hours worked" can be a funct ion of either, or both, and can reflect both voluntary work reductions (to spend more time with family, for example), or involuntary work reductions (such as through layoffs, or a forced reduction in weekly work hours).

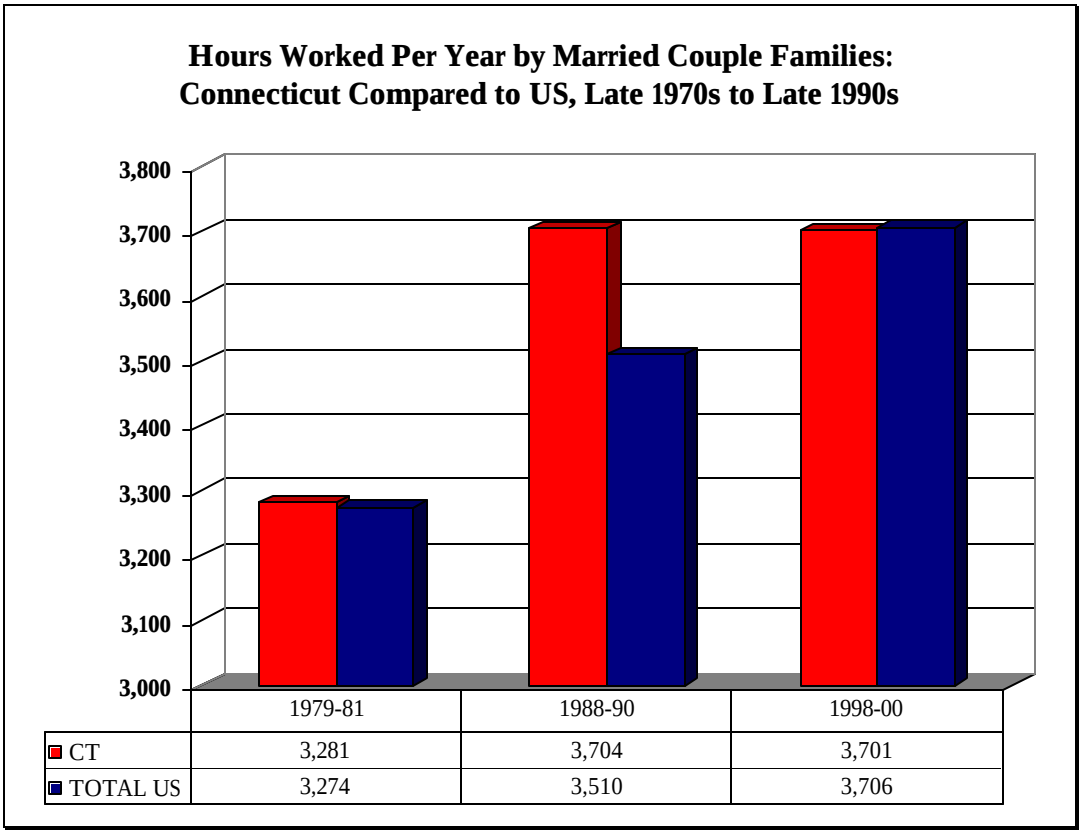
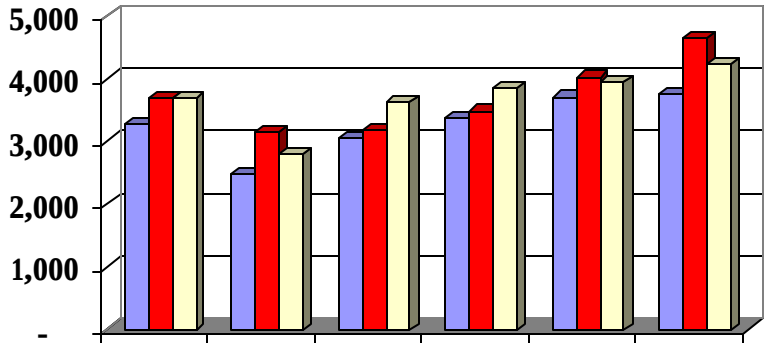


Figure 9

Hours Worked, by Income Level. Although Connecticut married couple families increased their annual hours worked by 420 hours between the late 1970s and late 1990s (from 3,281 to 3,701 hours), there was considerable variation in the increase in hours worked by family income level. As illustrated in Figure 10, Connecticut's poorest 20% of married couple families added 318 hours to their work year over this two decade period. By comparison, the next poorest 20% added 571 hours, the middle 20% added 487 hours, the second to richest 20% added 271 hours and the top 20% added 442 hours. Amazingly, the top 20% of married couple families reported working 4,655 hours/year in the late 1980s, many more hours than two full-year, 40 hour/week jobs. By the late 1990s, this richest 20% had "cut back" on work hours to 4,231.

Interestingly, only the second to poorest 20% and the middle 20% of Connecticut married couple families added hours in both the 1980s and the 1990s. The poorest 20% and the wealthiest 40% added hours in the 1980s, but had reduced their hours (or had their hours involuntarily reduced) by the late 1990s, as shown in Figure 10. This could reflect a variety of factors. Wage gains for both higher and lower income workers, for example, may have allowed them to work fewer hours. Increased income from dividends, interest, and capital gains in the "boom" years of the late 1990s also may have allowed higher income workers to reduce hours. Alternatively, workers at either end of the income spectrum may have seen their hours reduced due to temporary layoffs.

Hours Worked By Connecticut Married Couple Families (by income quintiles): Late 1970s to Late 1990s



	All married couple	First fifth	Second fifth	Third fifth	Fourth fifth	Top fifth
1979-81	3,281	2,489	3,064	3,367	3,711	3,769
1988-90	3,704	3,153	3,190	3,486	4,028	4,655
1998-00	3,701	2,807	3,635	3,854	3,962	4,231

Figure 10

Figure 11 below shows some interesting comparisons between national and Connecticut data for the late 1990s period (1998-2000). The poorest 40% of Connecticut married couple workers worked *more* hours per year than their national peers, while the top 60% of Connecticut's married couple workers worked *fewer* hours than the national averages.

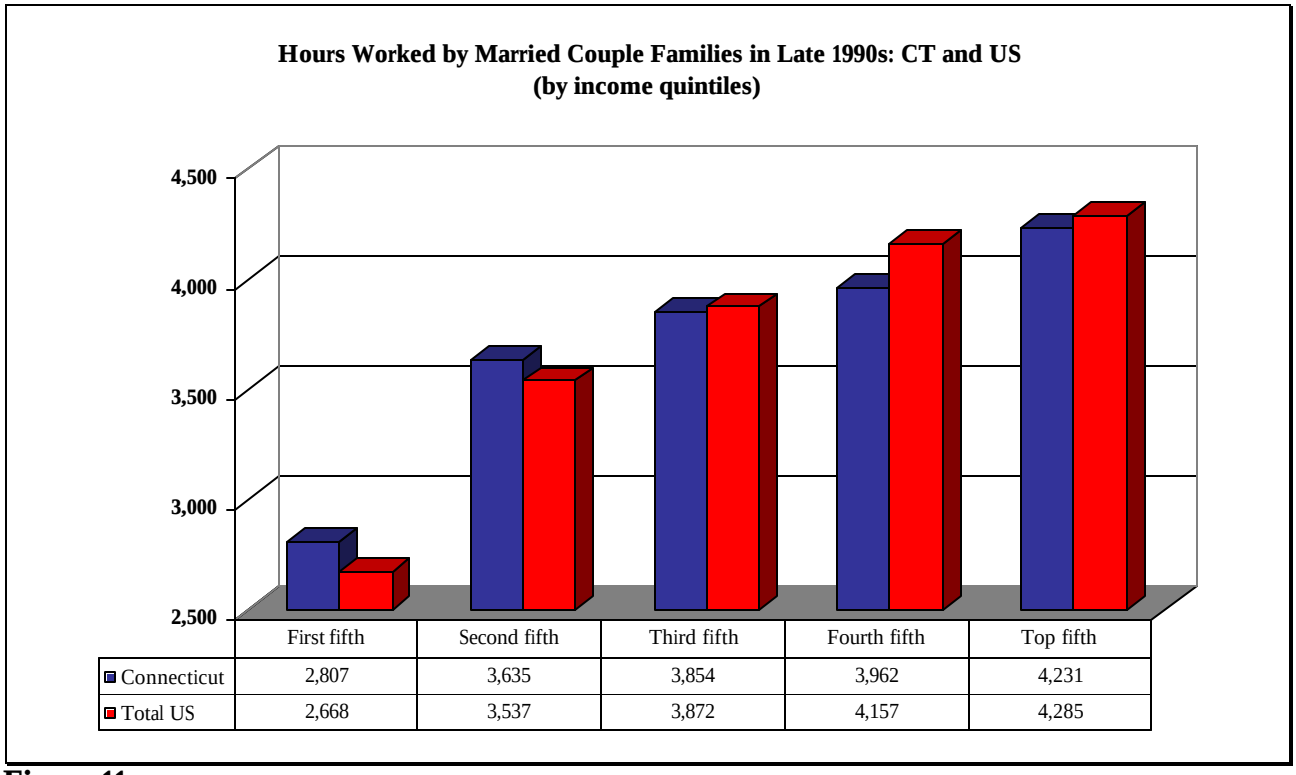


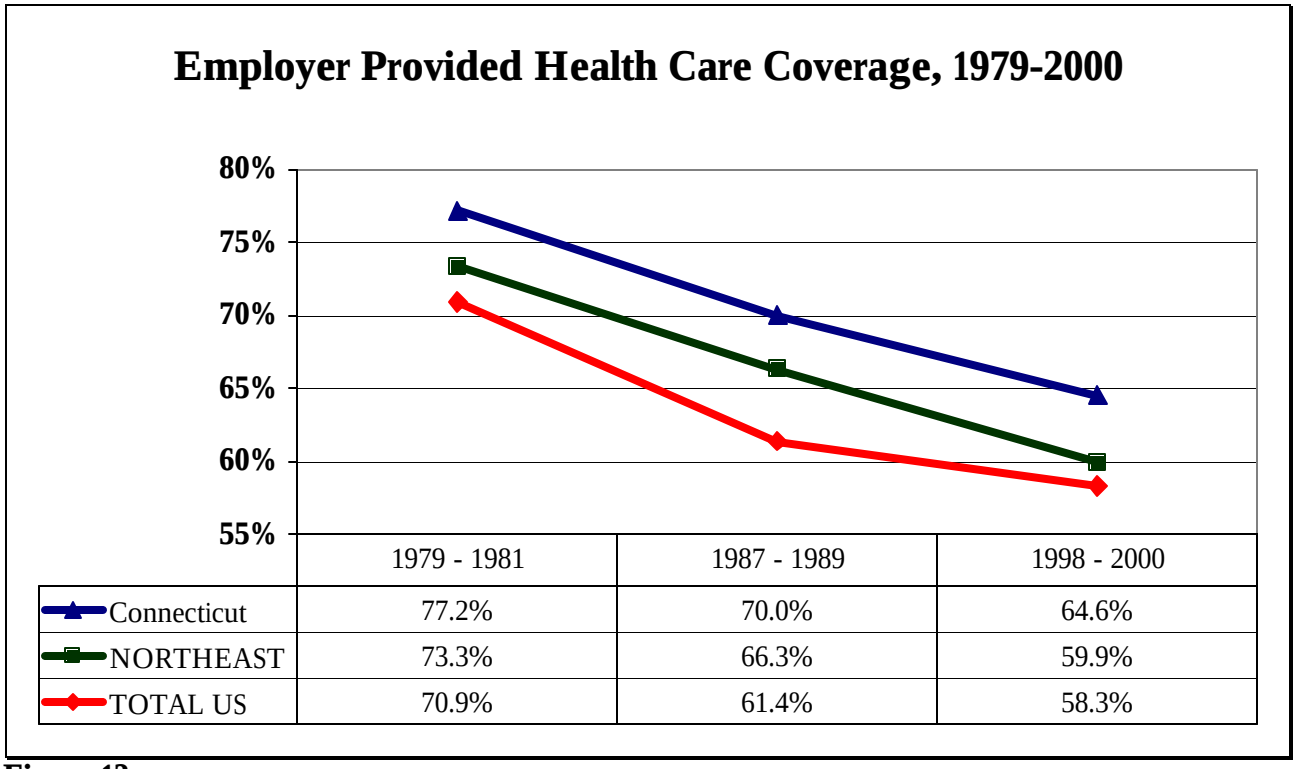
Figure 11

Employer-Provided Health Insurance.[26] As shown in Figure 12 below, from the late 1970s to the late 1990s, 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 12.7 percentage points – from 77.2% to 64.6%.

Notably, Connecticut's "lead" over the national average in the 1998-2000 period was the same – 6.3 percentage points – as it was during the late 1970s. The national decline in health care coverage over the 1980s exceeded Connecticut's (a -9.5 percentage points decline as compared to Connecticut's – 7.2 percentage point decline), but Connecticut's decline over the late 1990s exceeded the nation's decline (-5.5 percentage points vs. –3.1 percentage points).

Despite Connecticut's continued decline in health care coverage over the last decade, the proportion of Connecticut employees who are covered remains higher than national and regional averages, as has been true in the prior two decades. Notably, Connecticut's state rank in the late 1990s was third highest in covered employees, down from first place in the 1979-81 period.

[26] United States Census Bureau, Current Population Survey data (pooled for multiple years to increase reliability of the estimates). Note: These data report 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). Because these data are based on survey responses, the data may include as "insured" some people who are included in a health insurance plan (i.e. they "have" employer-provided health insurance), but do not actually have health insurance (i.e. they do not participate in the plan because of prohibitively expensive premiums or co-pays).



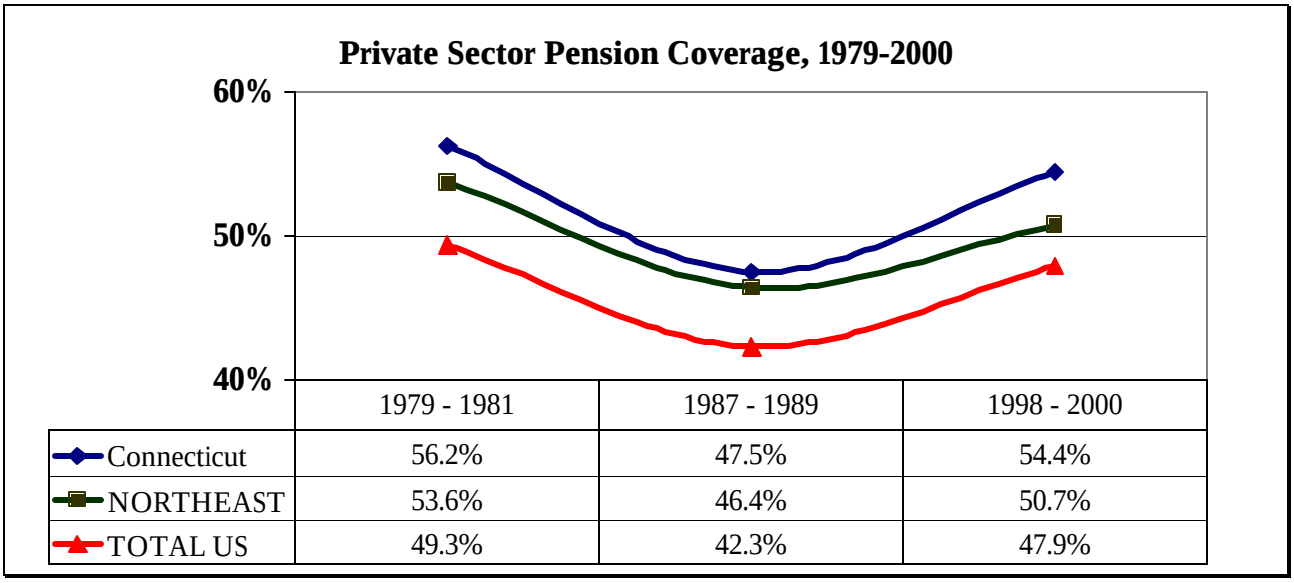
	1979 - 1981	1987 - 1989	1998 - 2000
Connecticut	77.2%	70.0%	64.6%
NORTHEAST	73.3%	66.3%	59.9%
TOTAL US	70.9%	61.4%	58.3%

Figure 12

Employer-Provided Pension Coverage.[27] As shown in Figure 13 below, private sector employer-provided pension coverage declined in Connecticut from the late 1970s to the late 1980s (from 56.2% to 47.5%), then increased to 54.4% by the late 1990s. Trends in Connecticut's employer-provided pension coverage have moved in step with national and regional trends throughout this period, with Connecticut coverage rates consistently exceeding rates in the region and nation.

