

Data CONNECTions

CT Voices for Children

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The State of Working Connecticut, 2003

Douglas J. Hall, Ph.D.
Shelley Geballe, JD, MPH

33 Whitney Avenue,
New Haven, CT 06510
203-498-4240, www.ctkidslink.org

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I. Economic Context¹

A year ago, in *The State of Working Connecticut, 2002*, we wrote that the state was experiencing “economic uncertainty” and that “initial indications of recovery...seem[ed] like wishful thinking.”² One year later, the picture is even bleaker. Connecticut’s Department of Labor reported recently that from June 2002 to June 2003, over 20,000 Connecticut workers lost their jobs.³ Even if ‘the economy’ picks up, there is little to suggest that things will improve for Connecticut’s working families. The Connecticut Economic Digest recently predicted continued unemployment growth in an article aptly titled “The Connecticut Economy: As Cool as This Spring’s Weather”: “We can expect the total unemployment rate to continue to increase in the near future, even after we enter into a phase of more robust and sustainable growth in the future.”⁴

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)⁵ per capita, has exceeded the national average for over twenty years, as seen in Figure 1 below. In 2001, the most recent year for which data are available, Connecticut trailed only Delaware in GSP per capita as illustrated in Figure 2.⁶ However, there are signs that Connecticut’s strength in this area may be slipping. As illustrated in Figure 3, Connecticut’s rate of GSP growth slowed in the 1990s, surpassing the national rate in only three of the eleven years between 1990-2001.

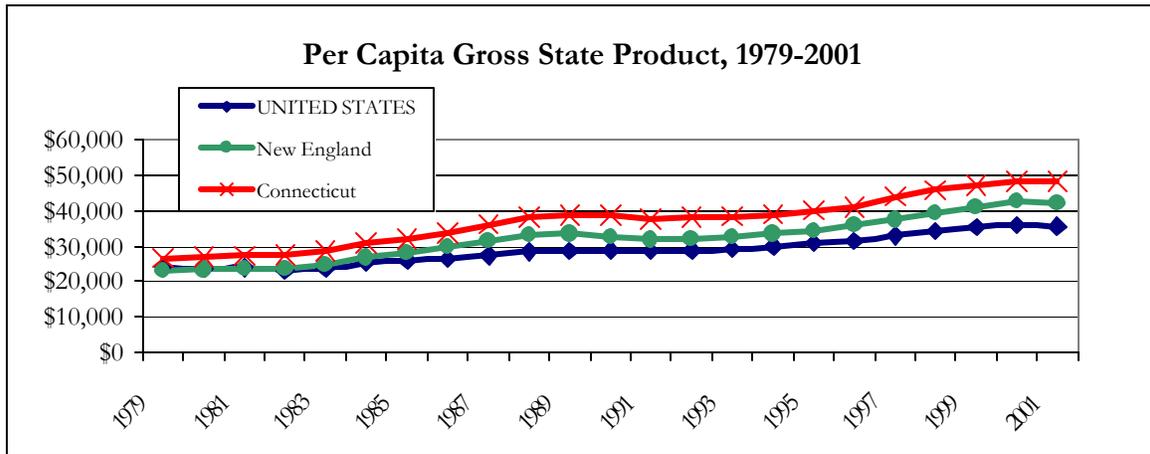


Figure 1

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

² Douglas Hall and Shelley Geballe, *The State of Working Connecticut, 2002* (Connecticut Voices for Children, 2002), p. 3.

³ *The Connecticut Economic Digest*, Vol. 8, No. 8 (August 2003), p. 12.

⁴ “The Connecticut Economy: As Cool as This Spring’s Weather,” in *The Connecticut Economic Digest*, Vol. 8, No. 6 (June 2003), p. 12.

⁵ Gross State Product is the value added in production by the labor and property located in a state. GSP for a state is the sum of the GSP originating in all industries in the state. For more information, see www.bea.gov/bean/regional/gsp.htm.

⁶ GSP per capita was highest in the District of Columbia in 2001 at \$112,333. The District is not included in the graph.

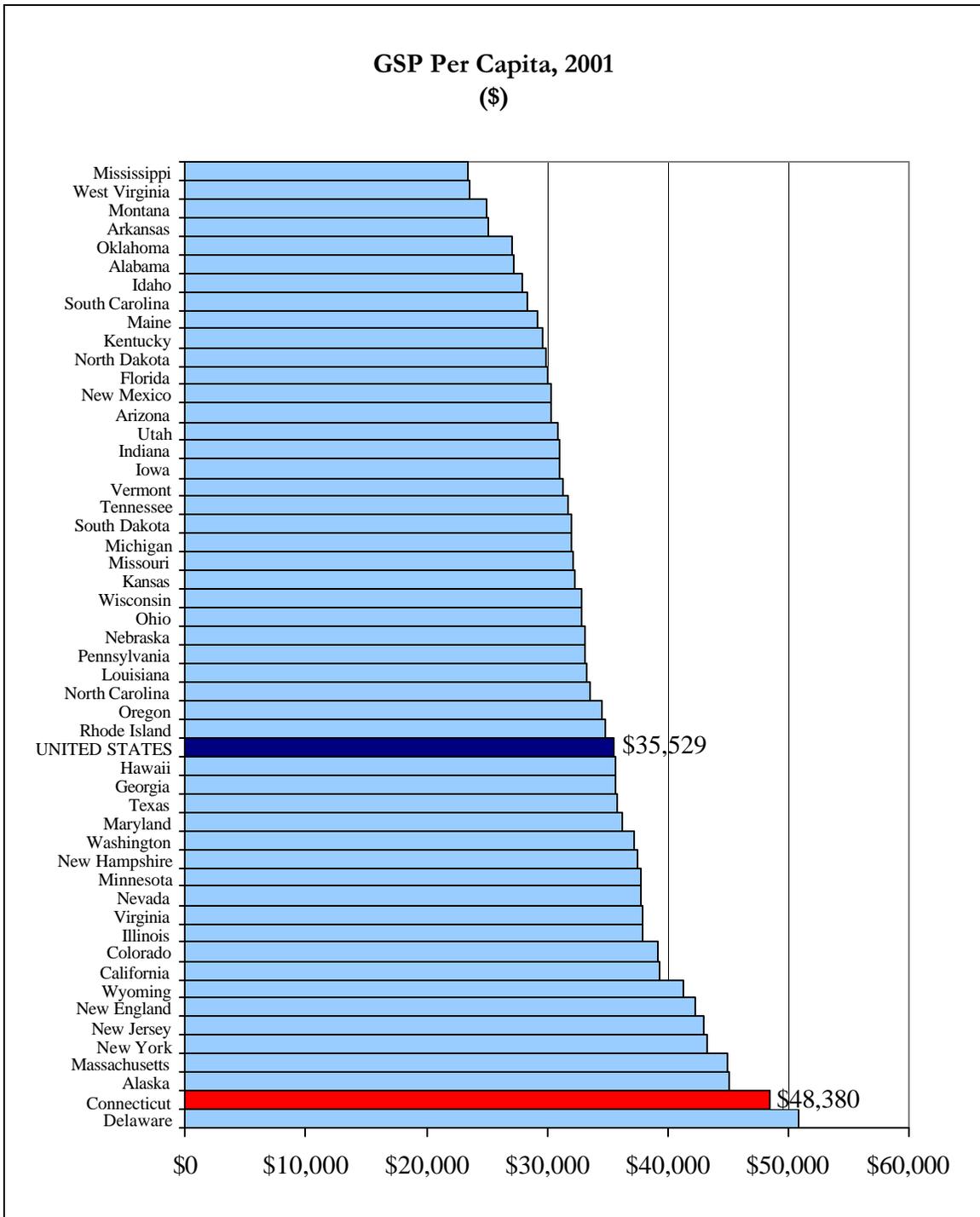


Figure 2 (note: District of Columbia not included).

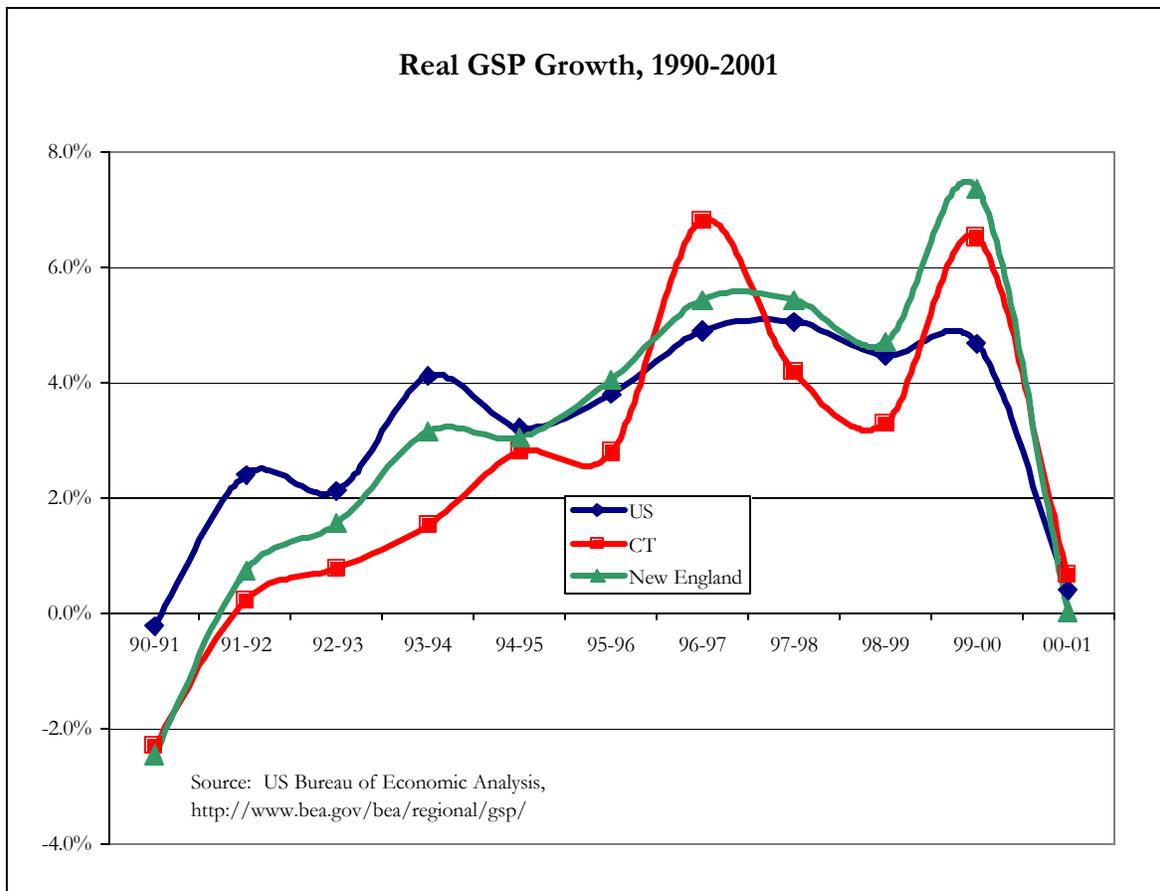


Figure 3

In addition, Connecticut continues to boast income levels among the highest in the nation, with a median household income of \$53,347 ranking third, and a median four person family income of \$82,517 ranking second.⁷

Yet Connecticut's overall prosperity hides the struggles of a Connecticut that is being left behind. This 'other' Connecticut endures high poverty rates, low wages, and a degree of economic uncertainty that compromises the well-being of our children and our communities.

The 'other' Connecticut has been hit hard not only by economic forces originating in the private sector, but also from budget and policy choices by the public sector. As government at all levels seeks to address growing budget deficits, middle and lower income families are being hit hardest, including through increases in property taxes and classroom sizes resulting from reduced state transfers to towns, reductions in government-funded services, and increases in the state and local taxes and fees that fall disproportionately on these families.

⁷ EPI analysis of US Census Bureau Current Population Survey data.

II. The Face of Working Connecticut

Gender

In 2001⁸, Connecticut's labor force was 52% male and 48% female. The share of women in Connecticut's labor force exceeds national and regional averages: 46.6% women and 53.4% men in the United States labor force and 47.3% women and 52.7% men in the Northeast labor force.

	Male	Female
UNITED STATES	53.4%	46.6%
CONNECTICUT	52.0%	48.0%
NORTHEAST	52.7%	47.3%

Table 1: Workforce by Gender

Race and Ethnicity

Connecticut's labor force is less diverse in terms of race and ethnicity than the national average. It is 79.9% White, 10.2% Black, 7.2% Hispanic, and 2.4% Asian/Pacific Islander, reflecting fairly accurately the racial/ethnic composition of the Connecticut population.⁹ In comparison, the United States labor force is 72.5% White, 11.4% Black, 11.3% Hispanic, and 4.0% Asian/Pacific Islander.

⁸ Much of this analysis is based on US Census Bureau Current Population Survey (CPS) data. In some cases, including these demographic data, three years of data are pooled to ensure an adequate sample size. These data are pooled data for 2000-2002, which we refer to here by the midyear point, 2001.

⁹ Labor Force data on race and ethnicity are based on EPI analysis of the Current Population Survey. The CPS uses four race categories: White, Black, Asian or Pacific Islander, and American Indian, Aleut, Eskimo. A separate question determines Hispanic origin. In this report, "Hispanic" refers to any person with Hispanic origin, while "White", "Black", and "Asian / Pacific Islander" refer to non-Hispanic person of that race. Though the methodologies used differ somewhat in Census 2000 demographic data, the Connecticut workforce corresponds fairly directly with Connecticut's total population numbers. Those numbers show that non-Hispanic White alone individuals comprise 77.5% of Connecticut's total population, non-Hispanic Black or African American alone individuals comprise 8.7% of the total population, Hispanics/Latinos comprise 9.4% of the population, and "other" non-Hispanic, (including Asian/Pacific Islander), comprises 4.4% of the population.

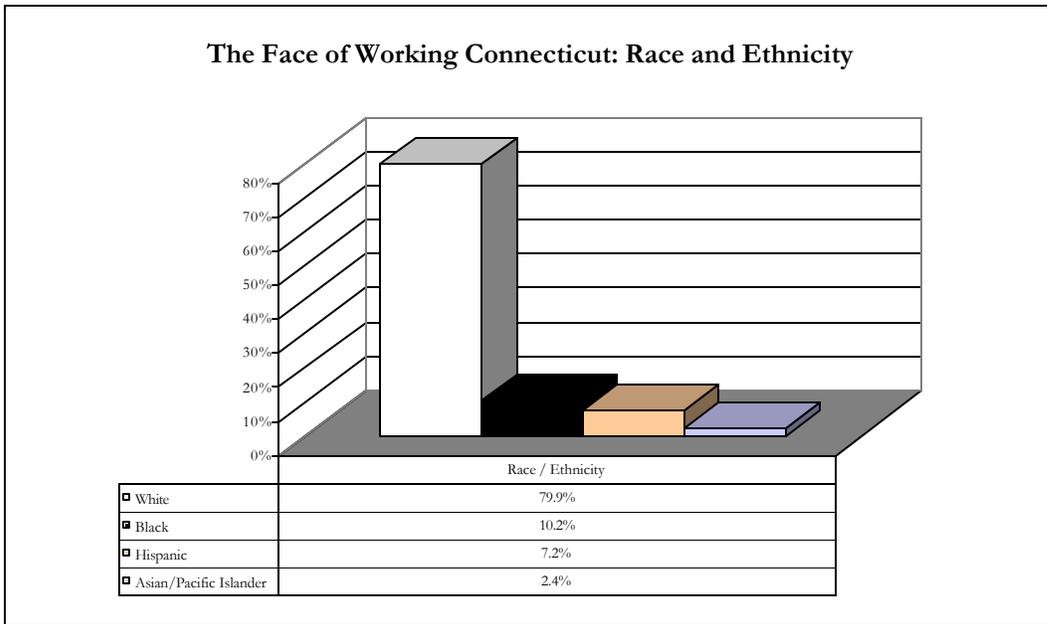


Figure 4

Educational Attainment

Connecticut's labor force is more highly educated than the national average, with fully 13.1% holding advanced degrees, 21.2% holding bachelor's degrees, 24.9% with some college education, and only 9.3% with less than high school educations, as illustrated in Figure 5. Comparable national figures show 9.1% with advanced degrees, 18.8% with bachelor's degrees, 28.5% with some college, and 12.8% lacking a high school degree.

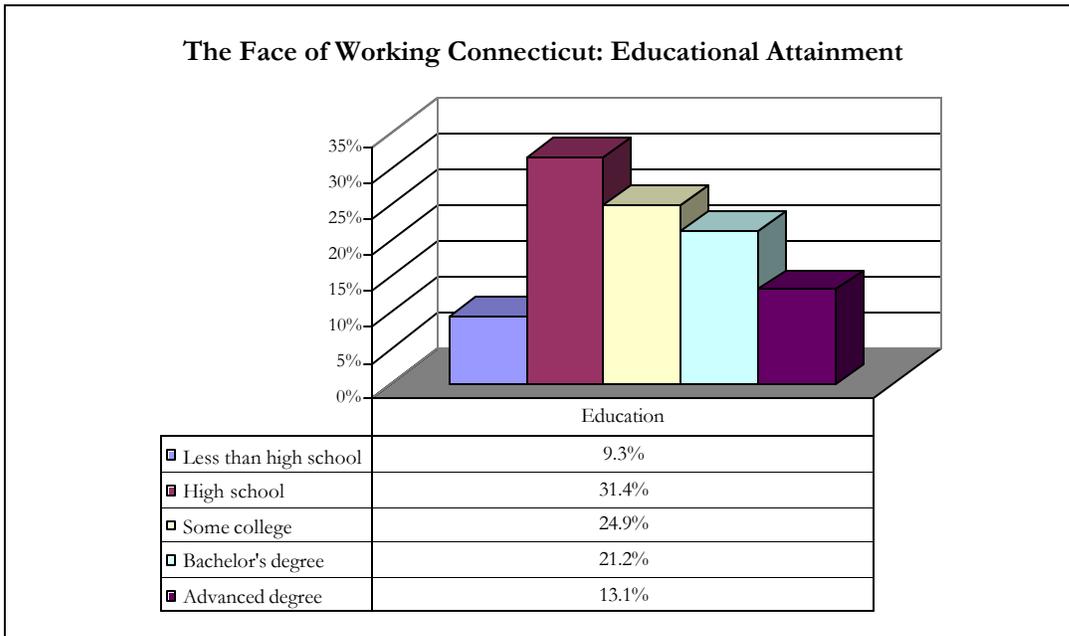


Figure 5

Age

Connecticut's workforce is aging. As seen in Figure 6 below, Connecticut is at about the United States average in the share of the workforce that is 25 to 54 years old (with 71.0% of Connecticut's workforce in this age range, compared to the national average of 70.1%). However, the share of Connecticut's workforce that is *over 35* far exceeds the national average. **68.5% of Connecticut's workforce over age 35 -- the highest proportion in the country** and almost 6 percentage points higher than the national average. The proportion of Connecticut workers who are over age 55 (16.3%) is fourth highest in the nation (behind Hawaii, South Dakota, and Rhode Island).

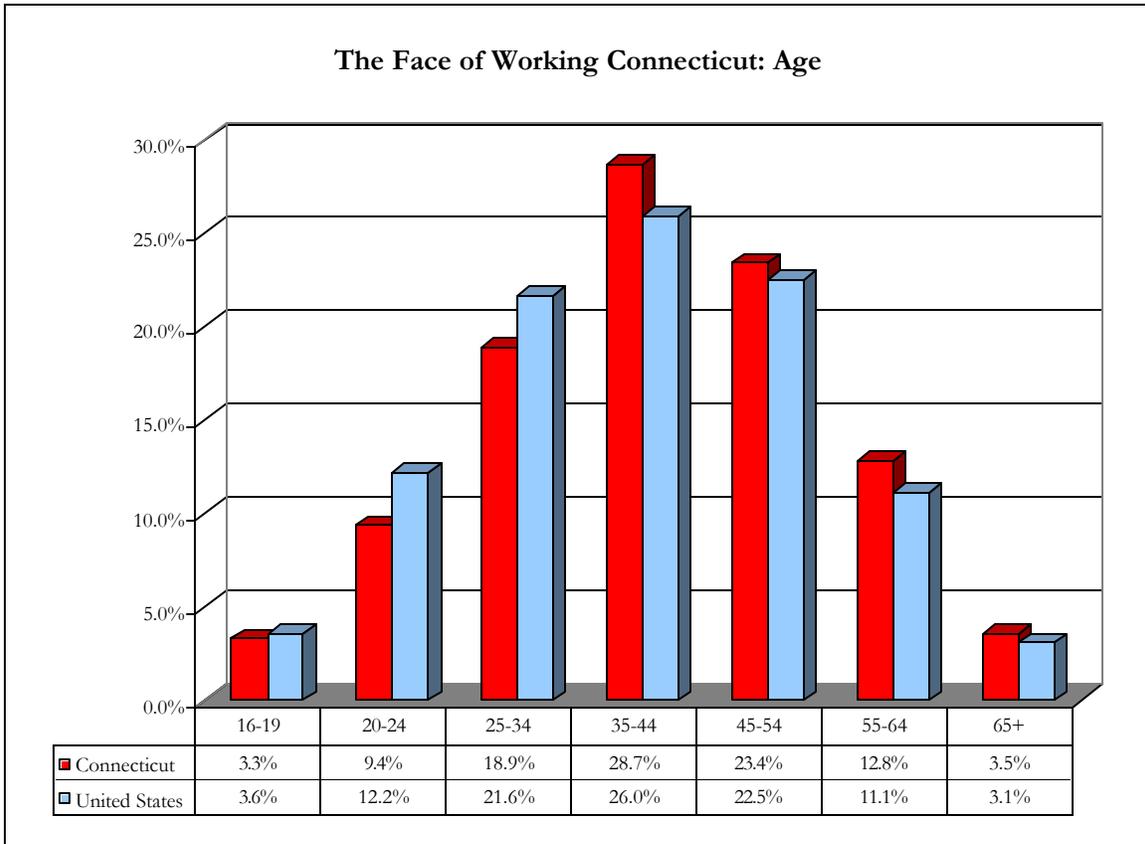


Figure 6

III. Job and Employment Trends

Payroll Employment¹⁰

Total payroll employment. While the recession may have officially ended, many Connecticut families are still suffering. Total employment in Connecticut continues to decline. Connecticut’s July 2003 employment of 1,641,000 million falls 20,800 jobs short of levels a year ago, and 12,100 less than one month ago (June 2003).

Some economists and business analysts have referred to the current economic “recovery” as a “jobless recovery.” Others, such as Business Week writer Christopher Farrell, have discounted the notion of a jobless recovery.¹¹ The facts suggest, however, that a “jobless” recovery would actually be a significant improvement over what Connecticut is instead experiencing, which is a “**job-losing** recovery.”

Nationwide, since the official beginning of the recovery in November 2001 (as determined by the National Bureau of Economic Research), the employed workforce has shrunk by over 1 million jobs nationwide. **Connecticut** is one of 30 states that lost jobs during this period of ‘recovery’, and is **one of just nine states that lost more jobs during the recovery than during the recession.**¹² As a percentage of November 2001 payroll employment, only three states – Indiana (-2.13%), Missouri (-2.70%), and Oklahoma (-3.51%) – have lost more jobs than Connecticut (-2.12%).¹³ In fact, **Connecticut lost almost 6 times more jobs during the “recovery” than during the “recession.”**

Payroll Employment: Recession to Recovery to July 2003 (000s)

	Recession				Recovery			
	March 2001	November 2001	Number	Percent	November 2001	July 2003	Number	Percent
United States	132,527.0	130,900.0	-1,627.0	-1.23%	130,900.0	129,870.0	-1,030.0	-0.8%
CONNECTICUT	1,682.8	1,676.5	-6.3	-0.37%	1,676.5	1,640.90	-35.6	-2.12%

Table 2: Source: Economic Policy Institute analysis of Bureau of Labor Statistics data, 2003.

Why are people continuing to lose their jobs in this economic recovery? Though the economy is growing, its growth has been outpaced by productivity growth, with fewer and fewer workers needed to produce the growing quantity of goods and services (in part because of increasing efficiencies through machinery and equipment). Also, the loss of manufacturing employment hit our economy particularly hard. The Connecticut Economy reports that “[manufacturing] has the largest employment multiplier, 2.88 – that is, each new

¹⁰ “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. Similarly, decreased payroll employment would result from a contracting job market, as well as impacts from decreased population growth, and reduced willingness of people to work. Source: Bureau of Labor Statistics, Current Employment Statistics (CES) data.

¹¹ Christopher Farrell, “A Jobless Recovery? Not This Time”, Business Week Online, June 14, 2002. http://www.businessweek.com/bwdaily/dnflash/jun2002/nf20020614_2809.htm.

¹² These data are based on the beginning and ending of the recession nationwide.

¹³ EPI analysis of Bureau of Labor Statistics seasonally adjusted data, 2003.

manufacturing job creates 1.88 additional jobs.”¹⁴ The flip side of this multiplier effect is that for every manufacturing job lost, the 1.88 additional jobs are at risk.

Connecticut’s reductions in state spending – through reductions in the number of state employees as well as cuts in funding to community-based organizations and to towns that have resulted in additional job losses -- also have contributed to reductions in payroll employment. As noted in a recent study by the Minnesota Department of Finance, the impact of state layoffs goes well beyond the initial jobs lost, impacting both the economy and state revenues:

Cuts in public employment or wage freezes for state and local employees will affect both [the state] economy and future state revenues. Incomes for state employees would be less, and that reduced income will be reflected in lower spending levels in the state. That, in turn, will have second round effects on private employment and wages and further reduce state income and sales tax revenues.¹⁵

Proceeding with layoffs of state workers during Connecticut’s very shaky economic recovery was akin to depriving a sputtering engine of gasoline, exacerbating the erosion of payroll employment in Connecticut.¹⁶

¹⁴ S. McMillen, “Manufacturing: Reports of its Demise are Greatly Exaggerated,” *The Connecticut Economy*, (Winter, 2003), p. 8.