Between the late 1980s and the late 1990s, Connecticut's rate of *increase* in employer-provided coverage outpaced growth in both the nation and region (6.9 percentage points versus 5.6 percentage points and 4.3 percentage points, respectively). Despite this, Connecticut's state ranking over these periods has remained virtually the same, moving from 6th highest coverage in the late 1970s and 1980s to 7th highest in the late 1990s.

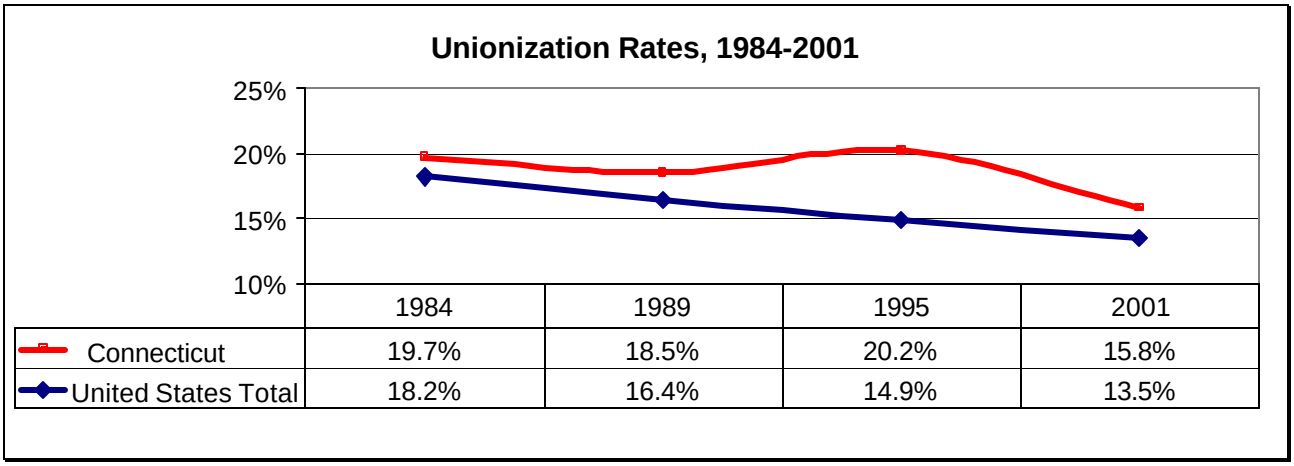
[27] "Employer provided pension coverage" is defined to be the proportion of employed civilian wage and salaried workers (excluding the self-employed) between the ages of 18 and 64 who worked at least half the year and at least 20 hours/week who were included in an employer-offered pension plan. Source: EPI analysis of United States Census Bureau, March Current Population Survey data. Notably, this definition (and the data about trends in coverage) say nothing about the quality of the pension coverage provided.



	1979 - 1981	1987 - 1989	1998 - 2000
Connecticut	56.2%	47.5%	54.4%
NORTHEAST	53.6%	46.4%	50.7%
TOTAL US	49.3%	42.3%	47.9%

Figure 13

Unionization Rate.[28] In 2001, Connecticut had the 17th highest proportion of unionized workers, with 15.8% of its workers in unions,[29] compared to 13.5% nationally. As shown in Figure 14 below, the proportion of Connecticut workers who are in unions has declined over time – from 19.7% in 1984 to 18.5% in 1989, and to 15.8% in 2001 (after an increase to 20.2% in 1995). Over this period, the rate of unionization across the nation as a whole also declined, though more consistently -- from 18.2% in 1984, to 16.4% in 1989, to 14.9% in 1995, and to 13.5% in 2001.



	1984	1989	1995	2001
Connecticut	19.7%	18.5%	20.2%	15.8%
United States Total	18.2%	16.4%	14.9%	13.5%

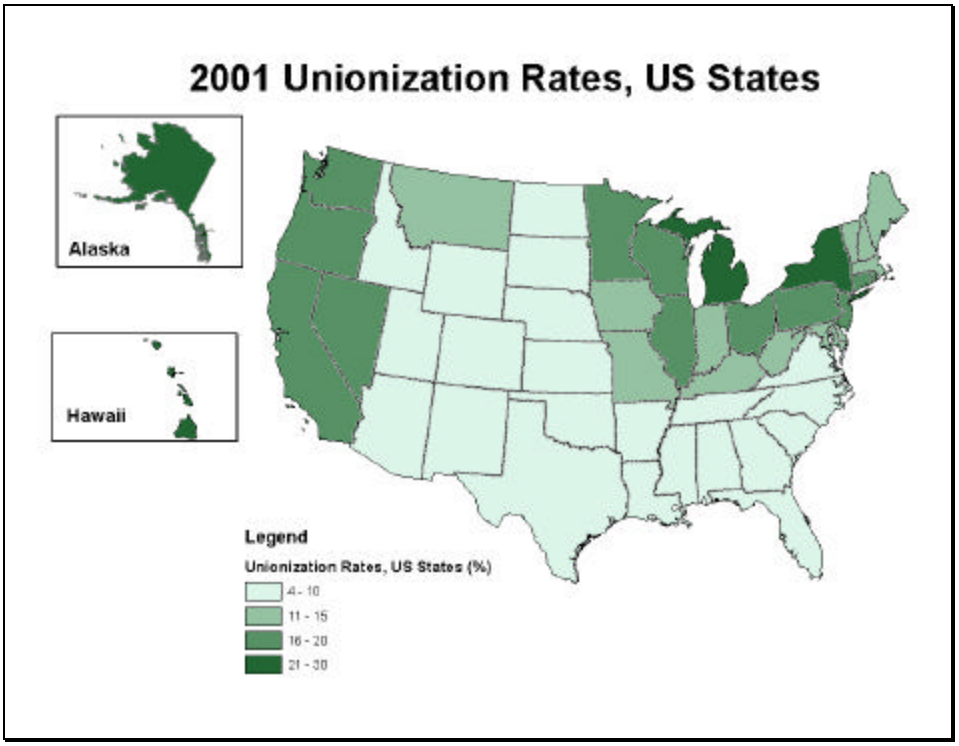
Figure 14

[28] The "unionization rate" is defined to be 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: EPI analysis of United States Census Bureau, Current Population Survey data.

[29] In 2001, New York had the highest proportion of workers in unions (26.7%). Other states with higher rates of unionization than Connecticut in 2001 were Hawaii (23.9%), Alaska (22.0%), Michigan (21.8%), New Jersey (19.6%), Illinois (18.3%), Washington (18.6%), Rhode Island (17.9%), Ohio (17.7%), Minnesota (17.6%), Nevada (17.0%), Pennsylvania (17.0%), California (16.4%) and Wisconsin (16.2%). The state with the lowest unionization rate in 2001 was North Carolina (3.7%).

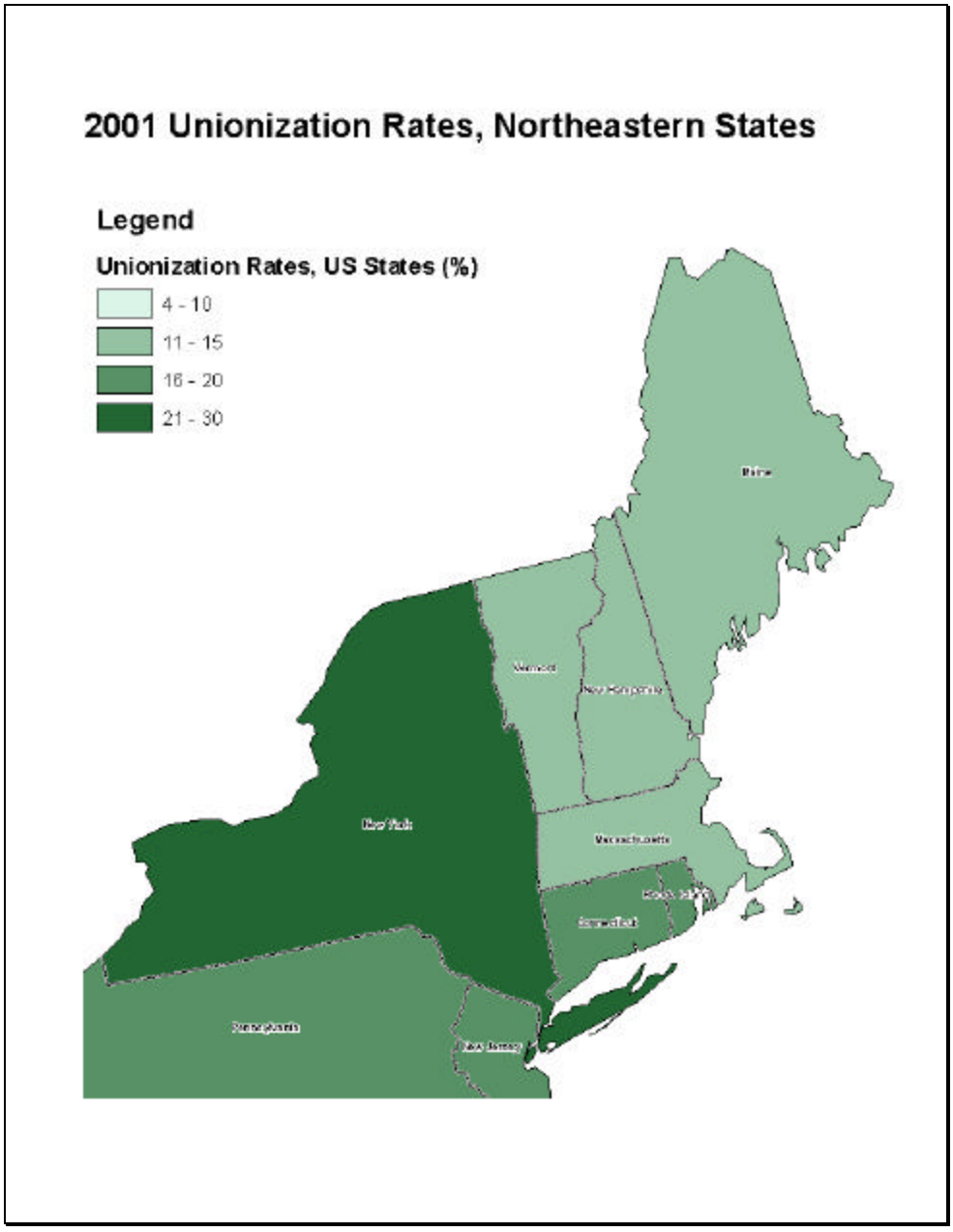
Connecticut's decline between 1984 and 2001 is also consistent with all but two states, New Hampshire and South Carolina, which had very modest *increases* in unionization between 1984 and 2001 (of 0.1 and 0.4 percentage points, respectively). Between 1984 and 2001, 27 states had a decline in unionization that exceeded Connecticut's.[30] During the most recent period of comparison, however (between 1995 and 2001), the 4.4 percentage point decline in Connecticut's unionization rate was the greatest among all states.

The map below illustrates the regional differences in unionization rates in the United States, with higher unionization rates in the northeast and on the west coast, and lower rates in the south and states in the Plains and Rocky Mountain regions.



The following map of the Northeastern states illustrates that Connecticut's rate of unionization in 2001 falls in the middle among neighboring states. Connecticut's rate (15.8%), is less than New York's (26.7%), and Rhode Island's (17.9%), but more than Massachusetts' (14.8%), Vermont's (10.8%) and New Hampshire's (10.1%).

[30] For example, between 1984 and 2001, the unionization rate fell by 8.9 percentage points in West Virginia (from 23.5% to 14.6%) and by 10.3 percentage points in Indiana (from 24.6% to 14.3%), compared to Connecticut's 3.9 percentage point decline (from 19.7% to 15.8%).



Worker Health and Safety

Critical to the well-being of Connecticut's working families are jobs with adequate wages and benefits. Safety while at work is also essential, as workplace injuries can reduce family income and the impair the health of wage-earning parents.

Unfortunately, many of Connecticut's workers face threats to their well-being within the workplace. Figure 15 below shows that in 2000, Connecticut had an occupational injury and illness incidence

rate of 6.7 per 100 full time workers. This places Connecticut midrange among states, and slightly above the national rate of 6.1 per 100 workers.[31]

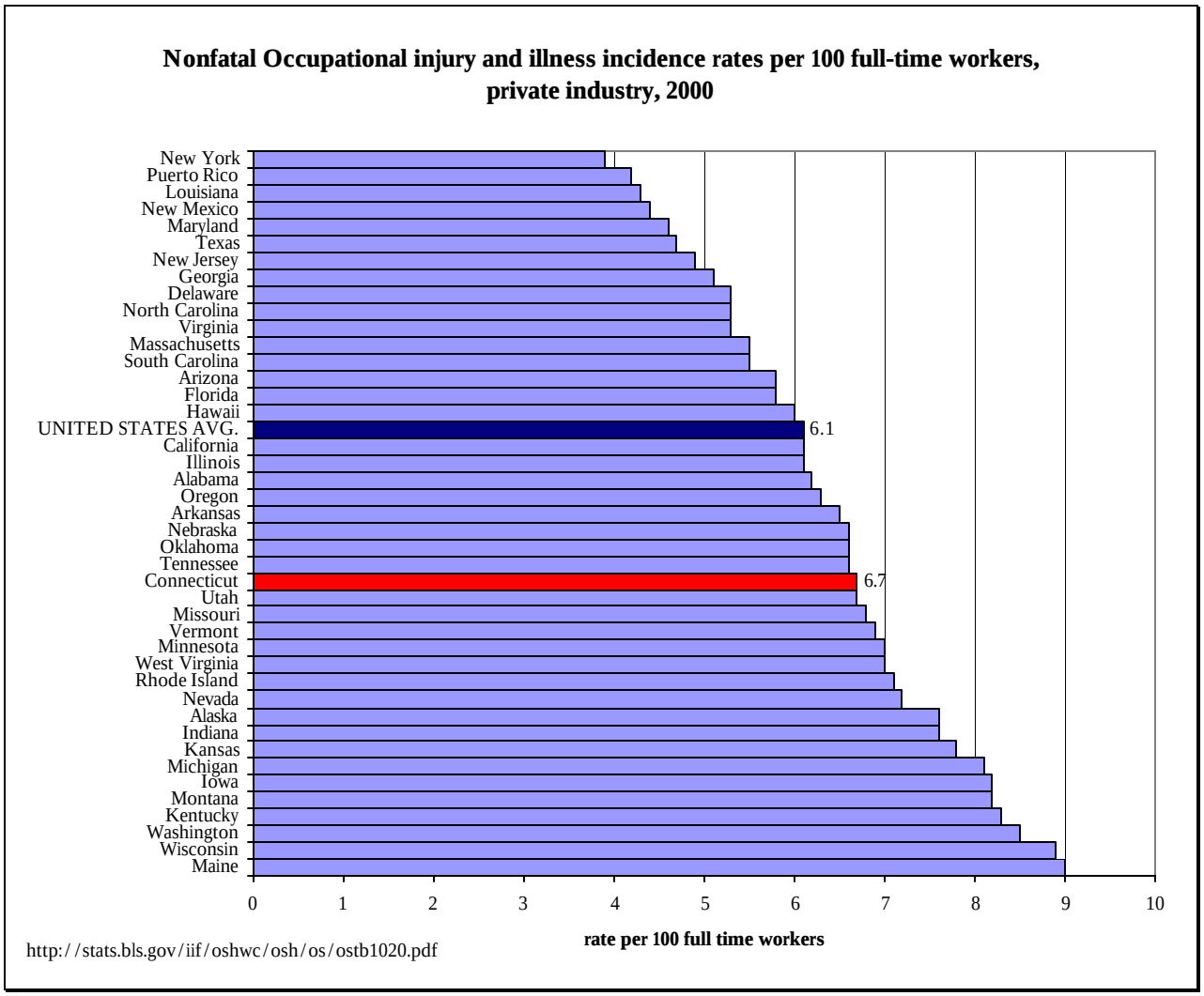
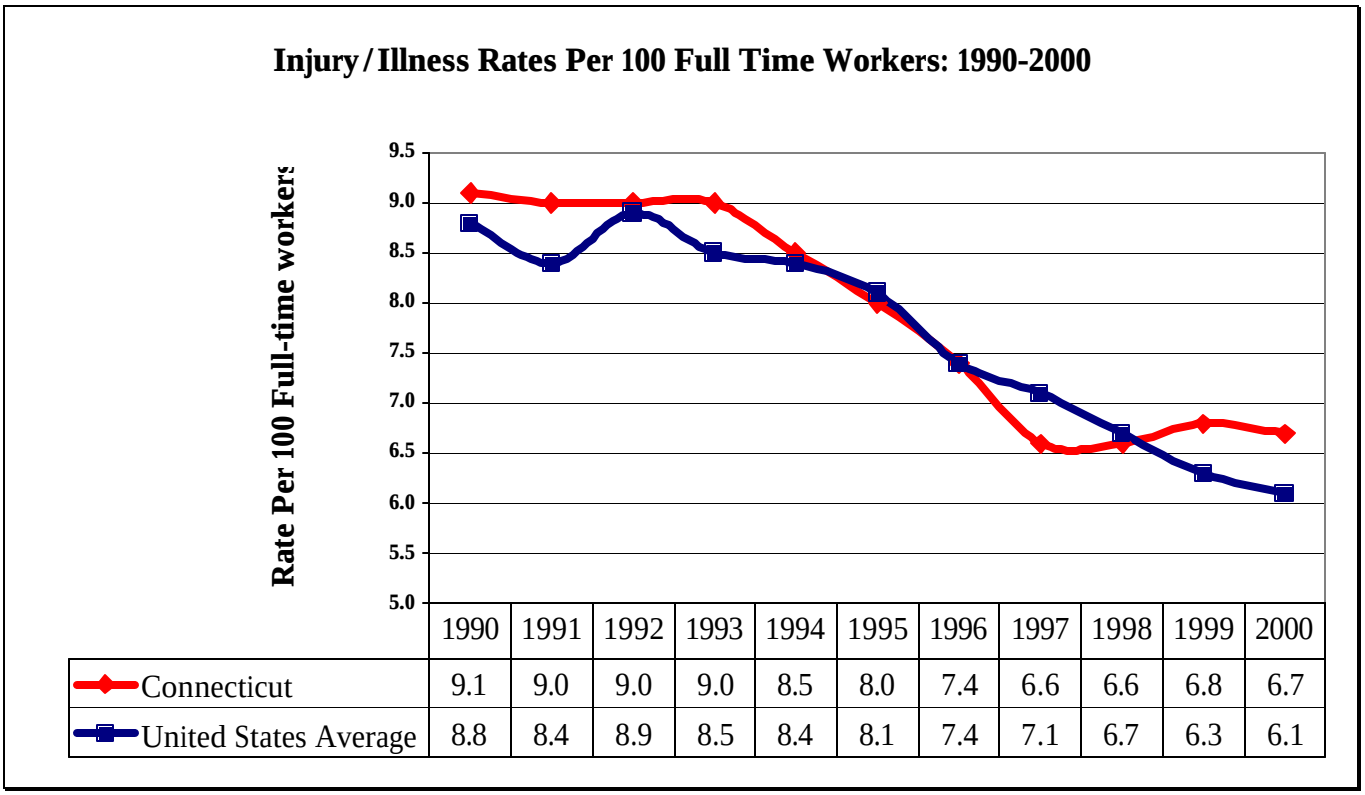