¹⁵ Minnesota Department of Finance, *February 2003 Economic Forecast*, pp. 23-24. The authors acknowledge Nan Madden, of the Minnesota Council of Non-profits, for drawing our attention to this research.

¹⁶ Joseph Stiglitz, the 2001 Nobel Laureate in Economics, has noted, “Reductions in government spending on goods and services, or reductions in transfer payments to lower-income families, are likely to be more damaging to the economy in the short run than tax increases focused on higher-income families.” P. Orszag & J. Stiglitz, *Budget Cuts vs. Tax Increases at the State Level: Is One More Counter-Productive than the Other During a Recession?* (Center on Budget and Policy Priorities, 2001), available at <http://www.cbpp.org/10-30-01sfp.htm>.

Connecticut's growth compared to the nation, the region, and other states. If there is a silver lining in this recession for Connecticut, it is that things could have been much worse. As seen in the table to the right (and in Figure 7, below) Connecticut, New England, and the Northeast all fared much better during the 2001 recession than during the recession of 1990.

Total payroll employment, start of recession compared to 24 months after start of recession (numbers in thousands) ¹⁷					
		Start of recession	24 months later	Change	
				Number	Percent
<i>Connecticut</i>					
	1990 recession	1,616.6	1,521.9	-94.7	-5.9%
	2001 recession	1,667.3	1,641.3	-26.0	-1.6%
<i>New England</i>					
	1990 recession	6,344.5	5,991.0	-353.5	-5.6%
	2001 recession	6,981.0	6,792.7	-188.3	-2.7%
<i>Northeast</i>					
	1990 recession	23,387.1	22,289.3	-1,097.8	-4.7%
	2001 recession	25,217.1	24,674.6	-542.5	-2.2%
<i>United States</i>					
	1990 recession	109,529.0	108,537.0	-992.0	-0.9%
	2001 recession	131,690.0	129,270.0	-2,420.0	-1.8%

Connecticut's 1.6% decline in employment in the 24 months after the

national recession began is a smaller decline than the national average (1.8%). Moreover, Connecticut's experience in the two recessions has been the reverse of the nation's. In Connecticut, the decline in payroll employment in the 1990 recession was 3.7 times the decline in the 2001 recession (5.9% compared to 1.6%). By comparison, in the United States the decline in the 2001 recession was 2 times the decline in the 1990 recession (1.8% compared to 0.9%).

Table 3: Source: Economic Policy Institute analysis of Current Employment Statistics data. Employment figures are available from the Bureau of Labor Statistics website at <http://data.bls.gov/labjava/outside.jsp?survey=sm>

¹⁷ These data are based on the start of these recessionary periods at the national level – July 1990 and March 2001, respectively. In Connecticut, certainly from the perspective of working families, the 2001 recession started earlier, with the employment peak in July 2000 of 1.701 million workers (and unemployment rates of 2.1% for each of June, July and August 2000).

**Comparing Two Recessions:
Change in Total Payroll Employment, Start of Recession to
24 Months After Start of Recession (July 1992 and March 2003)**

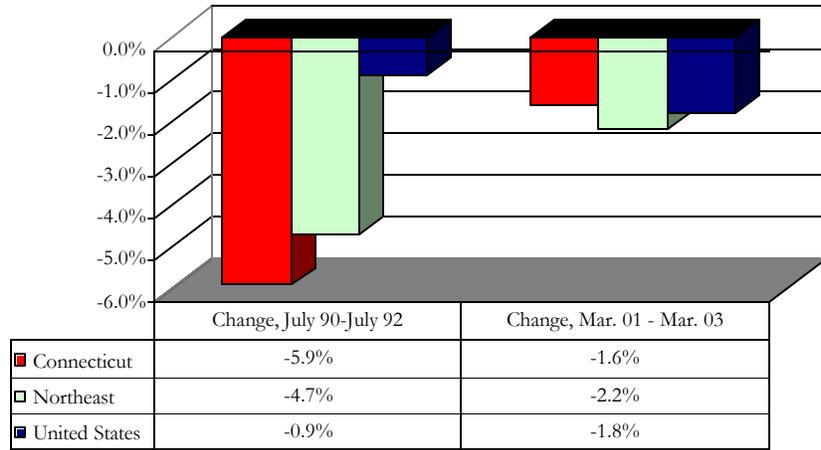


Figure 7

Figure 8 below, and the accompanying map, illustrate that Connecticut has fared about average coming out of this most recent recession, ranking 27th among the 50 states in its change in payroll employment in the 24 months since the start of the recession. The map may provide a clue why Connecticut fared as well as it did during this recession. Evident on the map is a concentration of employment loss in the so-called ‘rust-belt’ states. These states are heavily reliant on manufacturing employment, a sector hit disproportionately hard in this recession. Ironically, Connecticut’s relatively low employment loss during this period may be related to its experience in the previous recession, and indeed throughout the 1990s, when it experienced constant erosion in manufacturing employment. Clearly, manufacturing jobs that have already been lost from Connecticut cannot be lost a second time.

**Change in Payroll Employment:
March '01 to March '03**

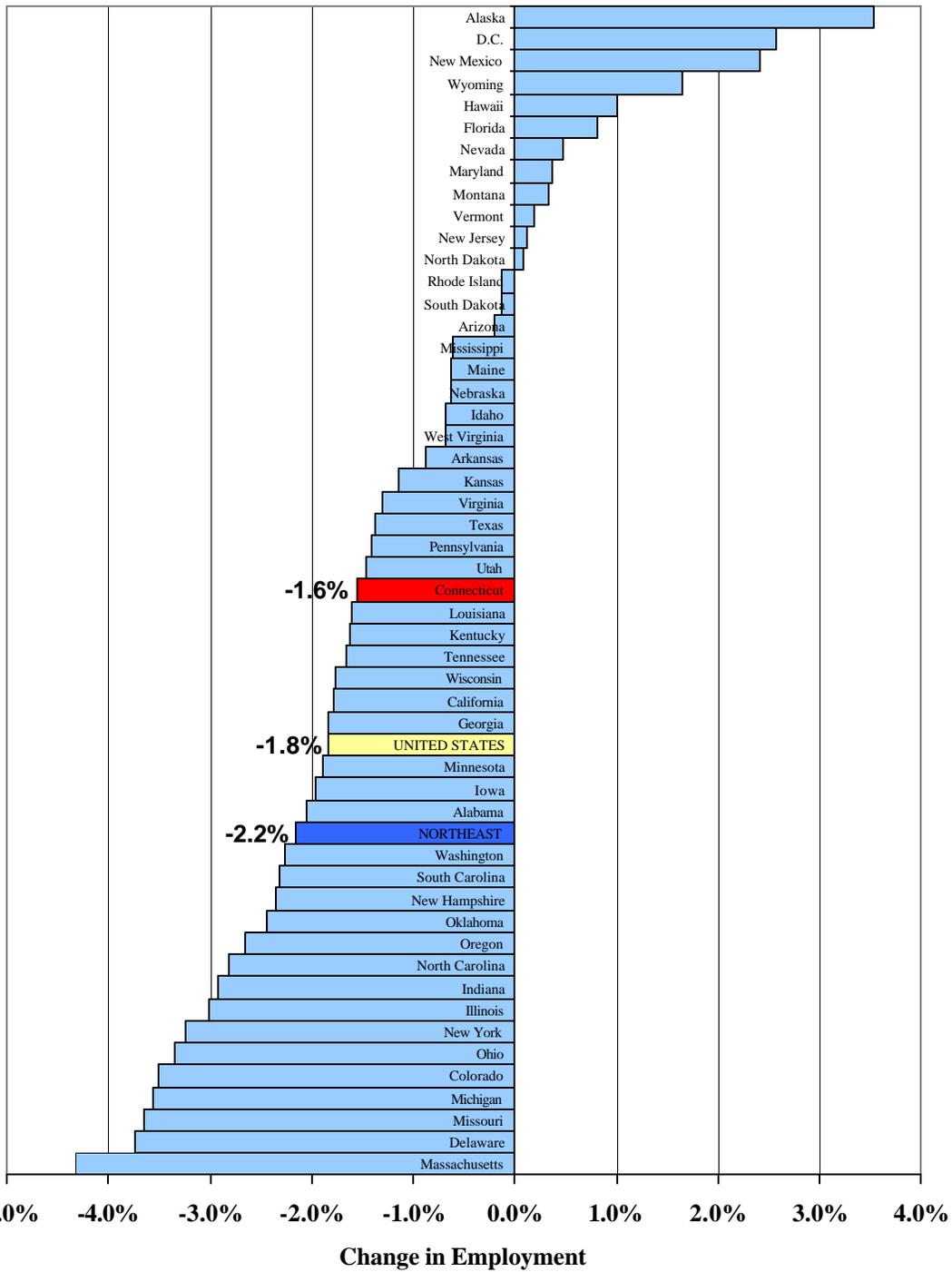
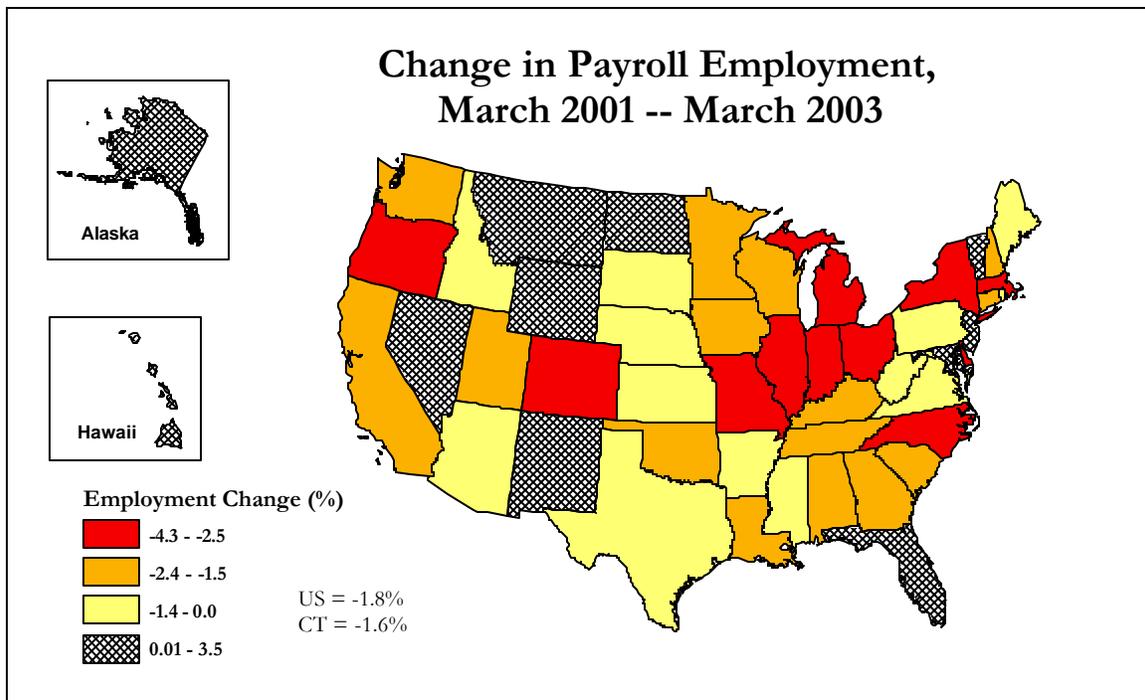


Figure 8



Map 1

Changes in Types of Jobs Available

Two time periods provide insight into changes in the types of jobs available – the most recent one-year period for which we have data (June 2002 to June 2003) and the two-year period (from March 2001-March 2003) that is 24 months since the most recent national recession began.

In each of these periods, the change of greatest concern is the continued erosion of the manufacturing sector. As evident in Figure 9 below, Connecticut's loss in manufacturing jobs between March 2001 and March 2003 (16,100 jobs lost) actually exceeded Connecticut's TOTAL job loss (16,000) during this period. Job losses in manufacturing were offset by modest gains in jobs in education and health services (+11,200), leisure and hospitality (+4,600), public administration (+4,000) (including Indian tribal government employment¹⁸) and other services (+1,700). Other sectors experiencing job losses in this period include professional and business services (-9,500), information (-5,900), construction (-3,500), trade, transportation and utilities (-1,500), and financial activities (-900).¹⁹

¹⁸ Indian tribal government employment includes employment at Connecticut's two major casinos, Mohegan Sun and Foxwoods.

¹⁹ With the release of the January 2003 data on March 20, 2003, the Current Economic Survey State and Area Nonfarm Payroll series underwent a number of changes. The basis for industry classification changed from the 1987 Standard Industrial Classification System (SIC) to the 2002 North American Industry Classification System (NAICS). This change will improve data comparability between states and/or metropolitan areas. A description of the aggregated industry "Supersectors" presented here can be found at <http://www.bls.gov/sae/saesuper.htm>. A 23 page table comparing the NAICS categorization to the SIC categorization is available at <http://www.census.gov/epcd/naics02/t302to87.pdf>. Because of these

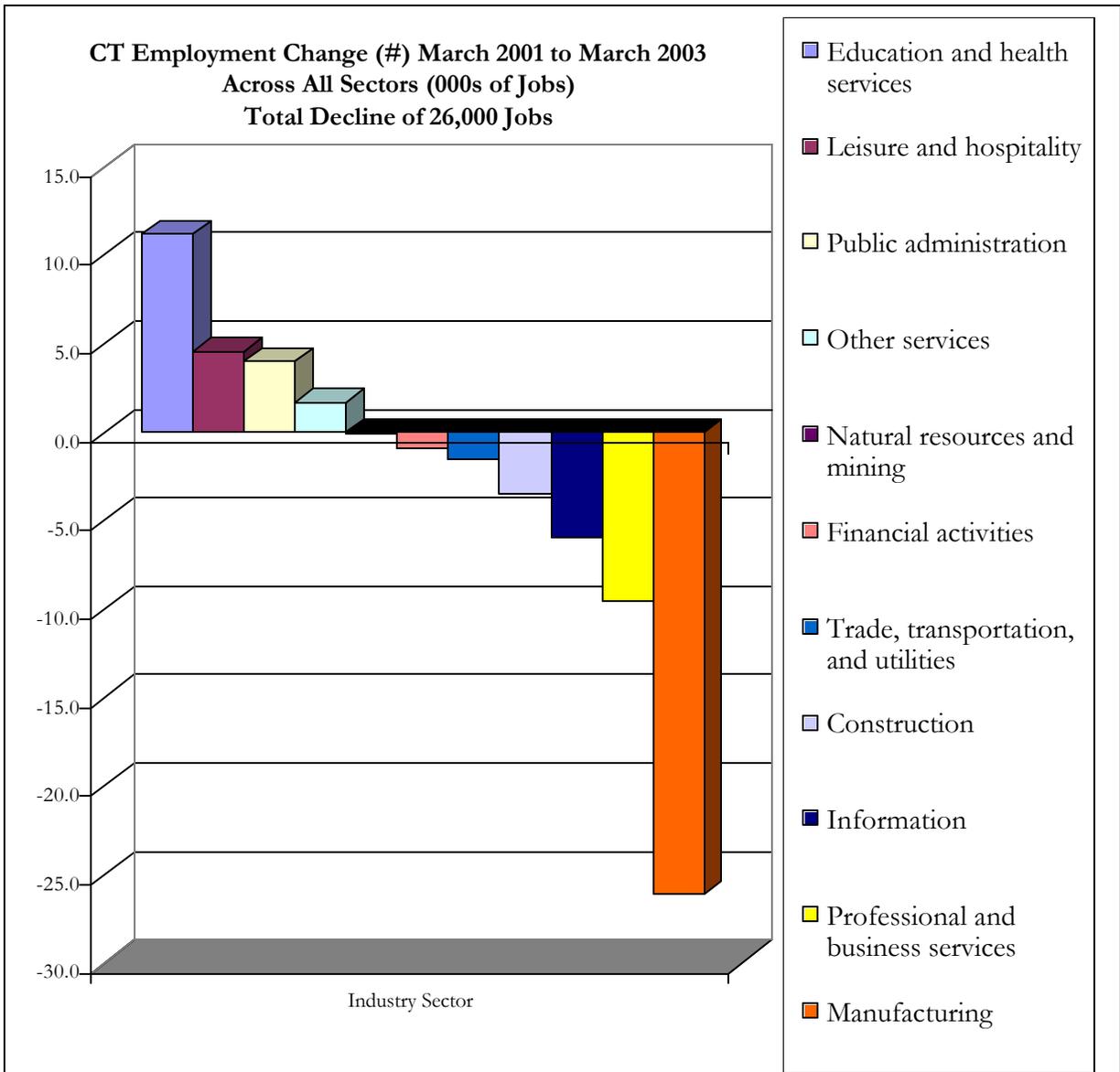


Figure 9

While Figure 9 declines in the number of jobs by sectors, while Figure 10 shows those declines as a percent of the March 2001 employment in that sector. Note that the sector with the highest decline as a proportion of March 2001 employment -- natural resources and mining -- actually experienced only a very small number of job losses (100). It is a very small sector, employing only 700 people. Largest growth, as a percent of March 2001 employment, was in education and health services, followed by leisure and hospitality.

methodological changes, data presented here cannot be directly compared to that reported in earlier *The State of Working Connecticut* reports.

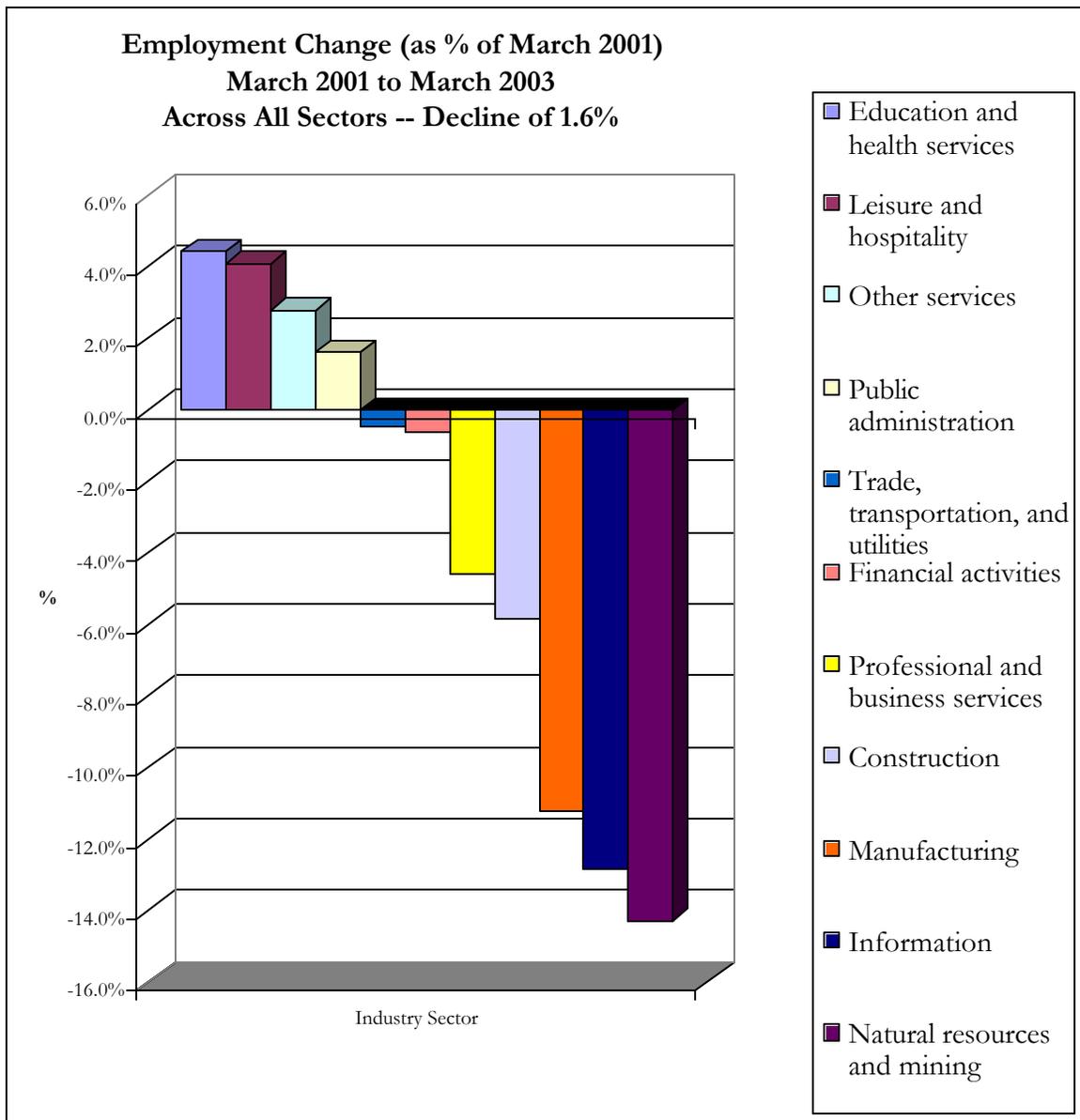


Figure 10

A closer look at manufacturing. During the period March 2001 to March 2003, Connecticut lost 26,100 manufacturing jobs, continuing a trend that has been on-going for decades.²⁰ Connecticut jobs in manufacturing fell from nearly one in three in 1979 to less than one in seven in 2001, a rate of decline exceeding the national average.

The good news is that despite persistent losses in manufacturing jobs, the erosion of Connecticut's manufacturing employment sector has actually slowed significantly. Between March 2001 and March 2003, Connecticut's loss of 11.2% of manufacturing employment

²⁰ Between December 2001 and December 2002, losses in the Connecticut manufacturing sector totaled 13,700, led by significant layoffs at United Technologies (aerospace), Bayer (pharmaceuticals), Sikorsky (aerospace), and Proctor and Gamble (consumer products). Federal Reserve Bank of Boston, *Economic Performance of the New England States in 2002: An Overview* (July 2003) at www.bos.frb.org/economic/nee/nee.htm, p. v.

was less than the national average loss of 12.2%, and significantly less than the 14.3% loss experienced on average in the Northeast (see Figure 11). The higher regional average is driven by losses in New Hampshire (21.0%), Vermont (16.8%), Massachusetts (16.8%), Maine (15.6%), New York (14.7%), and Rhode Island (14.4%).

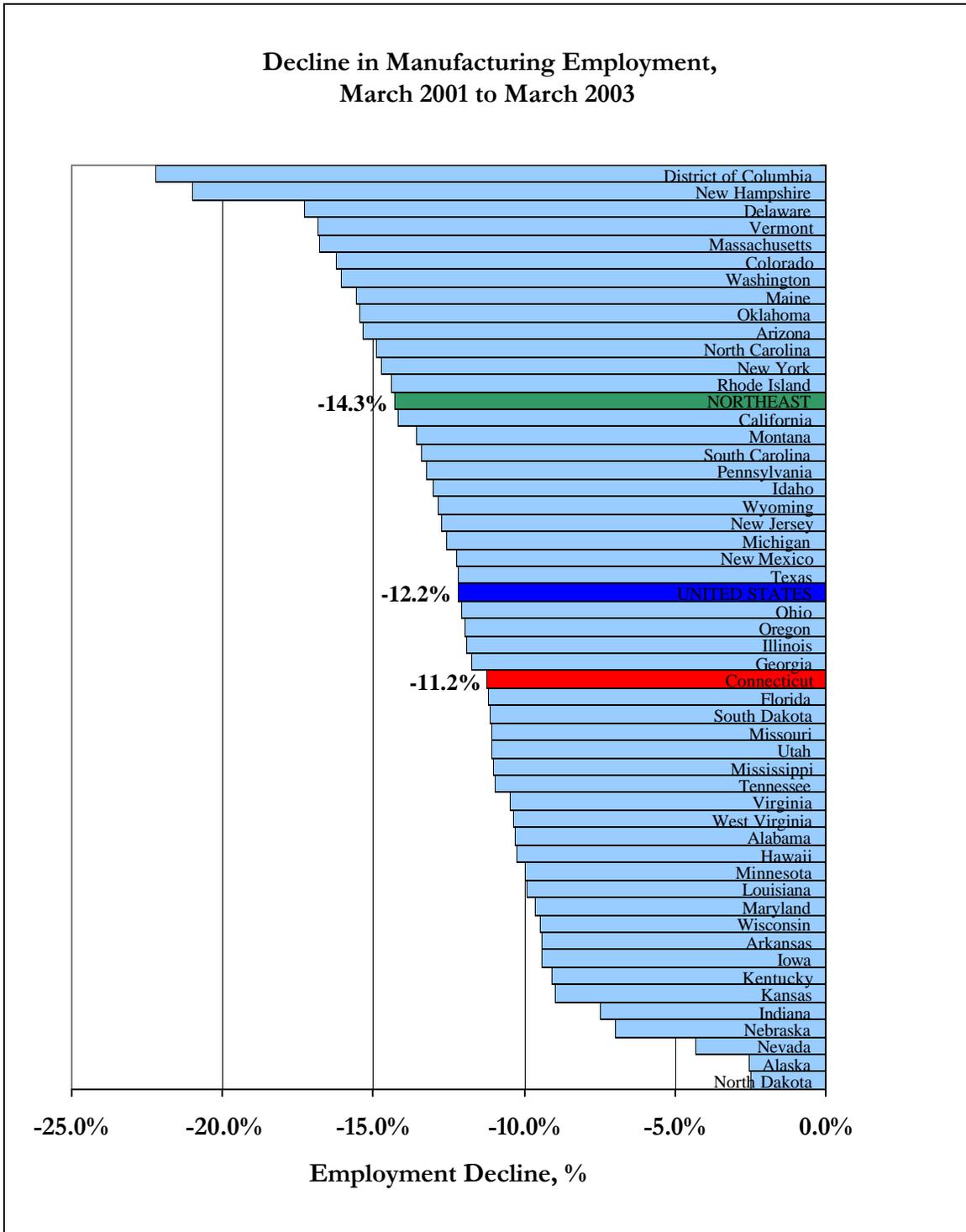


Figure 11

A closer look at service jobs. Because of the continued erosion of the manufacturing sector, and the growth of jobs in education, government, and leisure and hospitality, service jobs have become central to Connecticut's employment structure. By June 2003, 84.0% of all jobs in Connecticut were in service-providing industries, up slightly from 83.4% in June 2002.²¹ What is noteworthy is that neither the professional and business services sector nor the financial activities sector shared in the growth experienced by other service sectors. Significant layoffs at Ames (retail), Aetna (health insurance), and SNET (utilities) contributed to losses in the service sector.²²

Impact of Changes in Types of Jobs on Wages

In past years, the loss of jobs in the manufacturing sector -- where pay tends to be considerably higher than the statewide average pay -- has threatened wages in Connecticut. This has been true this year also, since "even short-term employees tend to have higher earnings in manufacturing jobs than do many workers in trade and service industries."²³ As seen in the table below, in 2001 average annual pay for manufacturing jobs -- \$55,706 -- exceeded Connecticut's average annual pay for all types of work -- \$47,732 -- by almost \$8,000.