Figure 15

Figure 16 below shows that Connecticut's workplace injury/illness rate surpassed the national rate for seven of the eleven years between 1990 and 2000. Of perhaps greater concern is that after a period (1993-1997) when Connecticut seemed to be improving workplace safety, its progress seems

[31] The occupational injury and illness incidence rate is measured by the number of non-fatal occupational injuries and illnesses per 100 full-time workers in a given work year. They include both cases involving lost workdays, and those where workdays were not lost. *Occupational injury* is any injury such as a cut, fracture, sprain, or amputation that results from a work-related event or from a single instantaneous exposure in the work environment. *Occupational illness* is any abnormal condition or disorder, other than one resulting from an occupational injury, caused by exposure to factors associated with employment. It includes acute and chronic illnesses or disease that may be caused by inhalation, absorption, ingestion, or direct contact. The incidence rate represents the number of injuries and/or illnesses per 100 full time workers, calculated as (N/EH) x 200,000 [where N is the number of injuries and illnesses, EH is the total hours worked by all employees in the calendar year, and 200,000 is the base for 100 full-time equivalent workers (working 40 hours per week, 50 weeks per year)]. See *Occupational Safety and Health Definitions*, http://stats.bls.gov/iif/oshdef.htm. Data are from http://stats.bls.gov/iif/oshwc/osh/os/ostb1020.pdf.

to have stalled. By comparison, the national trend was one of *consistent* reductions in occupational injuries and illnesses through out the period since 1992.



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Connecticut	9.1	9.0	9.0	9.0	8.5	8.0	7.4	6.6	6.6	6.8	6.7
United States Average	8.8	8.4	8.9	8.5	8.4	8.1	7.4	7.1	6.7	6.3	6.1

Figure 16

September 11, Unemployment, Educational Attainment and Employment-to-Population Ratios

The Impacts of September 11, 2001

Unemployment. The Bureau of Labor Statistics (BLS) notes "it is not possible to separate overall job losses …into the effects from the September 11 events and the effects from a generally weakening employment trend that had been evident for several months prior."[32] Nevertheless, there are several industries with employment declines subsequent to September 11 that might be attributed in part to the shockwaves of that tragic day.[33] Air transportation, transportation services, and hotels fit in that category according to the BLS, as do industries (such as the aviation industry) that are clearly related.[34] Ironically, the federal government's "war on terrorism" may eventually stimulate the Connecticut economy again if Connecticut-based aviation and defense-related industries benefit from an influx of new defense spending.

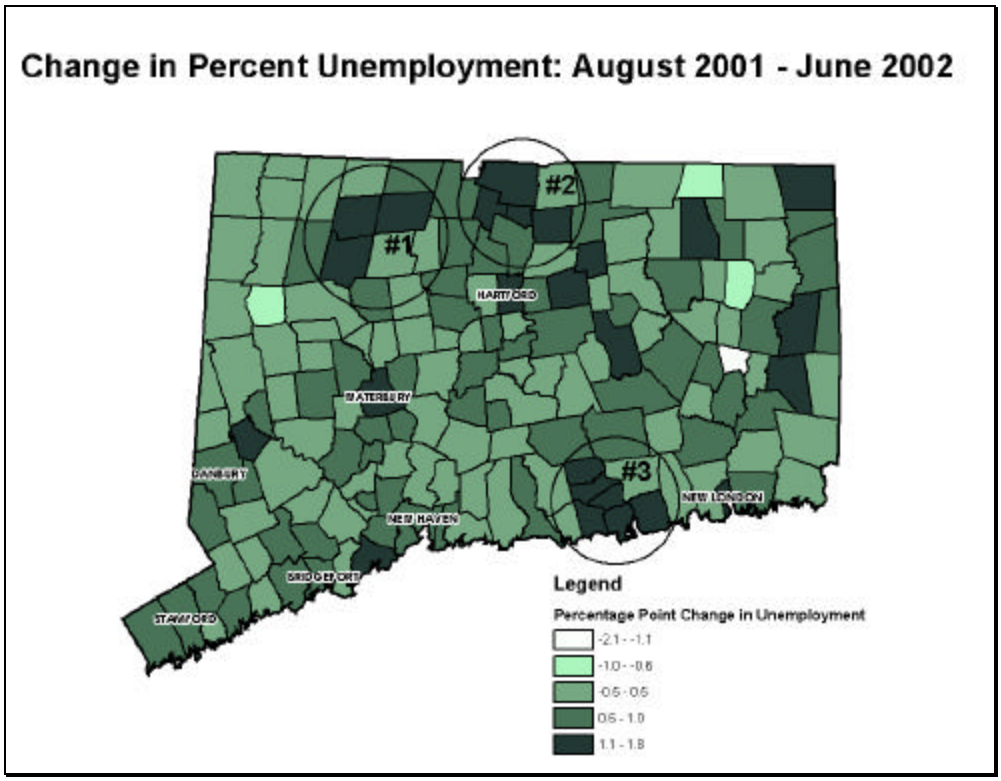


Figure 17

[32] Bureau of Labor Statistics, "Impact of the Events of September 11, 2001, on BLS Nonfarm Payroll Employment Series", January 4, 2002. www.bls.gov/web/cesspec.htm.

[33] For example, one of Connecticut's largest employers, United Technologies Corporation (UTC), which has a number of Connecticut-based subsidiaries doing work in the aerospace industry, announced in October 2001 its intention to reduce its Connecticut workforce by 2,500 over the next year.

[34] The airline industry is facing significant pressures to restructure. The eventual impacts of this on CT's aviation industry remain unclear. See David Eisenberg, "Air travel gets a new model" Time (Aug.26, 2002), 24, observing that the events of September 11, 2001 "…accelerated the worst downturn in US aviation history…"

Figure 17 above shows town-by-town changes in unemployment rates between August 2001[35] and June 2002. Particularly interesting is the clustering of towns with the greatest increases in unemployment over this period. Of the 25 towns with unemployment increases exceeding one percentage point, over half are in three discrete clusters.[36] As the BLS note cautions, however, it would be a mistake to attribute these changes specifically to economic changes prompted by September 11.

Figure 18 below shows those areas of the state with publicly-reported layoffs attributed in part to the events of September 11. Each dot represents 25 jobs lost.[37]

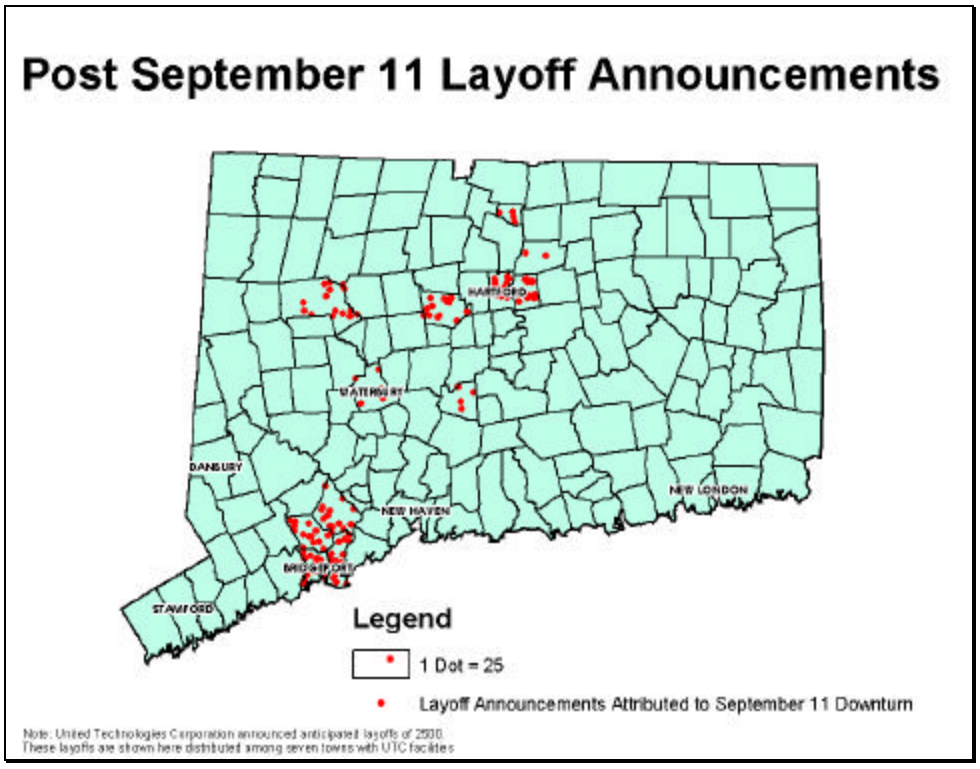


Figure 18

Family impacts. As difficult as it is to identify specific impacts of September 11 on layoffs and unemployment, it is even more difficult to determine its impact on working families in Connecticut. To the extent that September 11 contributed to the further stagnation of the national economy, increased unemployment has resulted. In general, low-income, less well-educated workers are at particular risk of unemployment in economic downturns. These families also have far fewer assets to

[35] Though it is impossible to isolate the impacts of September 11, 2001 from other recessionary trends, this map excludes the period of recession (and the resulting increase in unemployment) that occurred prior to September 11, specifically the months from Connecticut's most recent economic peak in July 2000 to August 2001. Using August 2001 as the base month in measuring the recent changes in unemployment focuses attention on the changes in unemployment that occurred after September 11.

[36] Cluster #1 includes the towns of Winchester, Barkhamsted, and Torrington, Cluster #2 the towns of Suffield, East Granby, Windsor Locks and East Windsor, and cluster #3 the towns of Chester, Deep River, Westbrook, Essex, Old Saybrook, and Old Lyme.

[37] Connecticut Department of Labor, Office of Research, *Business and Employment Changes Announced in the News Media*, (July 2002).

tide them through periods of unemployment than more affluent families. While wealthy families may have come out of the events of September asking "how can I improve the quality of my life?" many of those who are less well off were left to worry about providing for their families.[38]

State budget impacts. September 11, and its acceleration of economic challenge, also has had impacts on Connecticut's state budget. Agencies associated with the state's emergency response (e.g. Military Department, Department of Environmental Protection) ran deficits. State revenues plummeted. As of June 3, 2002, revenues for the fiscal year that ended June 30, 2002 were short by $962.8 million. The personal income tax was about $510 million under the SFY 02 budget plan (an 8.7% decline in income tax revenues from the last fiscal year, rather than the 2% increase projected). The sales tax was $169 million below the budget plan (a 3.2% decline from last year, rather than the 2.2% growth anticipated). The corporation tax was $121 million below what had been anticipated, while the estate and inheritance taxes were $55 million less (due to declining estate values). Between SFY 01 and SFY 02, the state's General Fund budget bottom line swung from a $600 million surplus to a $1.1 billion deficit, on a General Fund budget of about $12 billion. While significant reductions over the 1990s in Connecticut's revenue stream already were moving Connecticut toward a structural deficit, the sharp decline in tax revenues precipitated a crisis. Use of $600 million in one-time revenue sources to "balance" this year's state budget did not address this crisis, but merely delayed the day of reckoning.

Unemployment.[39] Connecticut's unemployment rate, for the last two decades, has been on a generally downward trend -- falling 1.4 percentage points in each of the last two decades – from 5.1% in 1979 to 3.7% in 1989, and to 2.3% in 2000.[40] Connecticut's seasonally adjusted unemployment rate hit historic lows in 2000, at 2.1% for June-August 2000, before starting a steady climb upward, hitting a recession "peak" of 4.0% in December 2001.[41] Underlying these shifting unemployment rates are real people facing the turbulence of unemployment. The 65,300 unemployed Connecticut residents in July 2002 represent an increase of 5,900 unemployed residents from the year prior.[42]

Town-by-town variation in Connecticut unemployment. Not surprisingly, there is substantial town-by-town variation in rates of unemployment, with predictably higher rates in many of Connecticut's cities, as illustrated in Figure 19, below:

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[38] USA Today reported that "Wealthiest Americans made these changes since September 11: simplified lives (41%); spend more time with kids (40%); spend more time with spouse (39%); exercise and take an interest in health (38%); and reconnect with relatives (35%). "How terrorism affects the rich," *USA Today* (August 6, 2002).

[39] 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. Note that while the overall trend in unemployment in Connecticut has been one of declining unemployment, there have been periodic increases during periods of recession and economic contraction in each decade.

[40] 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.

[41] Notably, 4% is the rate below which economists have traditionally argued that unemployment could not go before sparking significant inflation. L. Mishel et al note, "the low unemployment of the late 1990s was also important because it demonstrated that the economy could reach 4% unemployment without generating inflation, contrary to the long-held wisdom of the economics profession." .L. Mishel, J. Bernstein, & H. Boushey, *The State of Working America, 2002-2003* (forthcoming, 2003), 2.

[42] These data are seasonally adjusted.