Industry Average Annual Pay for 2000 and 2001, and Percent Change for all Covered Workers			
Employment Sector	Average Annual Pay		Change (%)
	2000	2001	
CT Total	46,068	47,732	3.60%
Management of companies and enterprises	112,213	104,891	-6.50%
Finance and insurance	90,557	98,243	8.50%
Utilities	75,485	78,095	3.50%
Professional and technical services	70,524	72,739	3.10%
Wholesale trade	63,145	65,640	4.00%
Information	57,818	57,692	-0.20%
Manufacturing	54,490	55,706	2.20%
Mining	50,632	51,131	1.00%
Construction	45,999	48,113	4.60%
Government	41,521	42,290	1.90%
Real estate and rental and leasing	41,083	42,252	2.80%
Educational services	38,183	40,344	5.70%
Health care and social assistance	34,928	36,593	4.80%
Transportation and warehousing	33,497	34,824	4.00%
Administrative and waste services	26,801	28,660	6.90%
Retail trade	28,056	27,043	-3.60%
Other services, except public administration	24,681	25,763	4.40%
Arts, entertainment, and recreation	25,157	24,554	-2.40%
Agriculture, forestry, fishing and hunting	24,011	23,917	-0.40%
Accommodation and food services	14,922	15,518	4.00%

Table 4: <http://www.bls.gov/news.release/annpay.t04.htm>

²¹ This has an impact not only on the economy, but also on the state budget. Connecticut imposes the sales and use tax on all sales of goods, unless they are explicitly exempted from the tax. By comparison, this tax is imposed on the sale of services only if they are among those that are specifically enumerated among the services subject to tax. As the state economy moves increasingly to a service-producing, rather than a goods-producing, economy, the sales tax base diminishes, and with it the revenues that can be anticipated from the tax.

²² Federal Reserve Bank of Boston, *Economic Performance of the New England States in 2002: An Overview* (July 2003), available at www.bos.frb.org/economic/nee/nee.htm.

²³ Connecticut Department of Labor, *The Connecticut Economic Digest* (July 2000), p. 4.

The loss of jobs in “professional and business” services in Figure 10 above should also sound an alarm, however, given that these sectors²⁴ fall at the “high end” of the pay range for service employment.

A number of trends in average annual pay in this table merit mention. The manufacturing sector is now experiencing relative erosion in pay, showing 2000-2001 growth (2.2%) that is less than the state average (3.6%). Secondly, average “government” pay (\$42,290) not only falls over \$5,000 short of state average pay, but also is growing at a slower rate than the average. While this challenges some of the popular perceptions of “overpaid” government workers, it also likely reflects in part the inclusion in this sector of hundreds of relatively low paying casino-related jobs.²⁵ Third, the table also highlights the fact that there are also “two Connecticut” in average annual pay within the service sector generally – one, typified by high end subsectors such as finance and insurance (\$98,243) and management of companies and enterprises (\$104,891) and the other by low paying jobs such as retail trade (\$27,043), and accommodation and food services (\$15,518).

Unionization Rate

With 17.8% of the Connecticut workforce represented by unions, only eleven states (and the District of Columbia) have a greater proportion of their workforces unionized. Data for 2002 suggest that Connecticut has increased the proportion of its workforce that is represented by unions over the past year, reversing a slight decline in recent years. As seen in Figure 12 and Map 2 below, Connecticut’s unionization rate surpasses the national rate, but falls short of the rate in the Northeast, where there is a concentration of high unionization rate states (led by New York’s 26.6%, the highest after Alaska’s 26.7%).²⁶

The ability of unions to bargain collectively for wages and benefits helps maintain wages and benefits at a level sufficient to support many lower-wage working families.

²⁴ Figure 10 shows NAIC Supersectors. The Supersector in Figure 10 entitled “Professional and Business” includes three sectors: management of companies and enterprises; professional and technical services; and administrative and waste services. The first two of these are generally higher paying occupations.

²⁵ As noted earlier, “government” includes Indian tribal government employment, so employees of the Foxwoods and Mohegan Sun casinos are among those classified as “government” employees.

²⁶ Note: These data include those individuals who are covered by collective bargaining agreements but who may not themselves be union members.

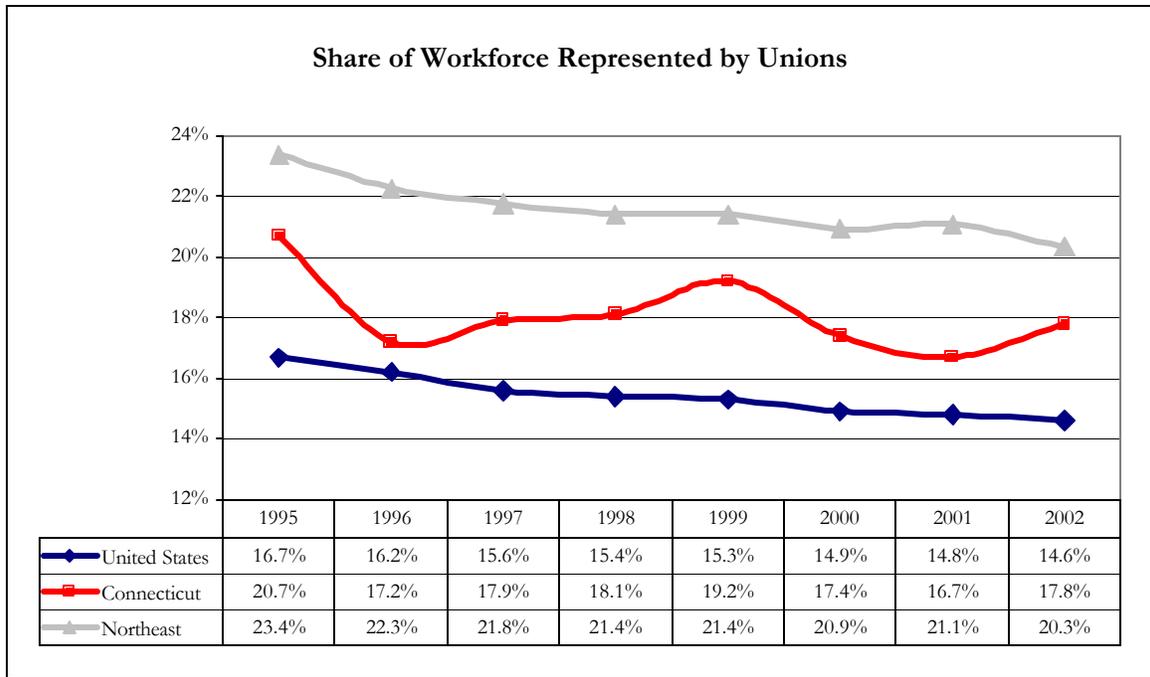
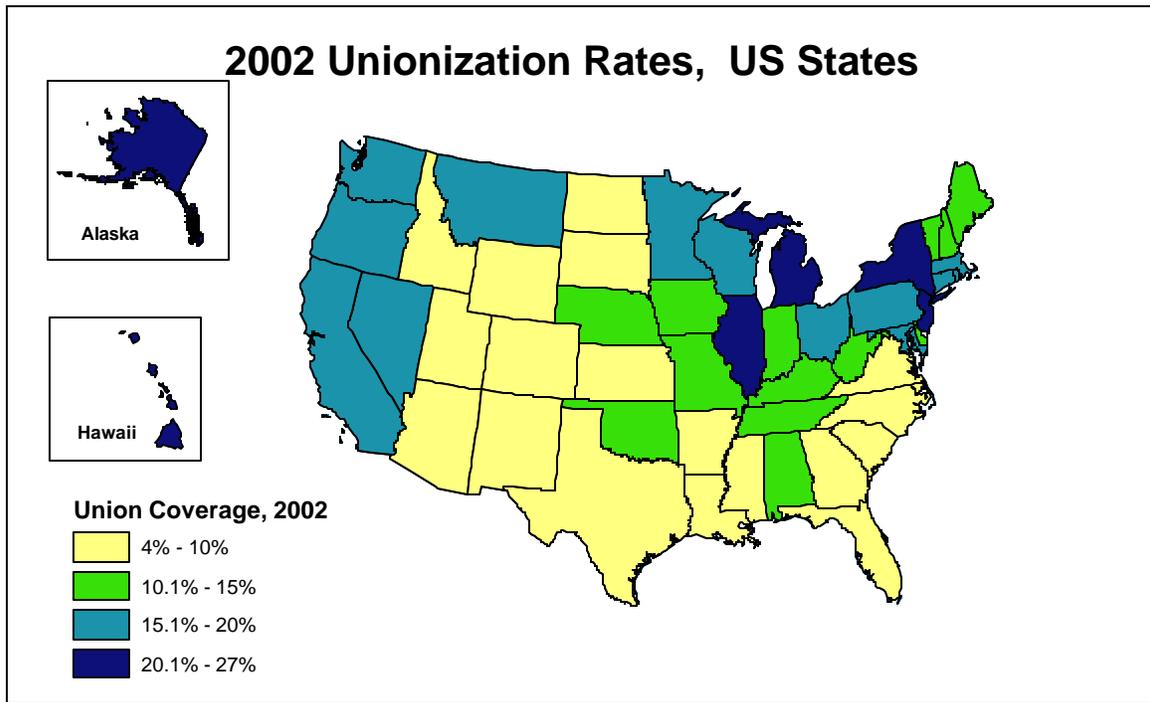


Figure 12

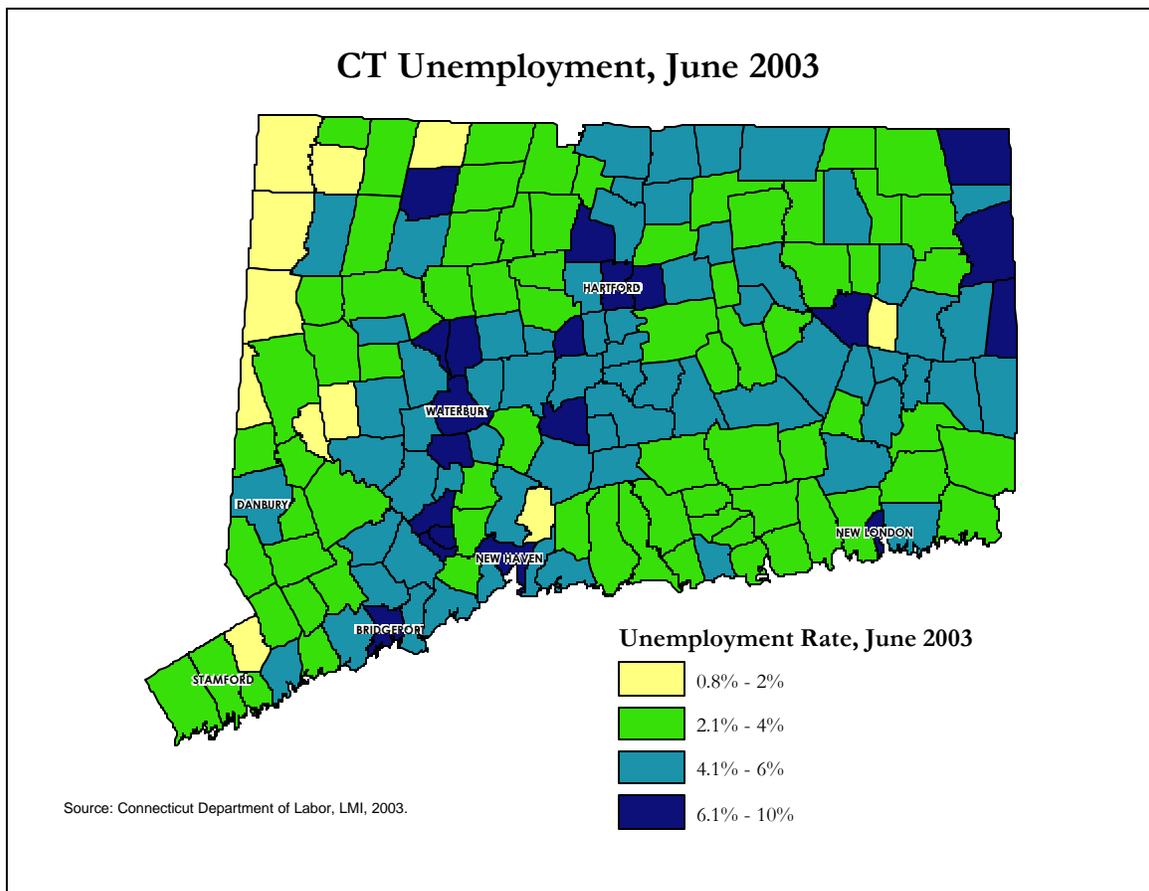


Map 2

IV. Unemployment and Underemployment²⁷

Unemployment

Connecticut's unemployment rate is now more than double the very low rate Connecticut enjoyed prior to its most recent recession (4.9% in June 2003, compared with 2.1% during June 2000 through August 2000, an increase of 2.8 percentage points). **Map 3** below shows the considerable variation in the unemployment rate throughout Connecticut, with ten towns experiencing unemployment rates of 2% or less while 20 towns struggle with unemployment rates that are three to five times higher than that.



Map 3

²⁷ The **unemployment** rate is the percent of the labor force that is on layoff or seeking employment. The more comprehensive **underemployment** rate includes the unemployed, discouraged workers (people who looked for work at some point over the previous year but have given up due to lack of prospects), involuntary part-timers, and a smaller group of people who want to work but face a barrier such as lack of transportation or child care.

Top Ten Unemployment Rates among CT Towns	
TOWN	JUNE '03
HARTFORD	10.0%
BRIDGEPORT	9.4%
WATERBURY	8.6%
ANSONIA	8.3%
DERBY	8.2%
WINDHAM	7.9%
NEW BRITAIN	7.8%
KILLINGLY	7.4%
NEW HAVEN	7.1%
EAST HARTFORD	7.0%

Table 5

Top Ten Increases in Unemployment Rate among CT Towns: June 2000 to June 2003	
TOWN	June 00-03
BRIDGEPORT	4.6
HARTFORD	4.6
WATERBURY	4.4
MIDDLEFIELD	4.3
PLYMOUTH	4.2
WINCHESTER	4.1
ANSONIA	3.9
WINDHAM	3.9
BLOOMFIELD	3.9
DERBY	3.8

Table 6

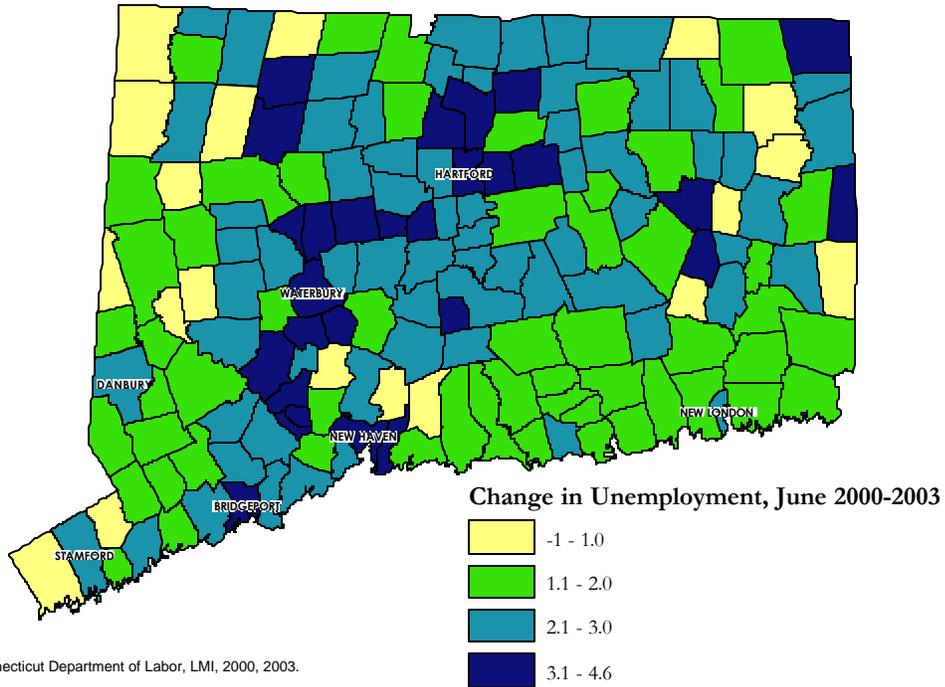
The ten towns with the highest unemployment rates include most of Connecticut's largest cities. Hartford tops the list with an unemployment rate of 10%. Both New Haven and East Hartford are "new additions" to this list since June 2000, while New London and Voluntown left the top ten unemployment list in that period. Not surprisingly, six of the ten towns on the June 2003 list also appear on a top ten list showing the *increase* in unemployment rate during the three-year period.²⁸

Map 4, below, shows the change in Connecticut's unemployment rate, by town, between June 2000 and June 2003. Many of the typical patterns we see in Connecticut are again evident in these maps – the larger cities leading in both unemployment and increase in unemployment. Particularly striking in this map is the increasing unemployment in the Naugatuck Valley, reflecting the continuing erosion of Connecticut's traditional manufacturing base there.

Also of note is that towns experiencing unemployment growth are commonly clustered. Of the 28 towns experiencing changes in unemployment of more than three percentage points, **all but four towns are contiguous with other towns experiencing unemployment increases exceeding three percentage points.**

²⁸ Leading in increases in unemployment are Bridgeport and Hartford (+4.6 percentage points).

Change in CT Unemployment, June 2000 - 2003 (Change in %)



Map 4

While disparities in unemployment among Connecticut towns are noteworthy, even more striking are disparities in unemployment by race and ethnicity. As seen in Figure 13 below, in 2002 the unemployment rate among Connecticut's black workers was 6.8%, twice the rate of its white workers. More than one in ten Hispanic workers (10.3%) were unemployed -- three times the rate for Connecticut's white workers.

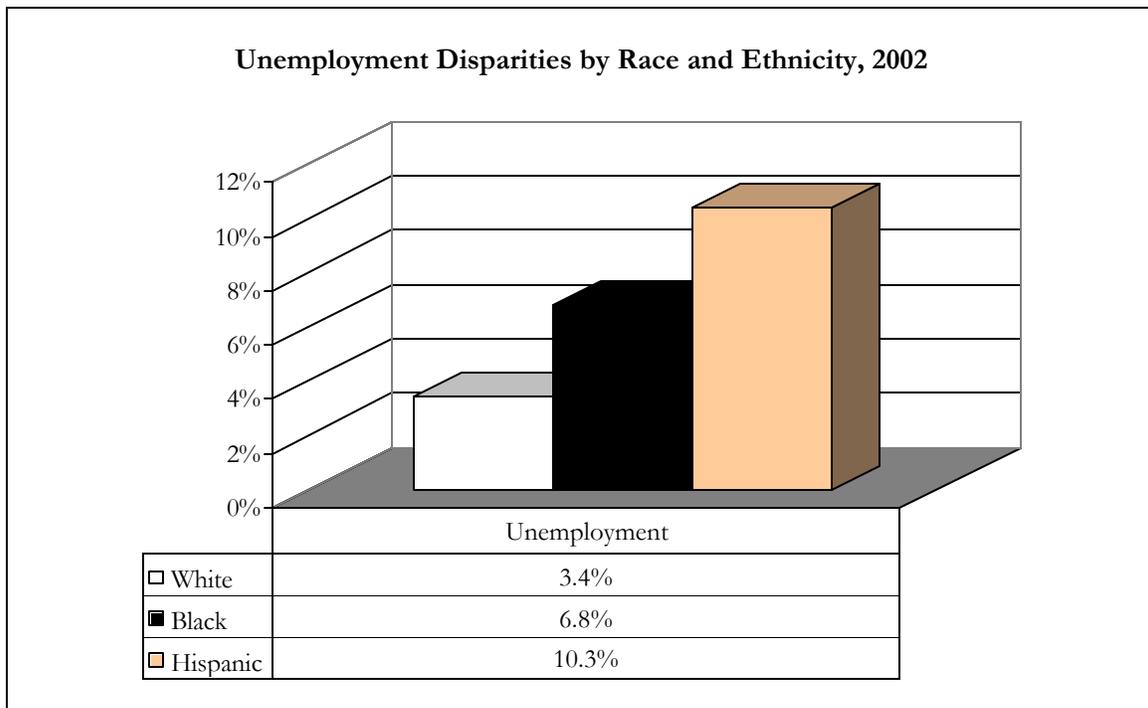


Figure 13

Underemployment

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

As evident in Figure 14 below, the *underemployment* rate is considerably higher than the *unemployment* rate within Connecticut (by 3.1 percentage points), regionally (3.5 percentage points), and nationally (3.8 percentage points). Like the unemployment rate though, Connecticut's rate of underemployment is lower than the regional and national rates (by 1.7 and 2.2 percentage points, respectively).

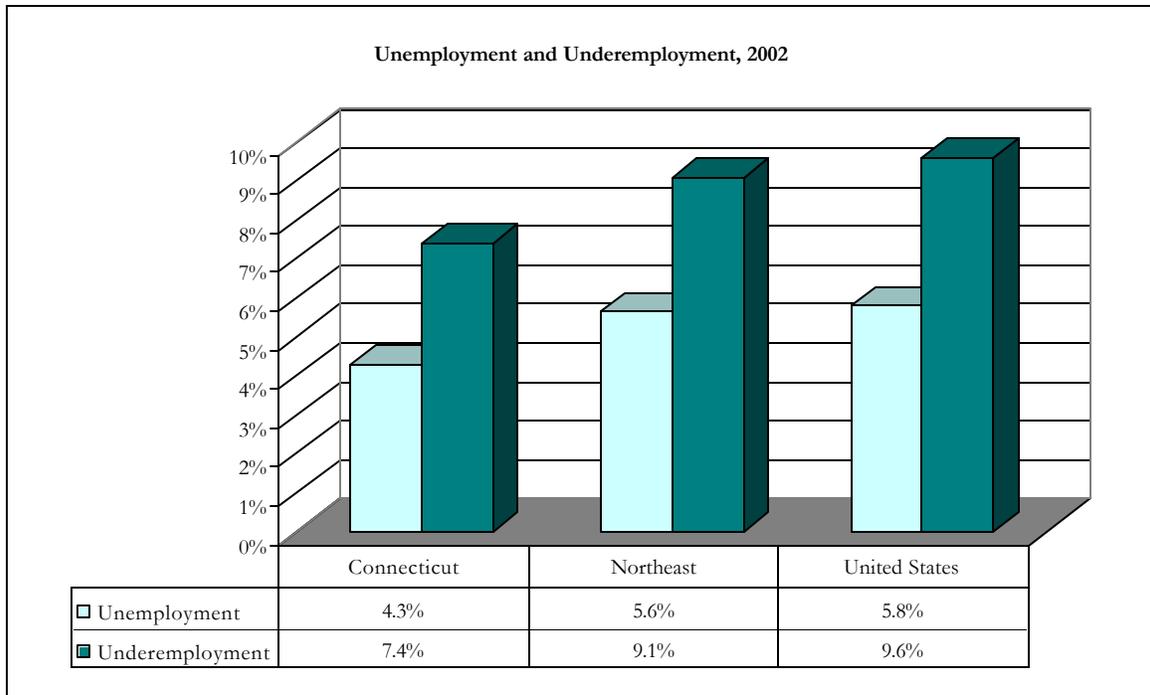


Figure 14

The striking pattern of disparities in *unemployment* by race and ethnicity are echoed in disparities in the *underemployment* rates. As seen in Figure 15 below, in 2002 the underemployment rate among Black workers in Connecticut was 12.4%, twice the rate for White workers. Among Hispanic Workers, the rate was 17.4%, three times the rate for White workers in Connecticut.