The unemployment rate (not seasonally adjusted) in the Stamford labor market area in July 2002 was 2.8% (up from 2.5% in July 2001), and 3.2% in both the Danbury labor market area (up from 2.9%) and the Lower River area (compared to 2.3% a year earlier). Unemployment in July 2002 was highest in the Waterbury labor market area at 5.5% (up from 5.2%), followed closely by the Bridgeport area at 5.1% (up from 4.8%).[43]

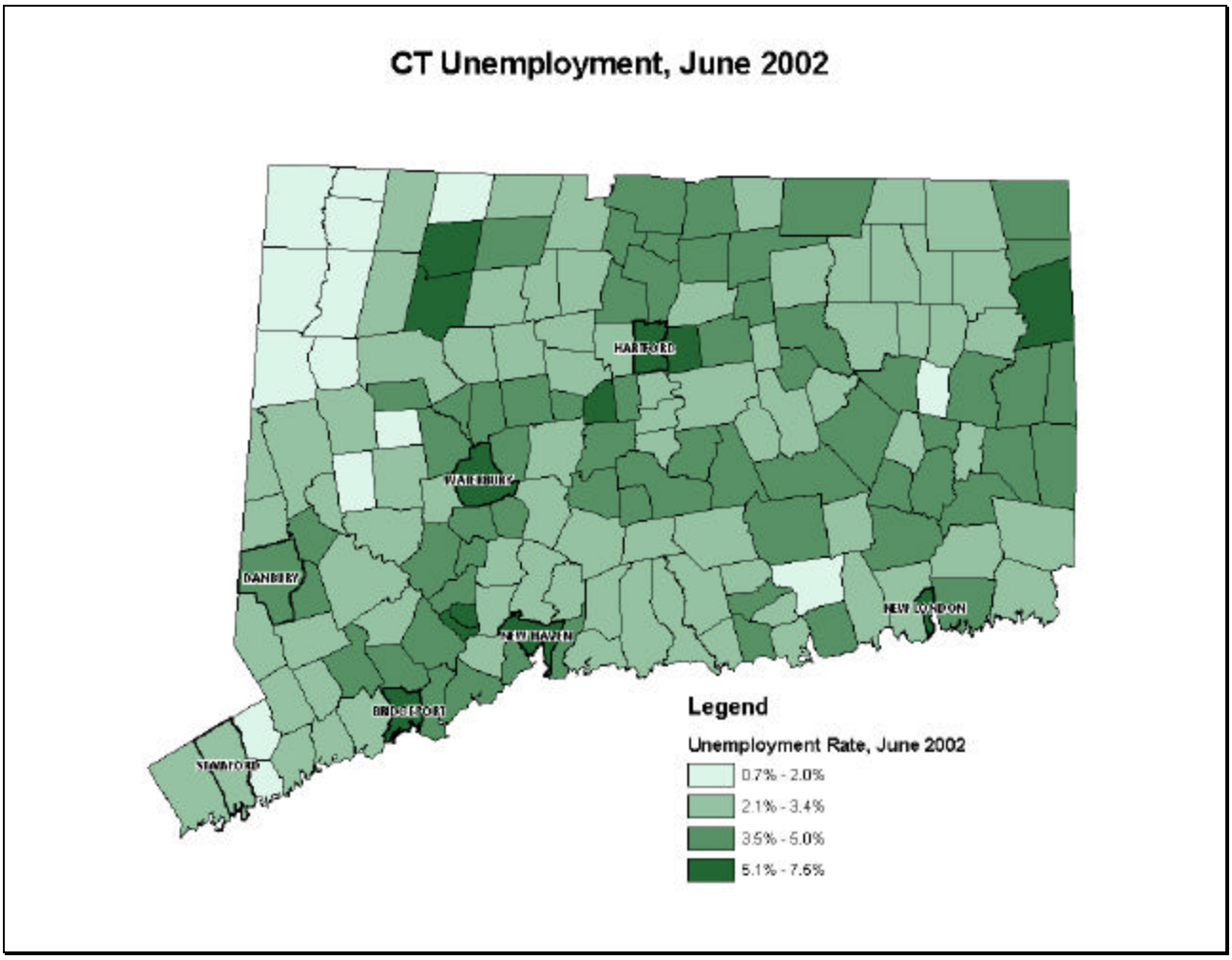


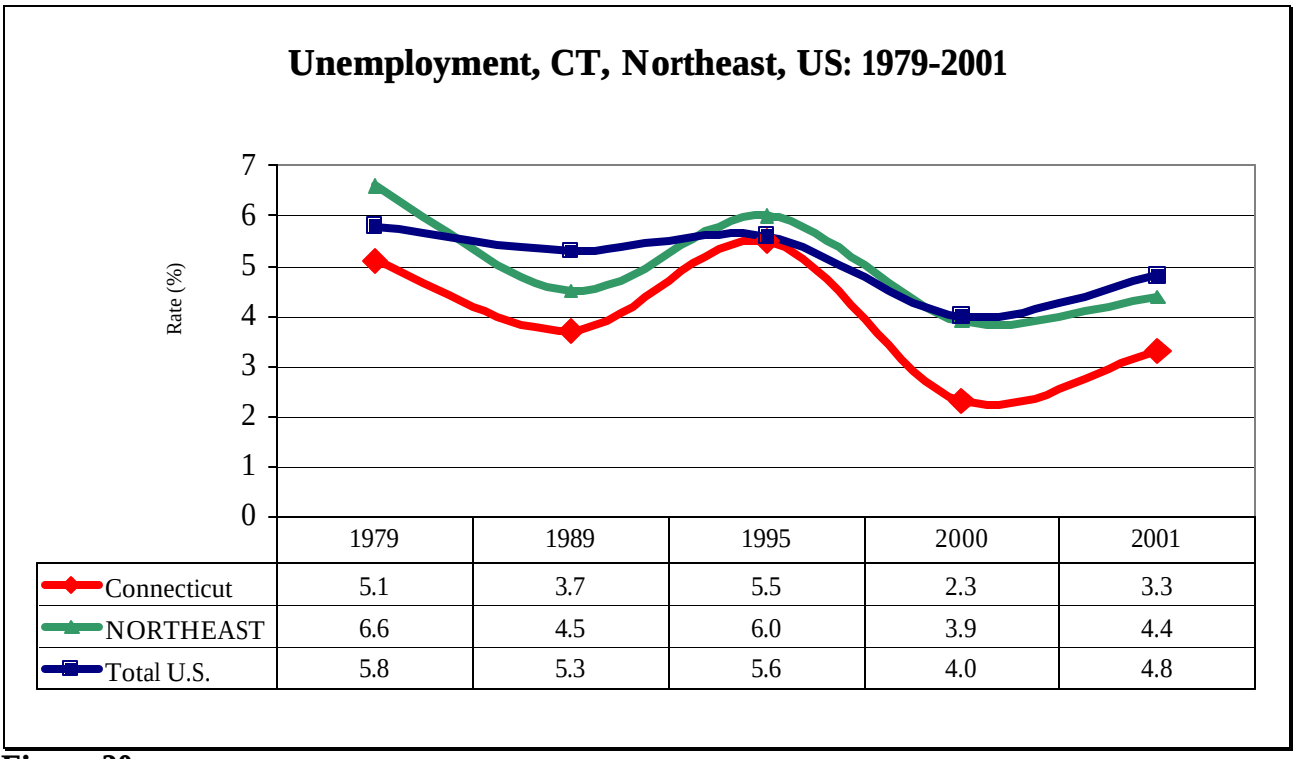
Figure 19. Source: Connecticut Department of Labor, LMI.

Connecticut's unemployment, as compared to the nation and other states. Since 1979, Connecticut's unemployment rate generally has been less than both national and regional averages, as shown in Figure 20 below. Connecticut's unemployment rate also has been among the lowest of all states.

Connecticut's unemployment rate was below the national average in 1979 (5.1% in Connecticut, compared to 5.8% in the US), in 1989 (3.7%, compared to 5.3% in the US), and in 2000 (2.3%, compared to 4.0% in the US). While the state's unemployment rate tied for sixth lowest among all

[43] CT Department of Labor, *Labor Situation*, July 20, 2001.

states in 1989, during 2001, only two states had a lower rate of unemployment than Connecticut's 3.3% rate (North Dakota at 2.8% and Nebraska at 3.1%). Interestingly, Connecticut's increase in unemployment between 2000 and 2001 (1.0 percentage points) exceeded the increase in the region (0.9) and the nation (0.8).



	1979	1989	1995	2000	2001
Connecticut	5.1	3.7	5.5	2.3	3.3
NORTHEAST	6.6	4.5	6.0	3.9	4.4
Total U.S.	5.8	5.3	5.6	4.0	4.8

Figure 20

Educational Attainment. Overall, Connecticut enjoys a high level of educational attainment, a critical advantage in this evolving global economy. Fewer Connecticut men and women have *less* than a high school education, and *more* have advanced degrees, than the men and women in other states in the region and in the nation.

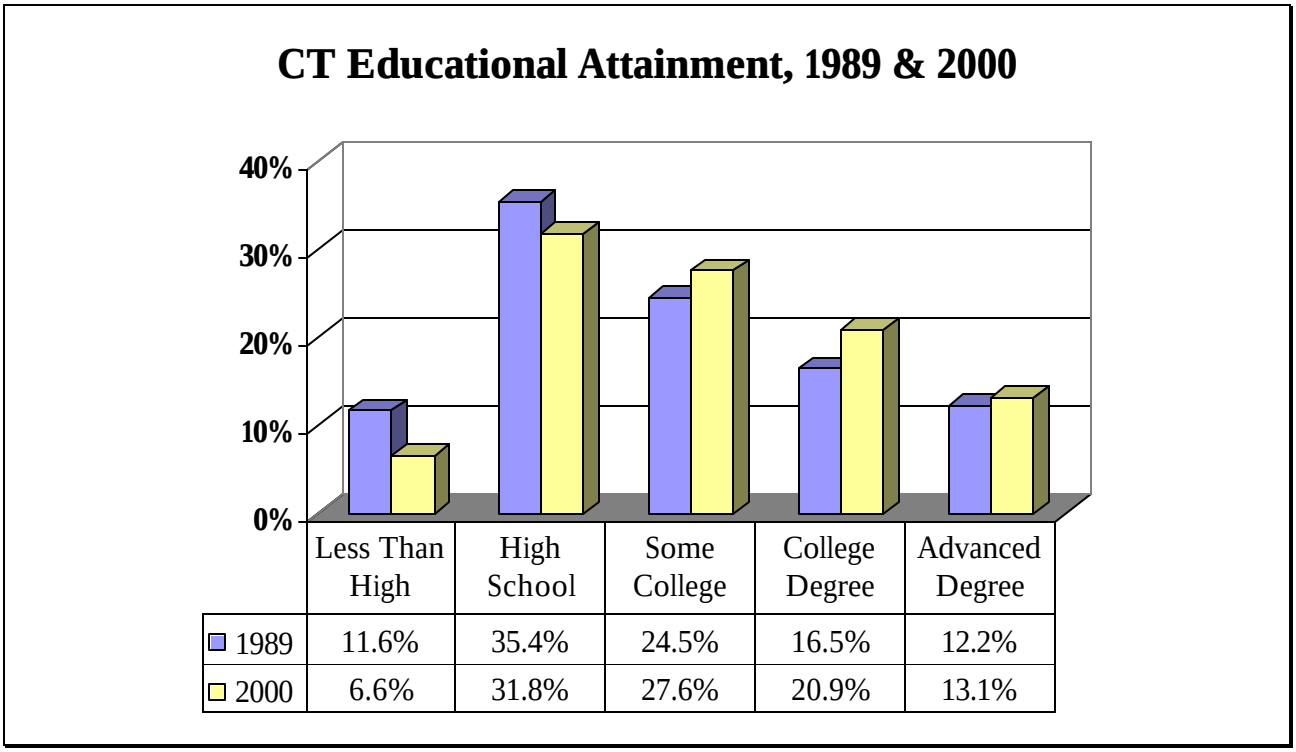
Moreover, Connecticut educational attainment continues to grow. As shown in Figure 21 below, the proportion of Connecticut residents with a high school education or less has decreased by 8.6 percentage points over the 1990s (from 47.0% to 38.4%), while the proportion with a college degree or higher has increased by 5.3 percentage points (from 28.7% to 34.0%). Even the proportion of residents with "some" college has increased over the decade – from 24.5% in 1989 to 27.6% in 2000.

That an increasing proportion of Connecticut residents has some post-secondary education bodes well not only for the residents themselves. Increasing levels of educational attainment are strongly associated with increased earnings. In fact, some research suggests that *any* post-secondary education results in increased earnings. Even those who do not complete degrees earn more for each year's worth of college credit, whether they attend a two-year or four-year college program.[44]

[44] T. Kane & C. Rouse, 1999, "The Community College: Training Students at the Margin Between College and Work," *Journal of Economic Perspectives* 13(1):63-84. See generally, S.Geballe, *Investing in Connecticut's Families: Reducing Child Poverty Through Post-Secondary Education for Low-Income Parents*, (CT Voices for Children, 1999).

In addition, the high (and increasing) educational attainment of Connecticut residents has multi-generation benefits. Research shows that children also benefit enormously when their parents attain additional education. Children of better educated parents perform better on standardized tests, and in turn go on to attain higher levels of education themselves.[45] *Mothers'* educational attainment is particularly important. Positive correlations between mothers' educational attainment and children's well being, and particularly school outcomes and cognitive development, are among the most replicated results from child development studies.[46]

With nearly two in five Connecticut residents lacking any college education, and with more than one in four Connecticut residents having "some" college education but no college degree, Connecticut clearly has room for improvement – with a high multi-generational return on the investment.



	Less Than High	High School	Some College	College Degree	Advanced Degree
1989	11.6%	35.4%	24.5%	16.5%	12.2%
2000	6.6%	31.8%	27.6%	20.9%	13.1%

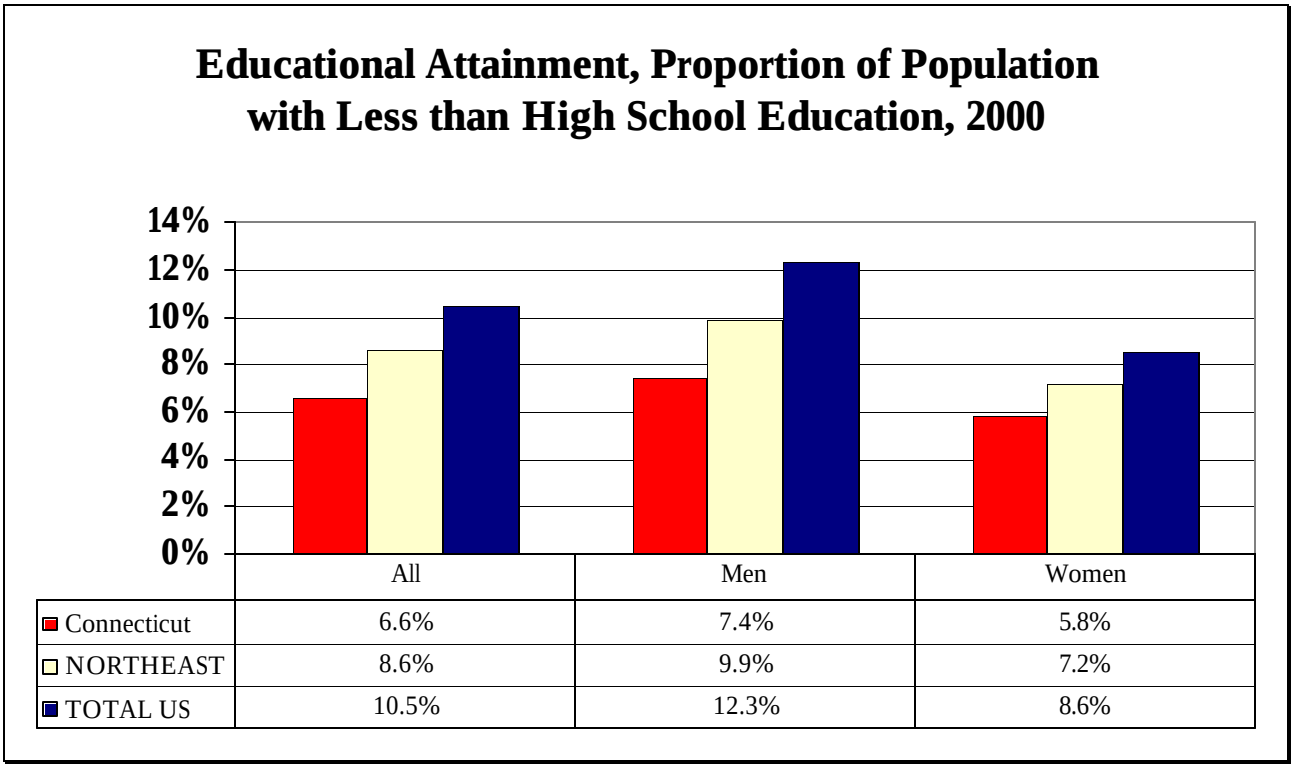
Figure 21

A closer look: Less than high school. As shown in Figure 22 below, a smaller proportion of Connecticut residents have less than a high school education than regional and national averages. Only 6.6% of Connecticut residents in 2000 had less than high school education. This is 3.9 percentage points lower than the national average of 10.5%, and 2.0 percentage points lower than the regional average of 8.6%.

[45] See National Center for Education Statistics, NAEP *Trends in Academic Progress*, and David Ellwood and T. Kane, 1999, *Who is Getting a College Education? Family Background and the Growing Gaps in Enrollment* (Kennedy School of Government, Harvard University).

[46] See, e.g., R. Haverman & B. Wolfe (1995). The determinants of children's attainments: A review of methods and findings. *Journal of Economic Literature*, 23, 1829-1878.

While the most obvious way to reduce the proportion of Connecticut residents without a high school degree is to reduce the dropout rate, more than one in 10 (11.1%) of Connecticut high school students do not complete high school. Though this is an improvement over the 14.3% cumulative drop-out rate in 1998, it is still too high for a state of Connecticut's means. In addition, as is often the case, this state average masks significant variation *within* the state. The 2000 cumulative dropout rate ranged from 0.0% in Avon to 30.8% in Bridgeport. Across Educational Reference Groups (ERGs), average cumulative dropout rates generally increase (quite dramatically) as community income declines, from ERG A (the wealthiest districts) with a 1.9% cumulative dropout rate to ERG I (the poorest urban districts) with *nearly one in four* (23.1%) of students not completing high school.[47]



	All	Men	Women
Connecticut	6.6%	7.4%	5.8%
NORTHEAST	8.6%	9.9%	7.2%
TOTAL US	10.5%	12.3%	8.6%

Figure 22

A closer look: Advanced degrees. Although the proportion of Connecticut residents who are undereducated is lower than regional and national averages, the proportion with advanced degrees considerably surpasses both national and regional averages, as shown in Figure 23 below. Fully 13.1% of Connecticut residents have advanced degrees, compared to 8.9% of United States residents. Indeed, in 2000, the proportion of Connecticut men and women with an advanced degree (13.1% overall) was exceeded only in Maryland (13.4%), Massachusetts (14.0%), and Washington, D.C. (20.3%).

[47] Connecticut State Department of Education, 2002. *Profiles of Our Schools: The Condition of Education in Connecticut, 2000-2001*.

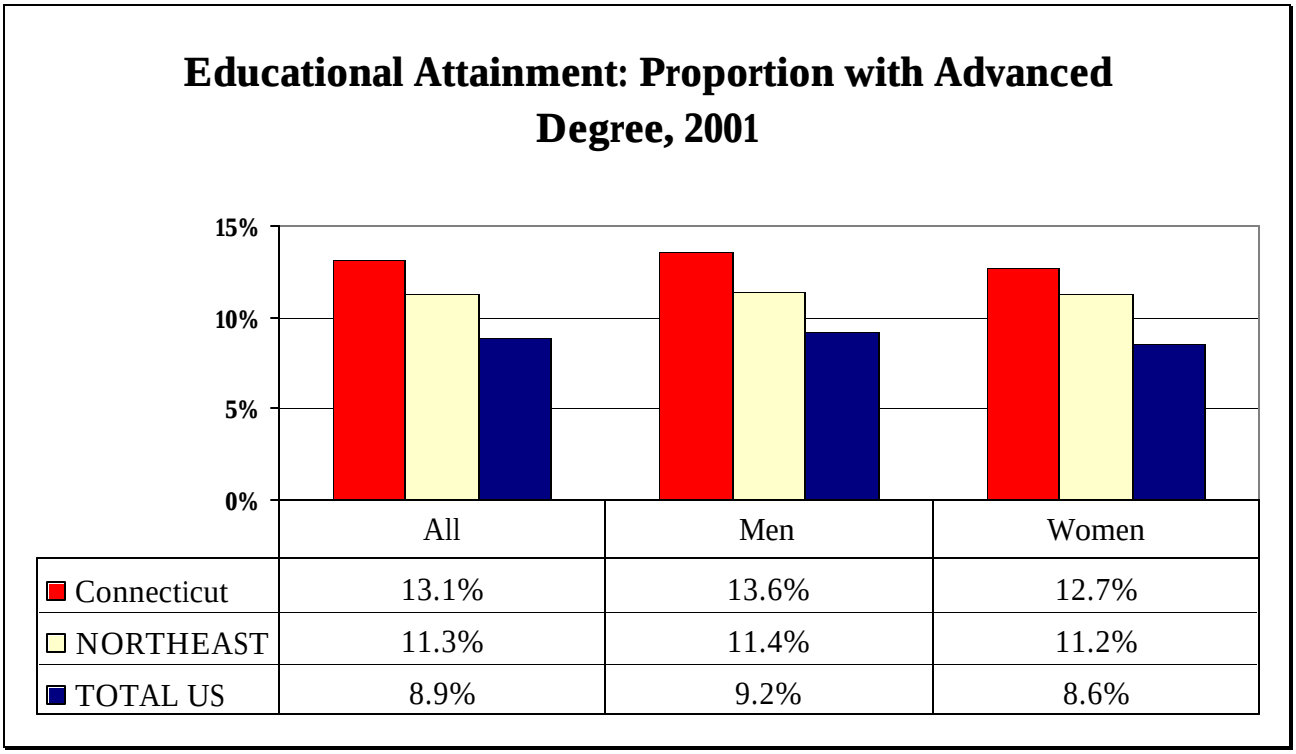


Figure 23`

Education and Gender. The gender gap. Connecticut's gender gap in educational attainment in Connecticut differs depending on the level of attainment.

Women lead on the measure of high school completion. Only 5.8% of Connecticut women had *less than* a high school education in 2000, compared to 7.4% of Connecticut men.

The gender gap advantage reverses for those having a college degree or *higher* education. Here, Connecticut men have a slight advantage, with 34.7% having a college degree or more, compared to 33.4% of Connecticut women. The gender gap between Connecticut men and women with advanced degrees in Connecticut is less than one percentage point (13.6% for men compared to 12.7% for women). Of concern is the gender gap among those residents reporting "some" college – with 31.0% of Connecticut women having started college but not completed it, compared to 24.1% of Connecticut men.

Efforts to close these gender gaps – by helping more young men to graduate from high school and more women to complete college -- will allow Connecticut to make better use of its human resources.

Education and Gender: Trends. As illustrated in Figure 24 below, Connecticut women advanced more in their educational attainment than did Connecticut men between 1989 and 2000. The proportion of Connecticut women with a high school education *or less* declined by 10.2 percentage points, compared to a 6.8 percentage point decline for men. The proportion of Connecticut women with a college degree *or more* increased by 6.3 percentage points, compared to a 4.6 percentage point increase for Connecticut men.

In general, Connecticut women are better educated than their male counterparts, and their educational advantage has widened over the 1990s. In 2000, 64.4% of Connecticut women had *some* post-secondary education, compared to 58.8% of Connecticut men. By comparison, in 1989, 54.2% of Connecticut women had *some* post-secondary education, compared to 52% of Connecticut men.

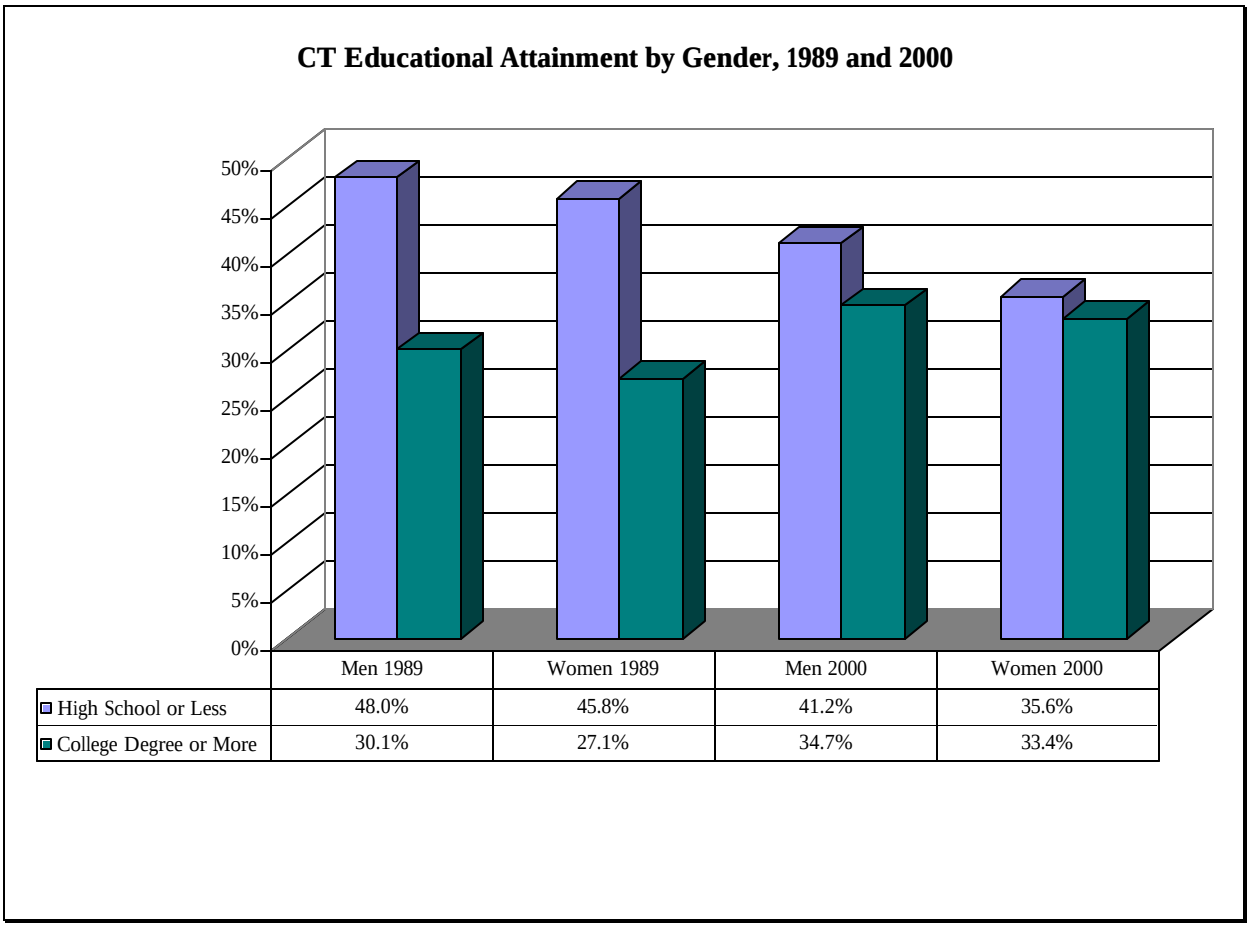


Figure 24

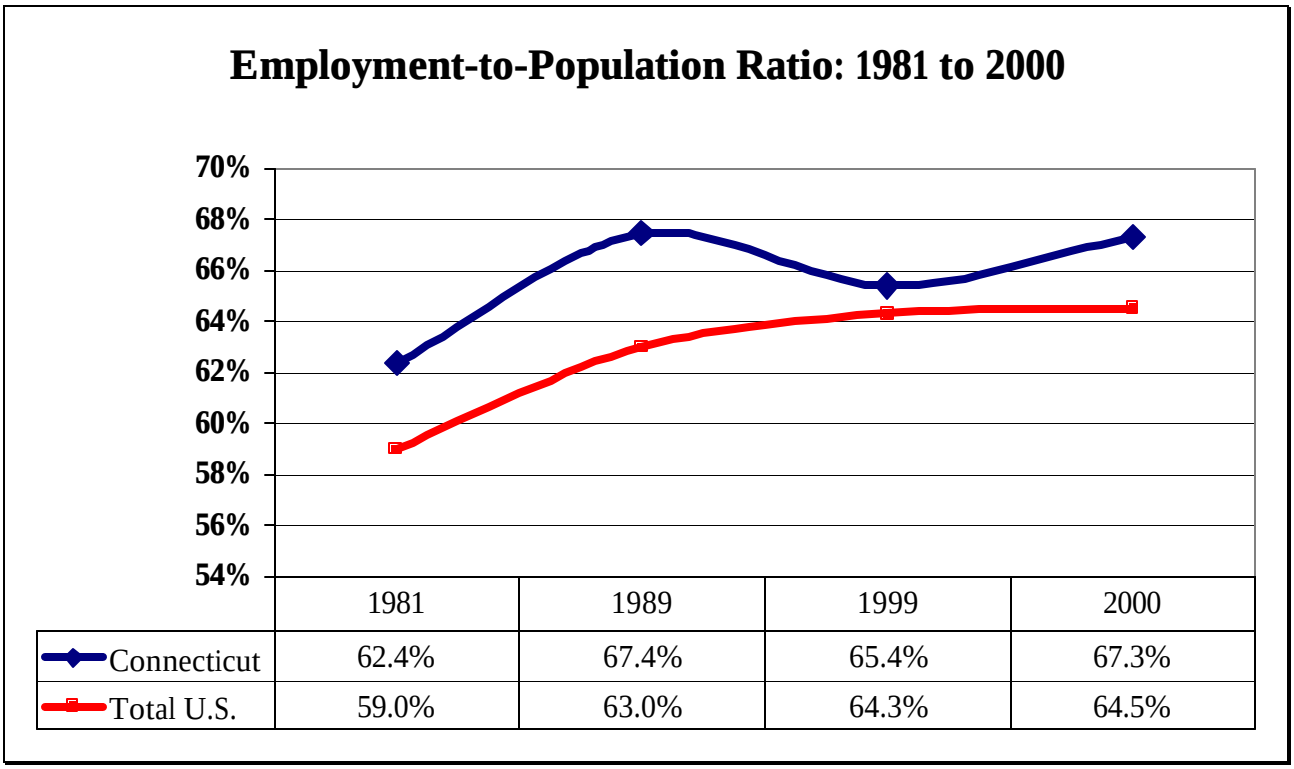
Employment-to-Population Ratio.[48] As shown in Figure 25 below, Connecticut's employment to population ratio has risen since 1980 from 62.4% to 67.3% of the population (aged 16 and older) in 2000.[49]

The share of Connecticut residents sixteen and over who were working in 2000 (67.3%) was 1.9 percentage points *greater than* the share working in 1999 (65.4%). This follows a decade of decline as the state's employment-to-population ratio fell from 67.4% (in 1989) to 65.4% (in 1999). Connecticut was one of only eleven states and the District of Columbia that had a *decline* over the

[48] 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 population 16 years and older (including the elderly who are not working). Source: Bureau of Labor Statistics, CES data.

[49] Ironically, despite this increase, Connecticut's rank among states has fluctuated -- from 16th highest in 1981 to 9th highest in 1989, then down to 27th in 1999, and then back to 16th in 2000. In 2000, Minnesota had the highest employment-to-population ratio at 72.6%; West Virginia's 53.9% was the lowest.

1990s in the proportion of residents who were working; all other states had an increasing proportion of their residents working.