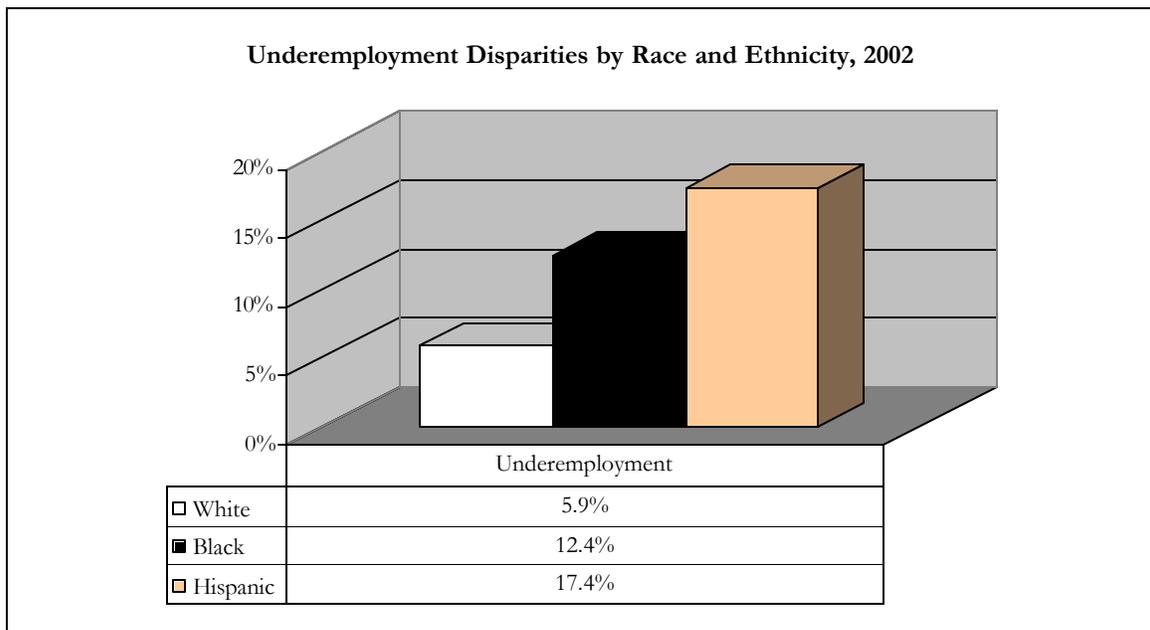


Figure 15

V. Wage Trends

Data on hourly wages for low-wage workers (20th percentile),²⁹ median-wage workers (50th percentile), and high-wage workers (80th percentile)³⁰ show how workers at different wage levels have fared over time. Note that, by definition, fully 20% of Connecticut workers earn wages below the “low” wage level, while fully 20% of Connecticut workers earn wages above the “high” wage level.

Figure 16 below shows the inflation-adjusted (‘real’) hourly wages of Connecticut’s low, median, and high-wage workers from 1979 to 2002. Although all three levels of wage enjoyed gains over this period, it is high wage earners who gained the most, and the most consistently, over this time. Workers at the 80th percentile enjoyed real wages in 2002 that were \$4.20 per hour greater than in 1989. By comparison, real wage growth for median wage workers over the same period was \$1.53 per hour, and for low-wage workers just \$0.04/hour. That is, the real hourly wage increase for workers at the 80th percentile was nearly three times that of the increase for median wage workers, and *one hundred times* greater than the wage increase for low-wage workers.

In addition, the data suggest³¹ that from 2001 to 2002, median and low wage workers *lost* ground in terms of their inflation-adjusted wages, while high wage earners continued to see modest wage growth.

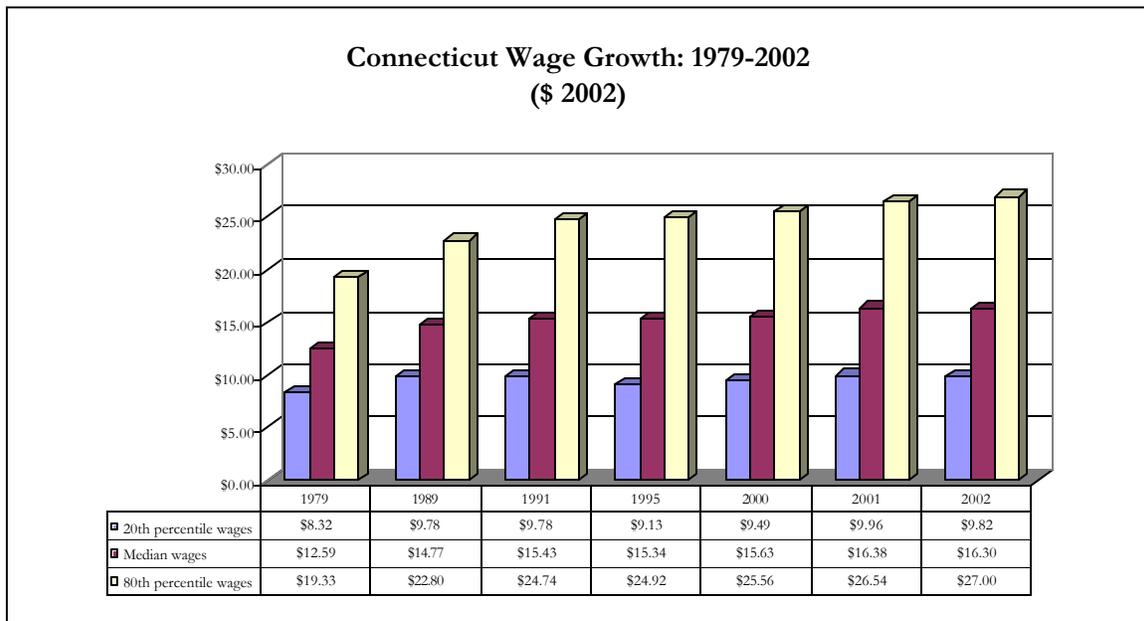


Figure 16

²⁹ “Low wage worker” is defined as the wage of 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. Similarly, the hourly wage for a “median wage” worker is the wage at which 50% of wage earners earn less and 50% of wage earners earn more, and the hourly wage for a “high wage” worker is the wage at which 80% earn less, and 20% earn more.

³⁰ Data based on United States Census Bureau’s Current Population Survey.

³¹ Small sample sizes in these specific data limit the precision of the estimates of these changes in wages.

Wage Trends in Connecticut, the Northeast and the United States

Figures 17, 18, and 18 below show how Connecticut’s real wages compare with regional and national wages over time. In each wage group, Connecticut’s wages *have exceeded* both national and regional wages, after starting at very similar points in 1979.

Low wages. After dipping during the early 1990s, Connecticut’s “low” wage in 2002 now stands approximately \$1.00 higher than “low” wages in the Northeast, and about \$1.60 higher than the average national wage at the 20% percentile. Connecticut’s low wages are as high as they are in part because Connecticut has a state minimum wage that surpasses most other states. In 2003, only Alaska’s \$7.15 minimum wage exceeded the Connecticut minimum wage of \$6.90.

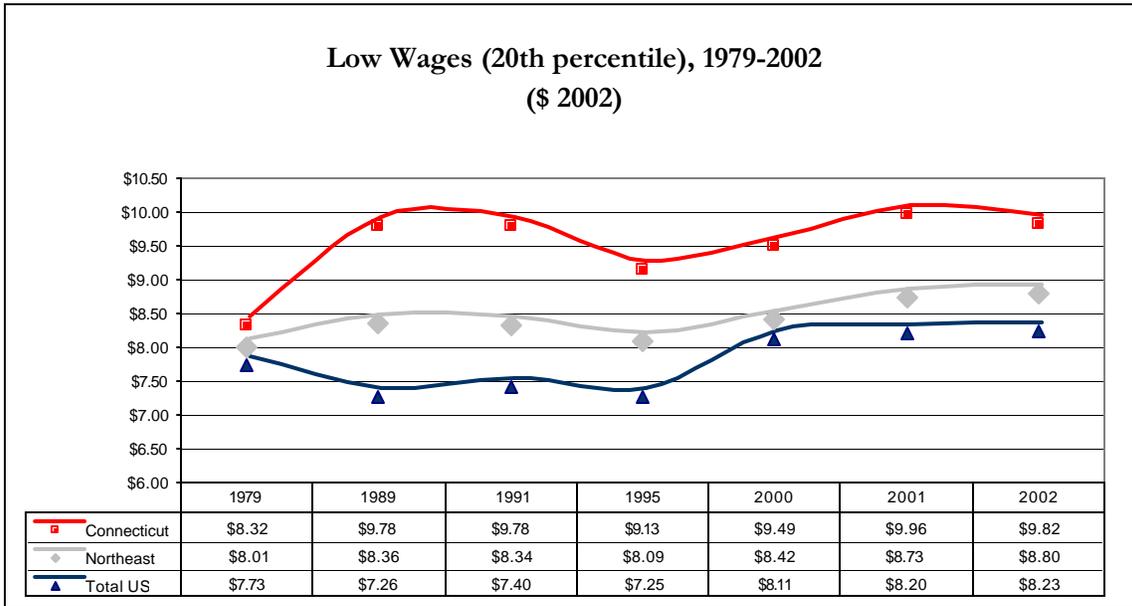


Figure 17

Median Wages. Connecticut’s median wages continue to outpace both national and regional median wages, though the difference has remained fairly constant over the past decade. In fact, the difference between Connecticut’s average median hourly wage and that of the United States has declined from \$3.28 to \$3.11, after peaking at \$3.47 in 1995.³²

³² These comments refer to the years for which data are presented, and may not accurately reflect wage fluctuations in the intervening years. Statistical limitations prevent us from being able to state with certainty that these are the actual wages at the given percentiles.

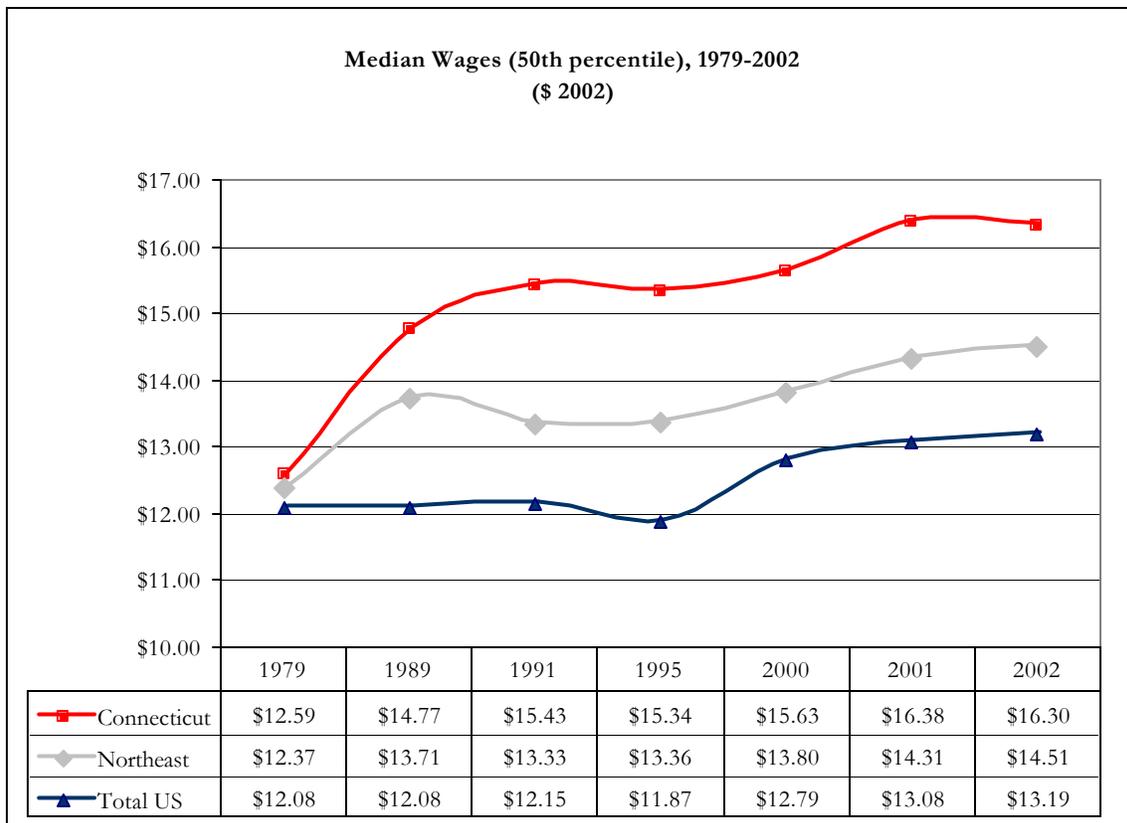


Figure 18

High Wages. Of the three wage categories, only the “high” wage group demonstrates considerable growth in average real hourly wages throughout the period -- in Connecticut, the Northeast, and the United States. Connecticut’s “high” average hourly wage of \$27.00 exceeds both the national and regional average “high” wages. It is third highest among states, in fact, after the District of Columbia’s \$28.97 and New Jersey’s \$27.57.

In addition, the difference between Connecticut’s “high” wage and the national average has increased from \$0.51 in 1979 to \$3.11 in 2002, after peaking at a difference of \$3.47 in 1995.