	1981	1989	1999	2000
Connecticut	62.4%	67.4%	65.4%	67.3%
Total U.S.	59.0%	63.0%	64.3%	64.5%

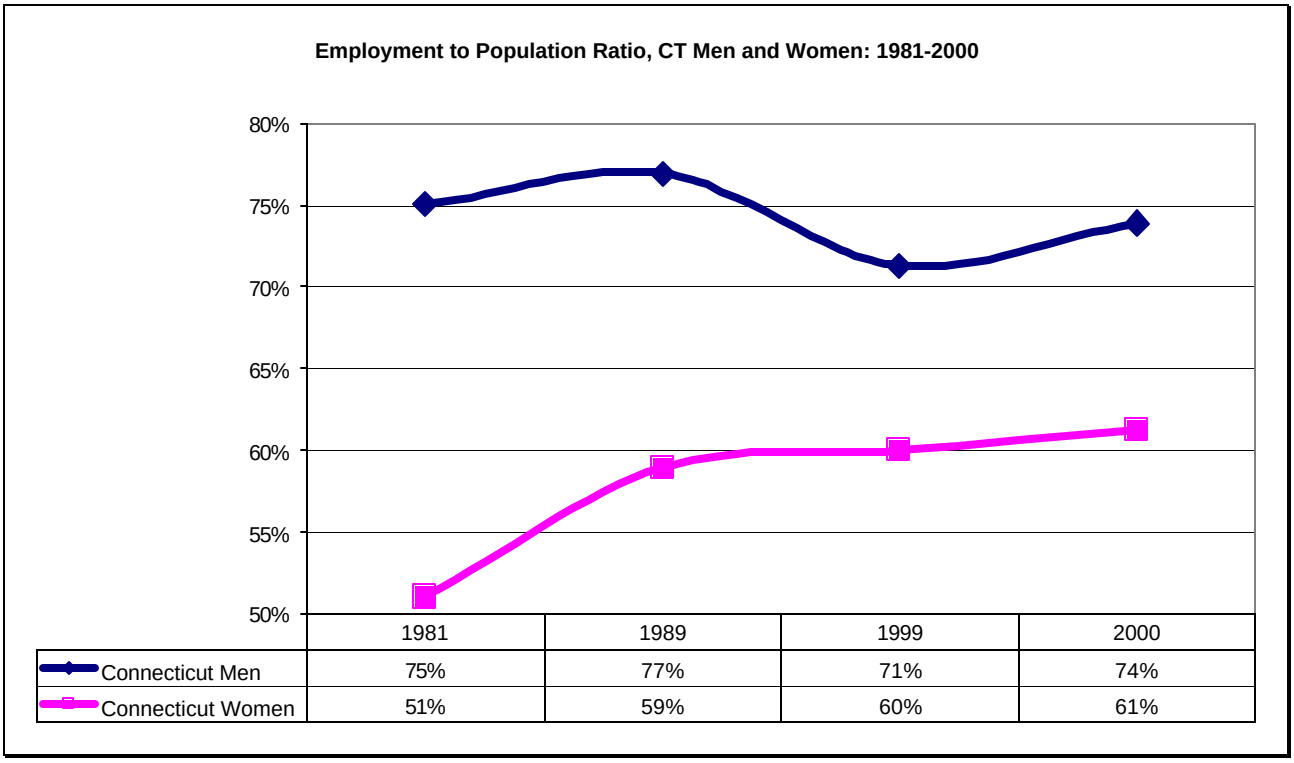
Figure 25

Gender gap. Gender differences in Connecticut's employment participation rates are noteworthy. As shown in Figure 26 below, over the course of the 1980s, the proportion of Connecticut women in the workforce increased more than the proportion of men in the workforce, and by a factor of three (from 51% to 59% for women versus 75% to 77% for men). As a result, Connecticut's gender gap for workforce participation narrowed considerably.

Over the course of the 1990s, the gender gap continued to narrow, but this was primarily the result of the *decline* in the participation rate among men (from 77% to 71%), while women's participation the workforce continued to grow (though more modestly, from 59% to 60%).

Since 1999, the gender gap has again widened. Women continue to gain, but- for the first time in two decades, their gains have been more modest than those for men.

The net result of these changes since 1981 is that the proportion of Connecticut men in the workforce has not changed – three quarters were, and are, working. The participation of Connecticut women in the workforce, on the other hand, has increased from five in ten working, to six in ten.



	1981	1989	1999	2000
Connecticut Men	75%	77%	71%	74%
Connecticut Women	51%	59%	60%	61%

Figure 26

Wage Trends

Data on hourly wages[50] for low-wage workers (20th percentile),[51] hourly median wages (50th percentile),[52] and hourly wages for high-wage workers (80th percentile)[53] show how workers at different wage levels have fared over time.[54]

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 *exceed* the wage reported.

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

[51] "Low-wage worker" is defined 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. It is not the "average" wage of the bottom 20% of workers.

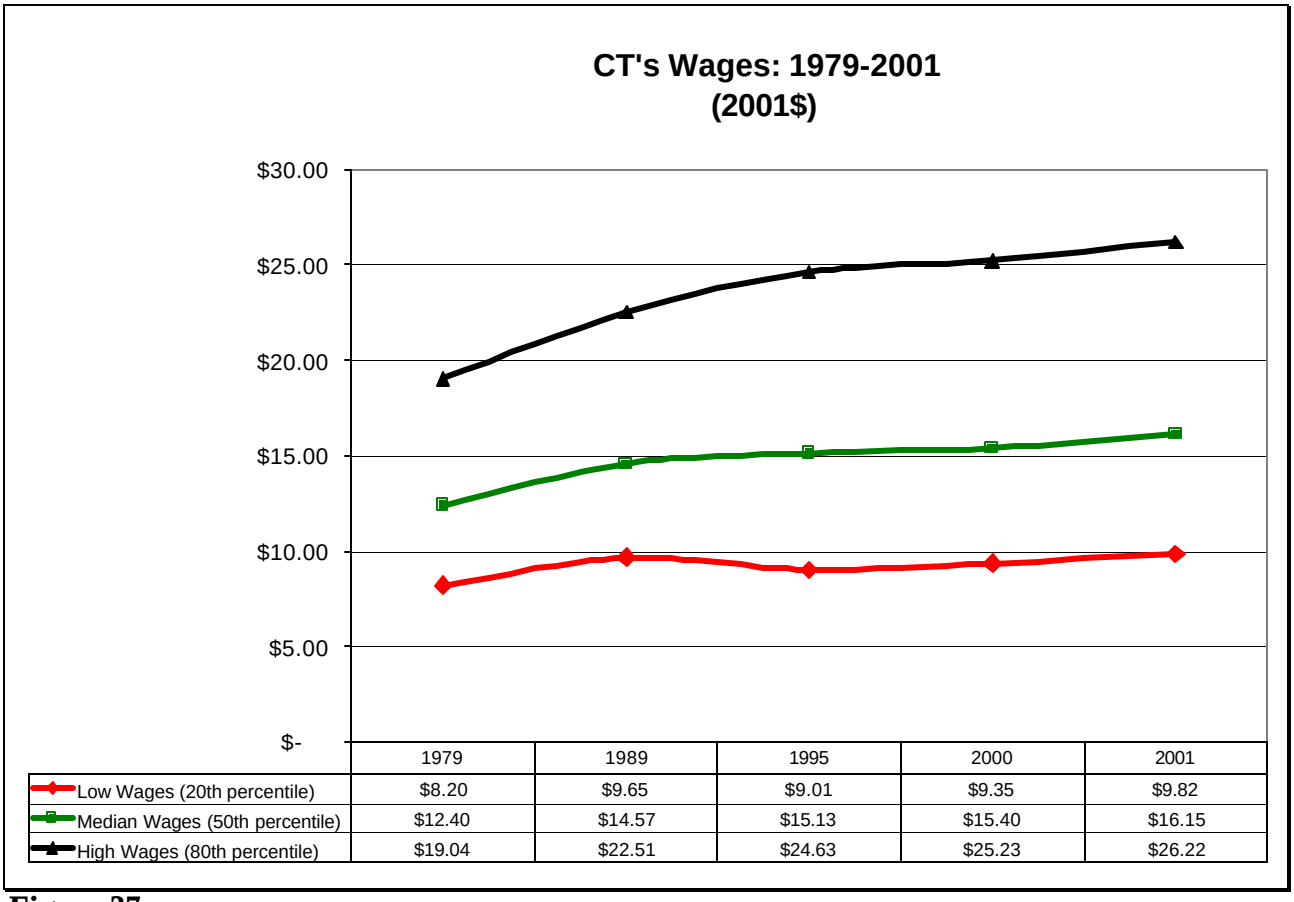
[52] The "hourly median" wage is the wage that is in the middle of the income distribution for all workers. It is the wage at which 50% of wage earners earn less, and 50% of wage earners earn more.

[53] "High-wage worker" is defined 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.

[54] 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 experience, education and/or training, workers usually see wage gains as they change jobs, get promotions etc. Rather, these data show changes in Connecticut's wage structure that reflect changes in its job quality, and therefore how workers fare economically when in these jobs.

As shown in Figures 27 below, 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 1.7% per year on average). This consistent growth maintained a stable level of wage inequality over the decade of the 1980s. All benefited equally among the three wage levels.

In contrast, over the 1990s, the state's low-wage workers actually *lost* economic ground, while others continued to benefit from the state's expanding economy. Between 1989 and 2000, the real wages of Connecticut's low-wage workers *fell* by an average of 0.3% per year. By comparison, median wages increased at an annualized rate of by 0.5% and the hourly wages of Connecticut's high-wage workers increased at an annualized rate of 1.2% (more than twice the rate of increase of the state's median wage workers) Only between 2000 and 2001 did Connecticut's low wage workers see some improvement, with a 5% gain in wages (compared with a 4.9% increase in median wages and a 3.9% increase in high wages).



	1979	1989	1995	2000	2001
Low Wages (20th percentile)	$8.20	$9.65	$9.01	$9.35	$9.82
Median Wages (50th percentile)	$12.40	$14.57	$15.13	$15.40	$16.15
High Wages (80th percentile)	$19.04	$22.51	$24.63	$25.23	$26.22

Figure 27

Despite these gains, over the course of the more than two decades between 1979 and 2001, the *increase* in the real wages of Connecticut's low-wage workers was less than half (43%) the increase enjoyed by the state's median wage workers, and less than a quarter (23%) of the increase enjoyed by its high-wage workers, as shown in the following table:

Average Percent Change in Hourly Wages of CT Low, Median, and High-Wage Workers (2000 $)			
	1979-1989	1989-2000	1979-2001
Low	1.6%	-0.3%	0.8%
Median	1.6%	0.5%	1.2%
High	1.7%	1.0%	1.5%
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 $7.18/hour (about $14,360/year)[55], while the real wages of the state's median wage workers increased $3.75/hour (about $7,500/year) and those of its low-wage workers by just $1.62/hour (about $3,200/year)(in 2001 dollars).

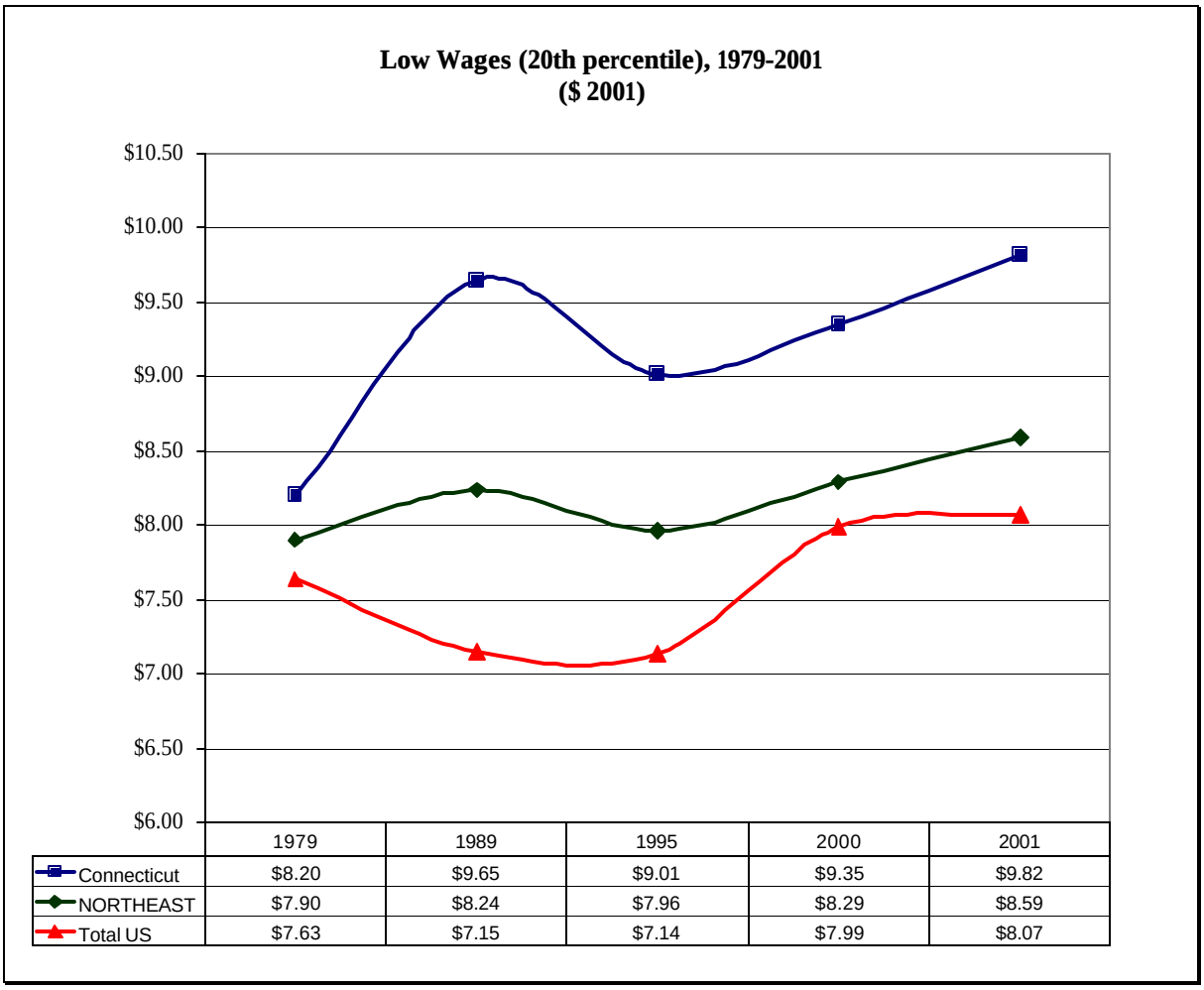
Despite this disparate growth in wages over the 1990s, Connecticut in 2001 ranked highest in the nation in hourly wages for both its low and median wage workers and third highest in the nation in wages for its high wage workers (behind New Jersey and Washington, DC) for its high wage workers, improving its state standing since 1979, as shown in the table that follows:.[56]

Real Hourly Wages (and State Ranking) Of CT's Low, Median And High Wage Workers: 1979, 1989, 2001 (2001$)			
	1979	1989	2001
Low	$8.20 (8th highest)	$9.65 (2nd highest)	$9.82 (highest)
Median	$12.40 (17th highest)	$14.57 (2nd highest)	$16.15 (highest)
High	$19.04 (19th highest)	$19.78 (3rd highest)	$21.75 (3rd highest)
Source: EPI and CT Voices' analysis of US Census Bureau Current Population Survey data [note: ranks include the District of Columbia].			

Wage trends in Connecticut, the Northeast, and the United States. Figures 28, 29, and 30 show how Connecticut's wages compare with regional and national wages during the period studied here. Two points merit special mention. First, in 1979 Connecticut wages (median and high, and to a slightly less extent, low) were virtually the same as wages in the region and nation. Second, *since* 1979, Connecticut's wage growth generally has outpaced wage growth in the region and nation, so that Connecticut's wages now exceed wages in both the region and the nation – again for low, median, and high wages.

[55] Annual incomes assume full-time, full-year work (40 hours per week for 50 weeks per year).

[56] Connecticut's high wages must be considered in context. As emphasized in the *Self Sufficiency Standard for Connecticut*, prepared for by Connecticut's Office of Policy and Management (OPM), the costs incurred in meeting the basic needs of Connecticut's families are quite high, and *requires* a wage that is quite high. The University of Connecticut's S. Lanza estimates that Connecticut's cost of living is about 20% greater than the national average, based on surveys conducted by UConn and the American Chamber of Commerce. See S. Lanza, "Low Inflation and High Incomes Temper Connecticut Prices", *The Connecticut Economy* (Winter, 1999).



	1979	1989	1995	2000	2001
Connecticut	$8.20	$9.65	$9.01	$9.35	$9.82
NORTHEAST	$7.90	$8.24	$7.96	$8.29	$8.59
Total US	$7.63	$7.15	$7.14	$7.99	$8.07

Figure 28

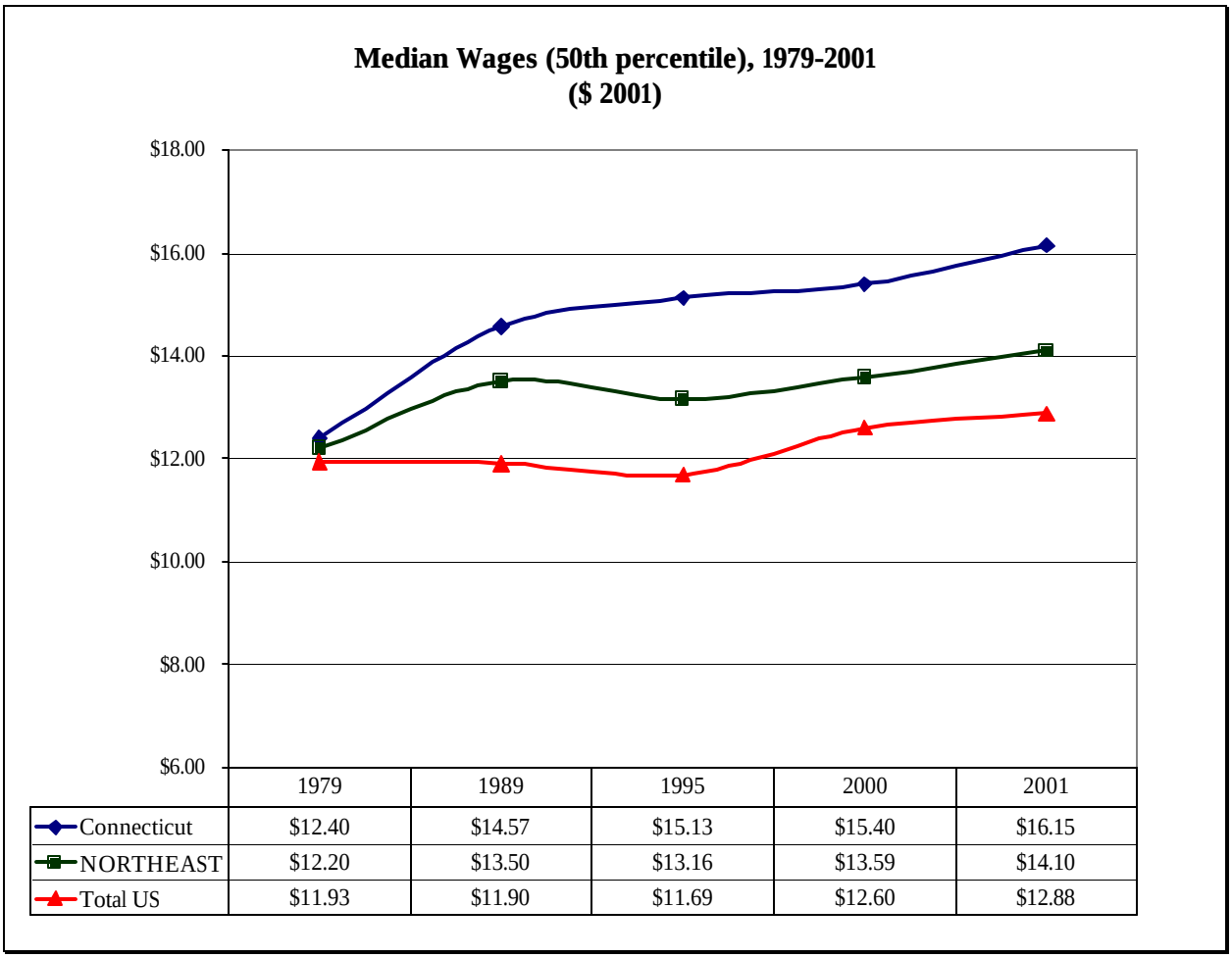
The growth in low wages in Connecticut reflects a couple of likely causes. The relationship between low unemployment and wage growth is a central theme of the newly-released Economic Policy Institute publication, *The State of Working America, 2002-03:*

> Over the late 1990s, low unemployment played a critical role in boosting wage growth overall, but particularly at the bottom, by strengthening workers' bargaining power with respect to their employers.[57]

While this has been true throughout most of the United States, the effects of this relationship are particularly pronounced in Connecticut where unemployment rates have been consistently below national averages.[58] As seen in Figure 28 above, the wages of Connecticut's low-wage workers were highest at times of lowest unemployment, including 1989 and 2000-01. Connecticut's strong growth in wages of its low-wage workers in 2000-2001 contrasts with the relative stagnation of low wages nationally in this period.

[57] L Mishel, J. Bernstein, H. Boushey, *The State of Working America, 2002-03*. (Washington: ILR Press, forthcoming), 3.
[58] In 2000, Connecticut's unemployment rate was 2.3%, while the national rate was 4.0%. In 2001, the rates were 3.3% and 4.8%, respectively.

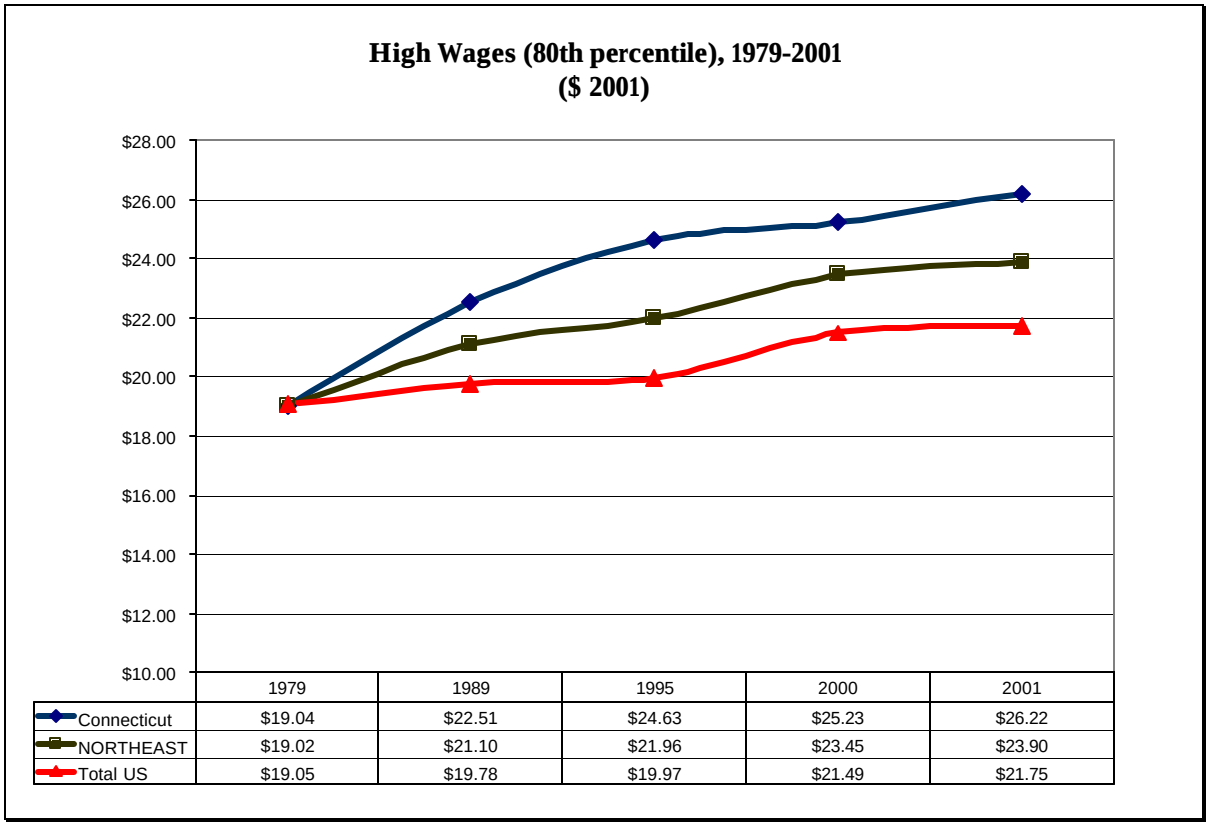
The wages of low-wage workers in Connecticut have also benefited from a minimum wage that is among the highest in the nation. At $6.70 per hour, Connecticut's minimum wage is behind only California's and Massachusetts's ($6.75/hour), and Washington's ($6.90/hour). Interestingly, Connecticut's low (20th percentile) wage exceeds the state minimum wage of $6.70 by 47%, whereas the nation's low (20th percentile) wage exceeds the national minimum wage by 57%.[59]



	1979	1989	1995	2000	2001
Connecticut	$12.40	$14.57	$15.13	$15.40	$16.15
NORTHEAST	$12.20	$13.50	$13.16	$13.59	$14.10
Total US	$11.93	$11.90	$11.69	$12.60	$12.88

Figure 29

[59] During the 2002 legislative session, the General Assembly increased the state minimum wage from $6.70 to $6.90 (eff. January 1, 2003) and then to $7.10 (eff. January 1, 2004). P.A. 02-33. See generally E. Scalettar, *Summary Of Legislation Affecting Children, Youth And Families: 2002 General Assembly, Regular Session & May Special Session*, (CT Voices for Children, 2002).



	1979	1989	1995	2000	2001
Connecticut	$19.04	$22.51	$24.63	$25.23	$26.22
NORTHEAST	$19.02	$21.10	$21.96	$23.45	$23.90
Total US	$19.05	$19.78	$19.97	$21.49	$21.75

Figure 30

Income Trends

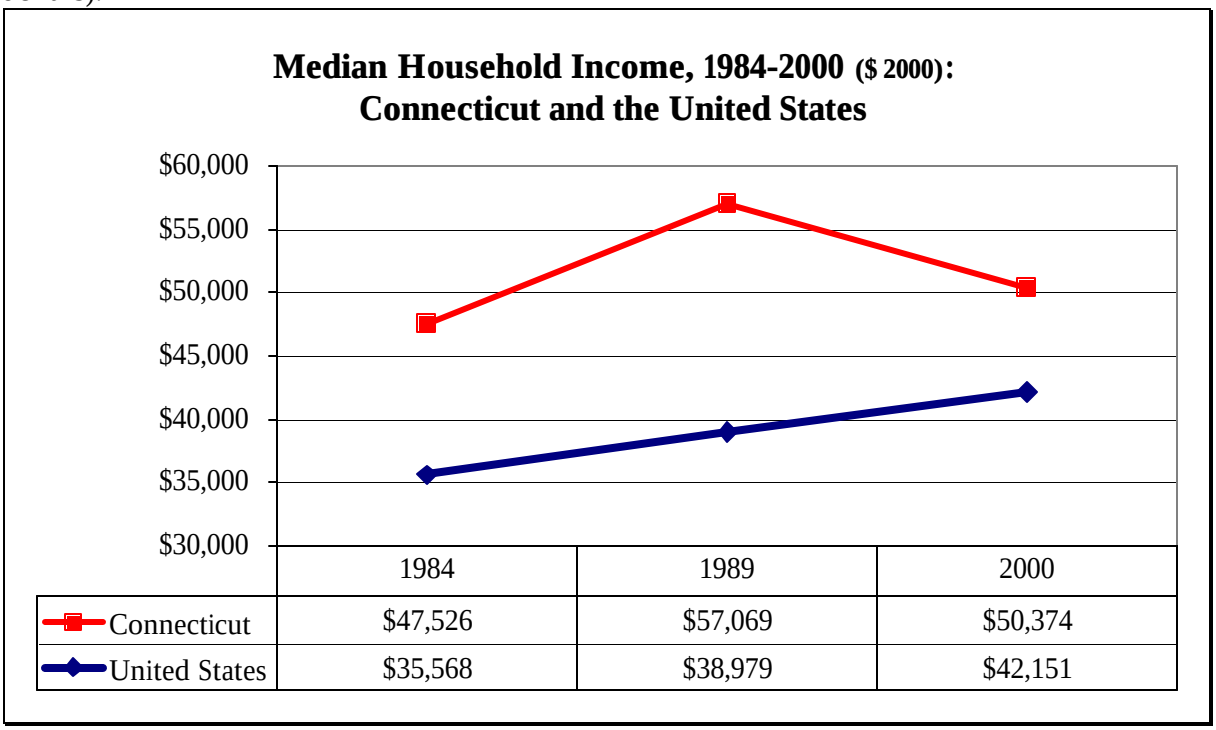
Per Capita Personal Income.[60] Connecticut's per capita personal income in 2001 remained the highest in the nation at $41,930. This is $11,659 (and about 38.5%) more than the United States' 2001 per capita personal income of $30,271. Connecticut's per capita personal income increased about 3.2% between 2000 and 2001 (compared to a 2.0% increase nationally, and a 3.8% CT increase between 1999 and 2000).[61]

[60] 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. It does *not* include capital gains income. 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 *also 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, in the 2000 Census, is $28,766, 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.

[61] Bureau of Economic Analysis: Regional Accounts Data. http://www.bea.gov/bea/regional/spi/.

Median Household Income.[62] Connecticut's median household income *declined* over the 1990s at an annualized rate of 1.1% per year, falling from $57,069 to $50,374[63] (in 2000 dollars). Moreover, among the ten states that had declining median household incomes in the 1990s, Connecticut's rate of decline was the greatest. The state's rank on this measure slipped from highest in the nation in 1989 to third highest in 1999, and 5th highest in 2000. By comparison, between 1984 and 1989, Connecticut's median household income *increased* from $47,526 to $57,069 (in 2000 dollars), growing at an annualized rate of 3.7% per year which was twice the national rate of increase, and greater than nearly all other states, as shown in Figure 31 below.

Not only did Connecticut lose considerable ground over the 1990s on this measure of family well-being, its advantage over the national median income was eroded. In 1989, Connecticut's median household income was $18,090 *more than* over the national median. By 2000, this advantage had been eroded by almost $10,000, to only $8,223 over the national median household income (in 2000 dollars).



	1984	1989	2000
Connecticut	$47,526	$57,069	$50,374
United States	$35,568	$38,979	$42,151

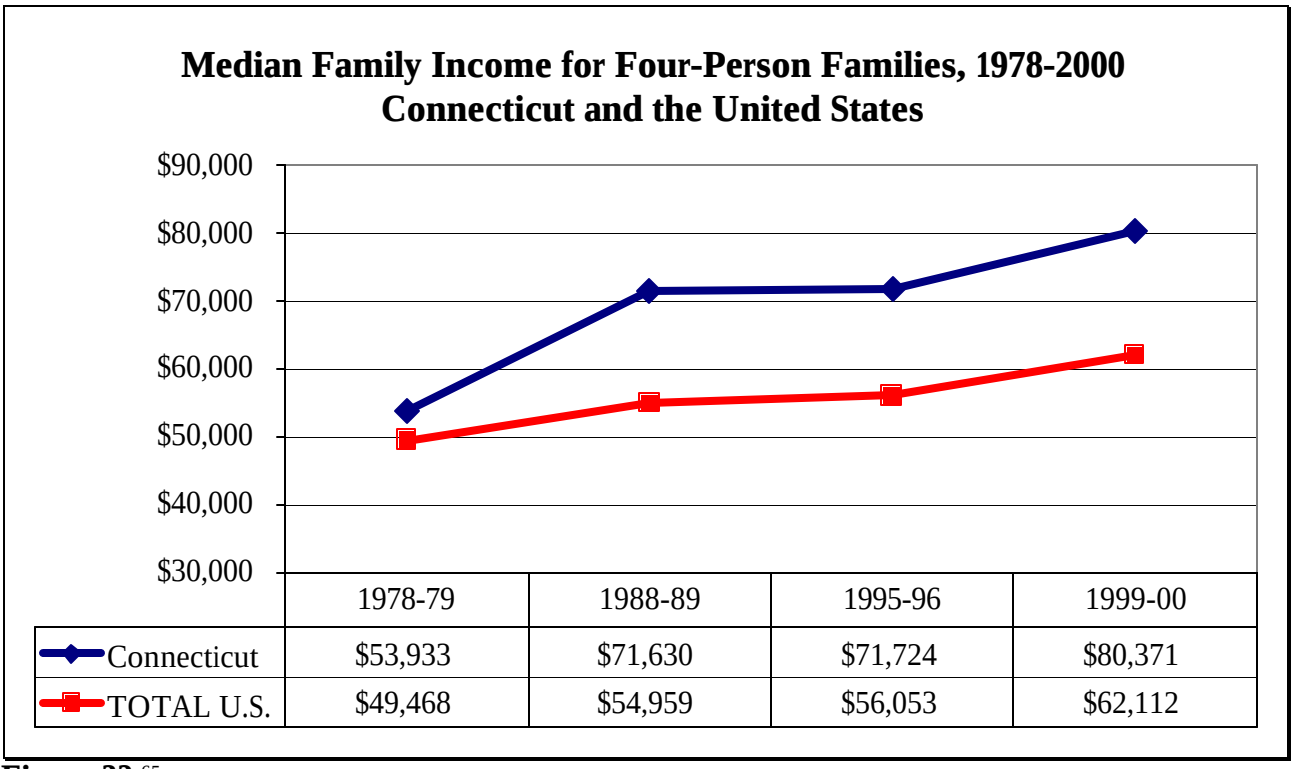
Figure 31

62 "Median household income" is the income of the household whose income is larger than half of all households and smaller than half of all 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.

63 Note: This figure for median household income differs from the median household income number reported 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) that 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.

Median Family Income for Four-Person Families.[64] Change in median family income for a family of four over time shows change in family economic well-being while holding family size constant.

As shown in Figure 32 below, median family income for a family of four in the United States increased over both the 1980s and the 1990s -- from $49,468 in 1978-79 to $54,959 in 1988-89, and then to $62,112 in 1999-2000 (in 2000 dollars). This was a 1.1% annualized increase through both the 1980s and the 1990s, with a 2.6% average annual growth rate in the period between 1995-2000.



	1978-79	1988-89	1995-96	1999-00
Connecticut	$53,933	$71,630	$71,724	$80,371
TOTAL U.S.	$49,468	$54,959	$56,053	$62,112

Figure 32 [65]

In Connecticut, real median family income for a four-person family also grew over both the 1980s and 1990s --from $53,933 in 1978-79 to $71,630 in 1988-89 and then to $80,371 in 1999-2000 (in 2000 dollars). Connecticut's 1999-2000 median income for a four-person family placed Connecticut #1 in the nation -- $18,260 over the national median income for a family of four ($62,112), and ahead of New Jersey (at $78,259) and Maryland (at $77,440).

Importantly, however, much of Connecticut's advantage in this measure of family income was gained during the 1980s, when Connecticut's annual growth rate of 2.9% was second only to Massachusetts' and New Jersey's 3.0% annual growth. During the 1980s, Connecticut's rank moved from 7th highest among states to #1. However, during the 1990s, the growth in median income for a family of four in Connecticut was far more modest (1.1% annually) – the same as the national rate. In the final years

[64] 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 a comparison of median incomes for families of the same size over time. Source: United States Census Bureau, Income Website. Not surprisingly, median incomes for two parent families are generally higher than for families headed by a single parent. Comparing 1990 and 2000 Census data, one finds that Connecticut actually experienced a decline in the proportion of households headed by a single female householder -- from 11.4% in 1990 to 7% in 2000.

[65] EPI analysis of US Bureau of the Census, income website.

of the decade however (the period from 1995-2000), Connecticut's annual growth rate (2.9%) exceeded the national average annual growth of 2.6%, and placed Connecticut mid-range among states (19th overall) for growth in family income during the 1990s "boom" years.

Income Distribution Trends

Income Inequality.[66] Connecticut's economic growth was not shared evenly among the state's families during the 1990s. Rather, the top 20% of Connecticut families benefited greatly from the state's economic recovery while Connecticut families in the bottom *40%* actually lost economic ground. This section examines trends in family income over the past two decades. Importantly, the data used here do not capture significant sources of income growth at the very top of the income spectrum.[67] Examination of other sources of data on changes in family income show that these Census data *underestimate* the growth in income inequality.[68]

Over the 1990s:

- Connecticut was one of only 13 states where the real incomes of the **poorest 20% fell** . In all other states, the poorest 20% enjoyed real income gains. Nationally, the income of the poorest 20% *increased* by $1,601 (12.3%).

- Connecticut was one of only 10 states where the real income of the **second-to-poorest 20% also fell**. In all other states, families enjoyed real income gains and the average increase nationally was $2,698 (9%).

- In only 6 states did families in the **middle 20%** fare worse than in Connecticut. The real income gain for Connecticut families in the middle 20% was one-fifth the national average ($1,019 in Connecticut, compared to $4,935 nationally).

- Connecticut was one of only 2 states (the other being Massachusetts), where the bottom fifth lost economic ground, while the top fifth gained ground. As shown in Figure 33 below, over the 1990s, the average real income of Connecticut's poorest 20% of families *declined* by nearly a fifth – by $4,674 (19.4%). During the same period, the average real income of Connecticut's wealthiest 20% of families *increased* by more than a fifth – by $31,635 (21.2%).

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66 Data reported in this section were first reported in an earlier CT Voices' publication, *Pulling Apart in Connecticut: An Analysis of Trends in Family Income* (April, 2002). The report is available through www.ctkidslink.org. Note that the methodology in this section differs from that in the wage section. While both sections divide the population into quintiles based on their earnings (wages and income), the dollar amounts are calculated very differently. In the wages section, low income wages and high income wages correspond to the wage that the hypothetical earner at the 20th and 80th percentiles, respectively, would be paid, while median wages correspond to the wage that an earner at the 50th percentile would be paid. In this section on incomes, incomes for each quintile are based on the *average income of the entire quintile*.

67 Not included in the Census Bureau's data on family income is capital gains income (which was one of the main sources of income growth for Connecticut's high income households during the recent economic expansion). In addition, the Census Bureau (for confidentiality reasons) records only part – rather than all – of the income of individuals at very high income levels. Income that exceeds the Census Bureau's "top code" is not reported; only the "top code" amount is reported.

68 See, e.g., Congressional Budget Office, *Historical Effective Tax Rates, 1979-1997;* I. Shapiro, R. Greenstein, & W. Primus, *Pathbreaking CBO Study Shows Dramatic Increases in Income Disparities in the 1980s and 1990s* (Center on Budget and Policy Priorities, May 31, 2001). For example, Census data show a 11.6% growth in income in the nation's top 5% of household between 1993-97, while CBO data, which includes capital gains income (among other adjustments), shows income growth of 33.7%.

- The *income gap* between the richest 20% and the poorest 20% of families grew most in Connecticut (followed by Oregon and New York). Connecticut's richest 20% of families had an average income in the late 1980s that was six times as large as the bottom 20%. By the late 1990s, the richest fifth had an average income more than 9 times as large as the poorest fifth.

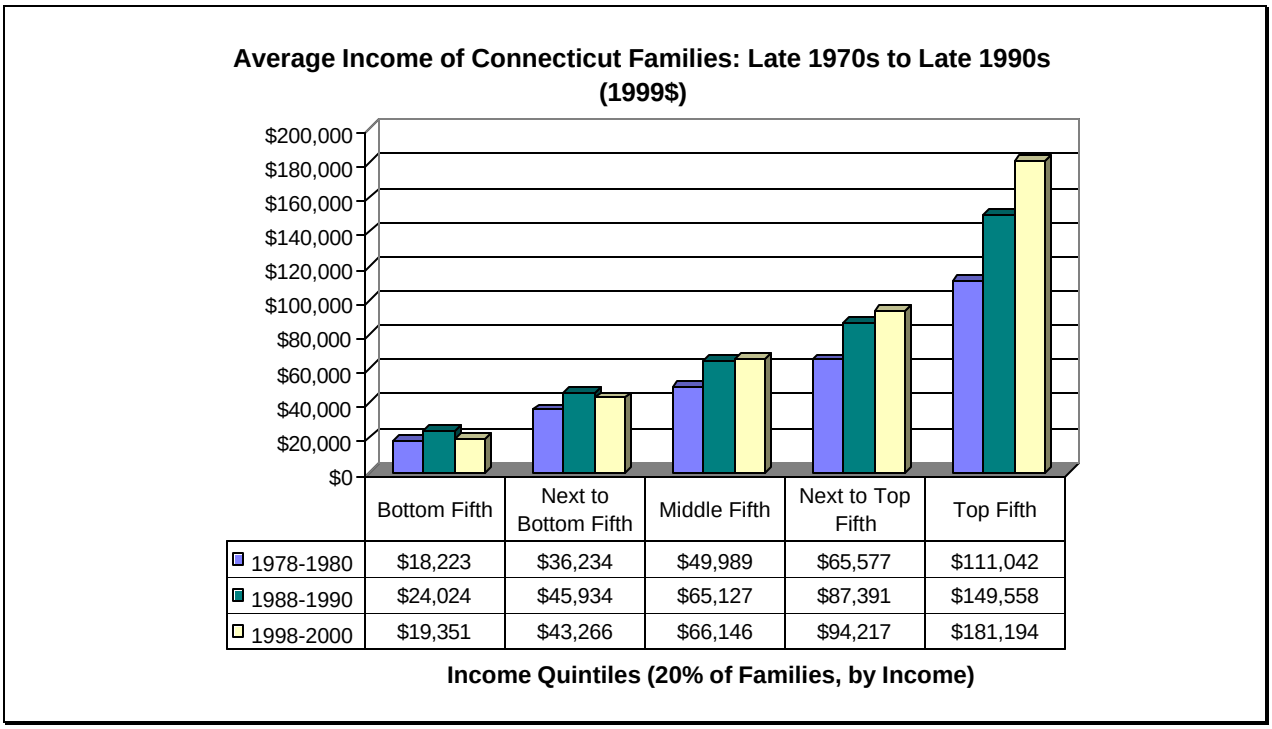

Figure 33

Comparing the average incomes of income quintiles or deciles is a common way to assess changes in income inequality. Figure 34 below shows the ratio of the average incomes of the top and bottom income quintiles for three time periods (1978-80, 1988-90, and 1998-2000), comparing Connecticut and the overall national trend. Although Connecticut is still slightly *less* unequal than the nation in its distribution of family income, it is clearly closing that gap, becoming markedly *more* unequal during the 1990s.

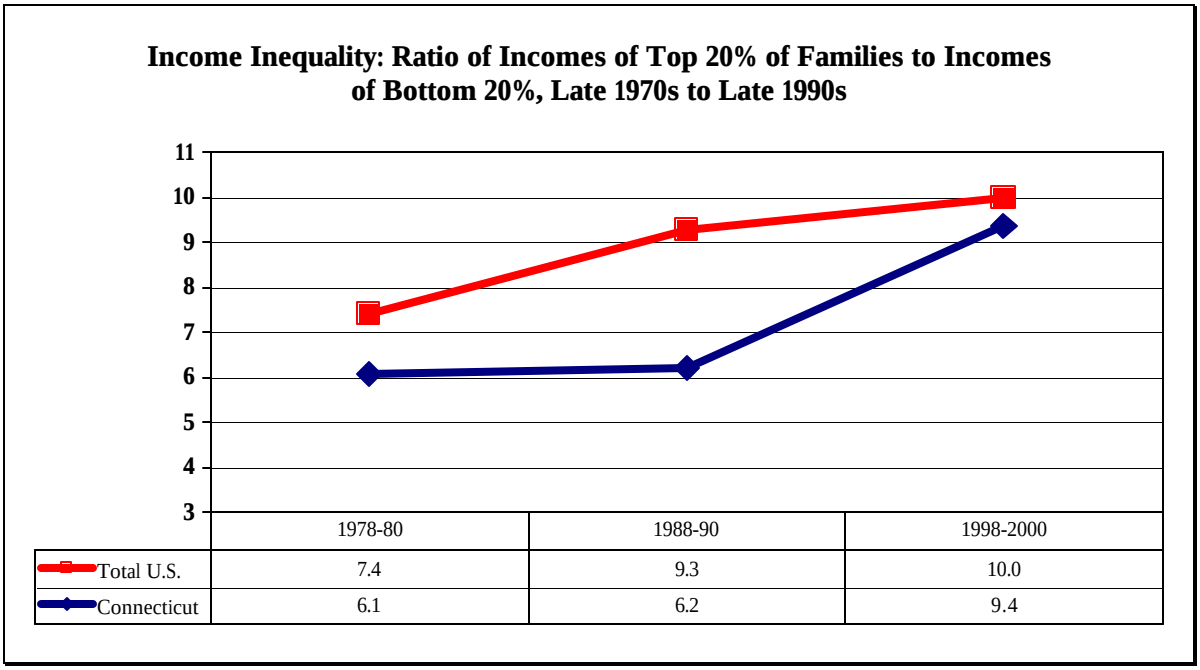

Figure 34

Beyond Poverty to Economic Self-Sufficiency[69]

Since the late 1960s, the official federal poverty thresholds[70] 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. Moreover, the poverty thresholds have fallen in relative terms; they have not been increased as real incomes have grown.[71] The thresholds also use a pre-tax definition of income and a post-tax definition of expenses. They 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. [72]

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[69] 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.

[70] The threshold is constructed by costing out the United States Department of Agriculture's "thrify 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.

[71] 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.

[72] 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.[73]

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 ($17,960 in 2000), in *every* region of the state. Accordingly, the number of Connecticut families with children whose current wages are inadequate to meet essential family needs far exceeds the number of families who are living "in poverty" as measured by the federal poverty threshold.

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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).

[73] Legislation enacted in the 2002 General Assembly, Session requires the Office of Workforce Competitiveness (OWC) to update, within available appropriations and in consultation with OPM, the state's self-sufficiency measurement by January 1, 2003, and every three years thereafter. See PA 02-54.

CT Self-Sufficiency Standard for Family with Two Working Parents With One Infant and One School-Aged Child (2001$)		
Region	**Average annual income needed for economic self-sufficiency**	**Federal Poverty Threshold**
Hartford	$41,772	$17,960
Middletown	$42,294	$17,960
Northeast	$42,908	$17,960
Bristol	$43,129	$17,960
Waterbury	$43,521	$17,960
Danbury	$43,600	$17,960
New Haven	$43,756	$17,960
Southeast	$44,265	$17,960
Torrington	$44,291	$17,960
Old Saybrook	$47,190	$17,960
Bridgeport	$51,290	$17,960
Stamford-Norwalk	$56,317	$17,960
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 2001 dollars to the federal poverty threshold for 2001.		

Also, a comparison of the hourly self-sufficiency wage in five representative regions of the state with the hourly wages of Connecticut workers in 2001 illustrates that work alone, for many families, is not sufficient to make ends meet:

2001 CT Hourly Wages	
Low wage workers (20th percentile)	$9.82
Median wage workers (50th percentile)	$16.15
High wage workers (80th percentile)	$26.22

CT Self-Sufficiency Standard for Family with One Infant and One School-Aged Child (2001$)		
Region	**Two parent family:** Average hourly wage needed for economic self-sufficiency for *each* working parent	**Single parent family:** Average hourly wage needed for self-sufficiency for single working parent
Middletown	$10.01	$17.49
Northeast	$10.17	$17.81
Waterbury	$10.31	$18.10
New Haven	$10.36	$18.23
Stamford-Norwalk	$13.34	$24.26
Source: Pearce & Brooks, *The Self Sufficiency Standard for Connecticut* (1999). Note: Hourly wage data is for 2001, 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 2001 dollars.		

The Widening Gap Between Wages And Economic Self-Sufficiency. Though the methodologies of the OPM Self-Sufficiency Standard and the Basic Family Budget produced by the Economic Policy Institute 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 wages that are inadequate to make ends meet were also identified by EPI in *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

Workers in Connecticut, like workers throughout the nation, faced a year of recession, restructuring, and reflection – the latter often arising from emotional and economic upheavals associated with the horrific events of September 11, and from a spate of questionable (and sometimes criminal) corporate actions recently exposed.

For Connecticut workers, the past year has been mixed economically. Productivity in Connecticut continues to outpace the nation but is slowing. The manufacturing sector – long a source of relatively high wages for many state workers – continues to shrink at an alarming rate.

Connecticut wages are high – the highest among all states in 2001 for low and medium wage earners, and third highest for high wage earners. Yet, a sizeable gap remains between the wages earned by Connecticut's lower wage workers and the costs of achieving family economic self-sufficiency, and Connecticut's divides in family income continue to grow.

Unemployment has increased in many of Connecticut's towns over the past year, yet Connecticut continues to have one of the lowest unemployment rates in the nation.

While the "State of Working Connecticut" in 2002 is -- in many ways -- very sound, there are other warning signs. Increased levels of unemployment and the continued erosion of unionization in Connecticut threaten recent wage and income gains. The continued growth of the income gap between high and low income families threatens the social cohesion of Connecticut's communities. An economy that is weighted towards the economic pull of New York City threatens to marginalize other regions of the state. Even in a state so geographically small as Connecticut, the economies of the northeast and southwest quadrants seem worlds apart.

Now, with the state's economy still struggling to recover, and the state budget in serious crisis, Connecticut faces a critical juncture. It can maintain, and even expand, its investments in the state's lower and middle-income working families by enhancing opportunities for lifelong education and job training, assuring access to affordable and accessible child care, health care and pension benefits, and enhancing Connecticut's supply of housing that is affordable. Alternatively, Connecticut can decide to balance the state's budget by cutting back on these investments so essential to maintaining a healthy, educated, and growing workforce.

If the "State of Working Connecticut" for 2003 is to paint a rosier picture than this year's picture of "working Connecticut," the tax, budget, and policy decisions made in the 2003 General Assembly Session will need to better assure a *shared* prosperity as Connecticut's economy recovers, and sufficient supports for the state's lower and middle-income families until it does.