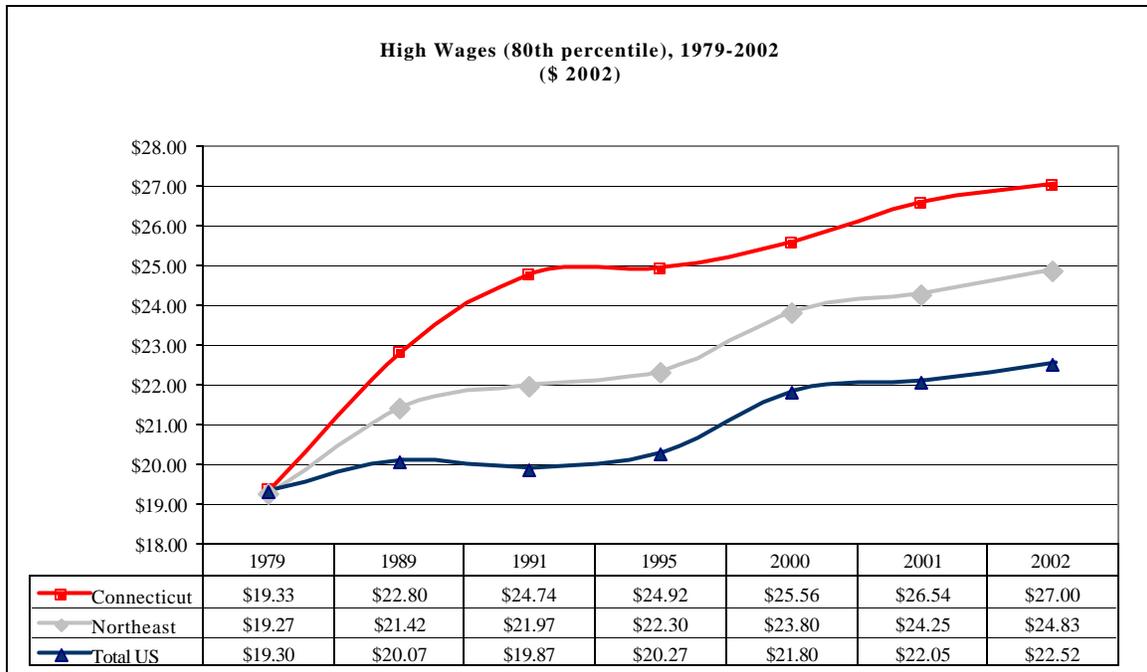


Figure 19

Wage Inequality

CT Voices for Children has written at length elsewhere about the growing inequality of family income in Connecticut.³³ A basic component of unequal income is unequal wages.

Figure 16 showed very clearly that the gap between low and high wages in Connecticut has grown considerably in absolute terms since 1979. Expressing these wages as a ratio, one sees that wage inequality in Connecticut grew considerably during the early 1990s, from 2.3 in 1989 (i.e. the 80th percentile wage was 2.3 times greater than the 20th percentile wage) to 2.7 in 1995, where it has remained (with minor fluctuations). Interestingly, high and low wages in the United States were more unequal than those in Connecticut until the mid 1990s. Now, the difference no longer exists. Wage inequality in the Northeast region, however, continues to be slightly higher than in Connecticut.

Importantly, this measure of inequality markedly underestimates family income inequality in a state of Connecticut's wealth, as it fails to take into account the significant *non-wage* income of Connecticut's highest income families and the actual wages of Connecticut's highest wealth families.³⁴

³³ Douglas Hall and Shelley Geballe, *Pulling Apart in Connecticut: An Analysis of Trends in Family Income* (Connecticut Voices for Children, 2002).

³⁴ As noted earlier in this report, "high" wages in this report are the average wages of the worker at the 80th percentile. That is, fully 20% of Connecticut's workers earn *more than* the "high" wage reported here. In a state like Connecticut, which has very significant individual wealth (a long "tail" in the upper levels of income distribution) this measure fails to capture an important dimension of the state's "high" wages. While "low" wages have a lower bound (\$0/hour), "high" wages have no upper limit. In addition, our state's wealthiest residents also enjoy substantial non-wage income. For both these reasons, the measure of wage inequality used

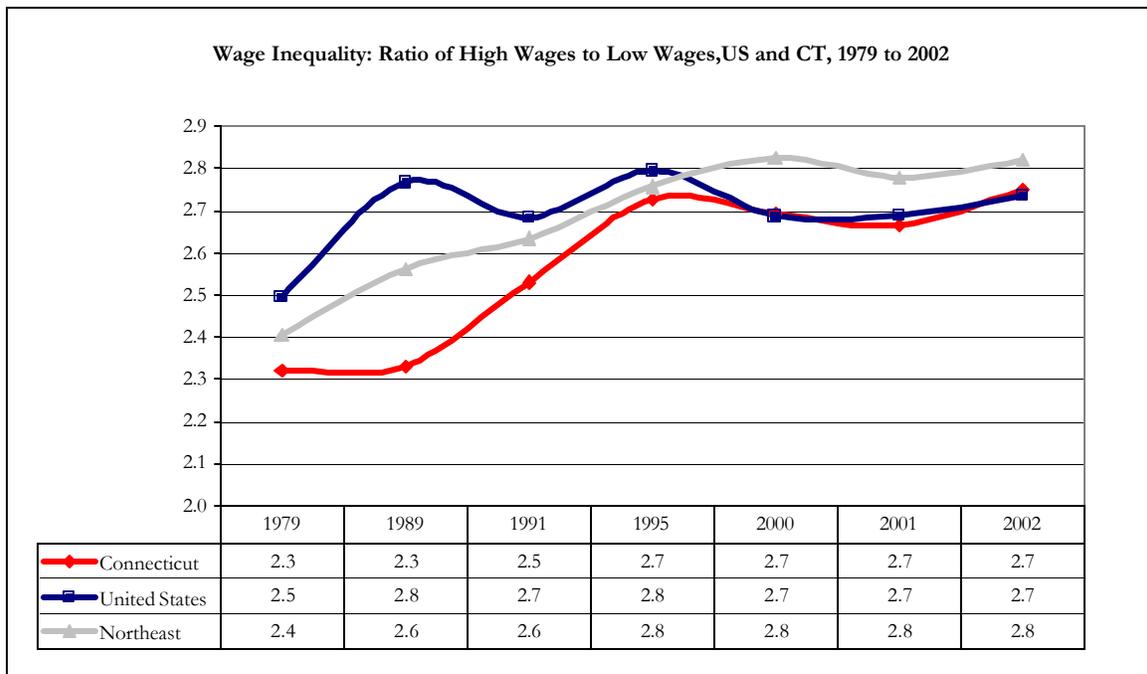


Figure 20

VI. Wage Inadequacy

Unfortunately, many Connecticut families earn wages that are not only insufficient to meet their self-sufficiency needs, but are so low as to leave them below the federal poverty level (\$18,100/year for a family of 4 in 2002).

Overall. As seen in Table 7 below, nearly 1 in 7 of Connecticut's workers earn wages that are less than the federal poverty standard. While lower than the national average (23%) and the regional average (20%), it is disturbingly high in a state with the nation's highest per capita income.

By Gender. Disparities in the proportion of men and women earning sub-poverty wages are noteworthy, with 11% of Connecticut men earning sub-poverty wages, compared with 19% of women. Comparable gender gaps prevail at both the national and regional levels.

Share of workforce earning less than poverty wages by state, 2002						
	All	Male	Female	Hispanic	Black	White
UNITED STATES	23.1%	18.2%	28.3%	38.8%	29.3%	19.4%
NORTHEAST	19.8%	15.3%	24.3%	33.6%	25.7%	17.5%
Connecticut	15.1%	11.3%	18.8%	25.1%	22.4%	13.2%

Table 7

in this report will substantially underestimate the true level of income inequality between high and low income Connecticut families.

By Race and Ethnicity. The differences evident when comparing the distribution of sub-poverty wages by race and ethnicity are also considerable, as seen in Figure 21 below. In Connecticut, the proportion of the Black workforce earning sub-poverty wages is more than one and a half times the proportion of the white workforce earning such low wages. For the Hispanic workforce, the proportion earning sub-poverty wages is almost double that of the White workforce. Yet, all three groups fare better in Connecticut than their counterparts either regionally or nationally, as shown in Table 7 above.

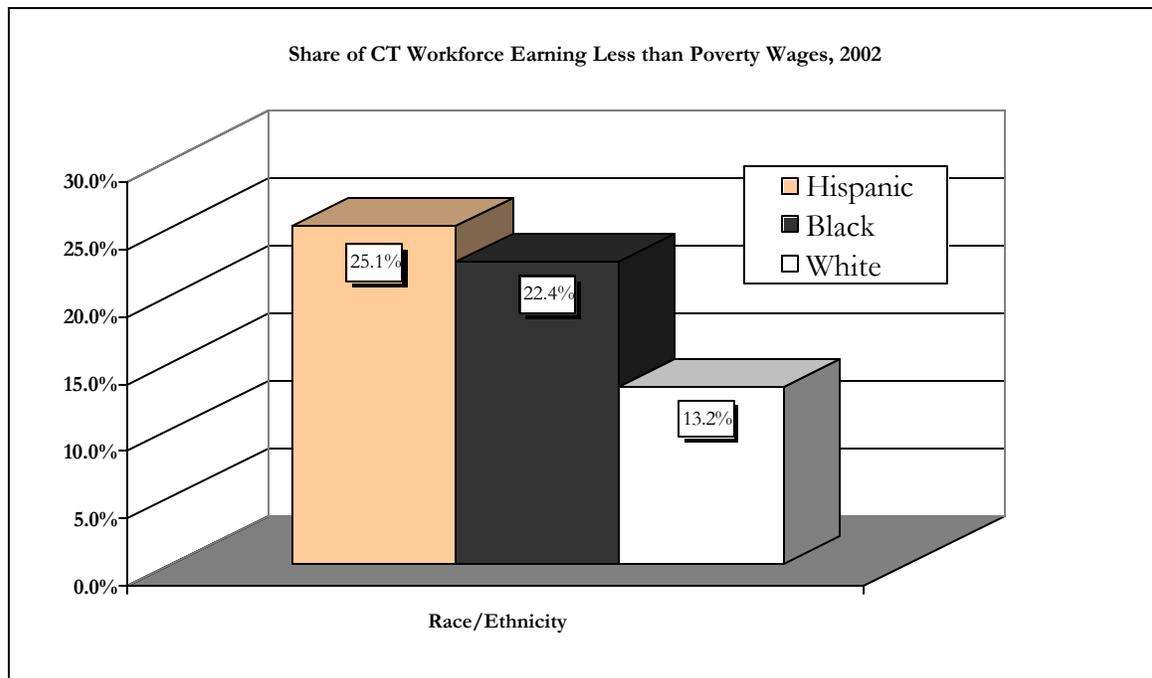


Figure 21

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

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

As is clear from the accompanying 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 guidelines for a family of four (\$18,100 in 2002), 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 relying on “poverty-level” wages, or less.

A comparison of the hourly self-sufficiency wage in five representative regions of the state with the hourly wages of Connecticut workers in 2002, as seen in Table 9 below, illustrates that work alone, for many families, is not sufficient to make ends meet.

CT Self-Sufficiency Standard for Family with Two Working Parents with One Infant and One School-Aged Child (2002\$)		
Region	Average annual income needed for economic self-sufficiency	Federal Poverty Guidelines
Hartford	\$42,611	\$18,100
Middletown	\$43,143	\$18,100
Northeast	\$43,770	\$18,100
Bristol	\$43,996	\$18,100
Waterbury	\$44,396	\$18,100
New Haven	\$44,635	\$18,100
Southeast Region	\$45,155	\$18,100
Torrington	\$45,181	\$18,100
Danbury	\$47,805	\$18,100
Old Saybrook	\$48,138	\$18,100
Bridgeport	\$50,430	\$18,100
Stamford-Norwalk	\$57,449	\$18,100

Table 8: Source: Pearce and 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 have been adjusted for inflation using the CPI-U to allow a comparison of 2002 dollars to the federal poverty threshold for 2002.

2002 CT Hourly Wages		
Low wage workers (20 th percentile)		\$9.82
Median wage workers (50 th percentile)		\$16.30
High wage workers (80 th percentile)		\$27.00
<i>CT Self-Sufficiency Standard for Family with One Infant and One School-Aged Child (2001\$)</i>		
Region	Two parent family: Average hourly wage needed for economic self-sufficiency for <i>each</i> working parent	Single parent family: Average hourly wage needed for self-sufficiency for single working parent
Middletown	\$10.37	\$18.12
Northeast	\$10.52	\$18.44
Waterbury	\$10.67	\$18.74
New Haven	\$10.73	\$18.88
Stamford-Norwalk	\$13.81	\$25.12

Table 9: Source: Pearce & Brooks, *The Self Sufficiency Standard for Connecticut* (1999). Note: Hourly wage data is for 2002, 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 2002 dollars. Hourly wage assumes 52 40-hour work weeks.

VII. Conclusion

Connecticut sits poised at a critical juncture that invites – indeed requires – smart and strategic budget decisions and policy responses. Connecticut is a wealthy state, in which many people enjoy a standard of living that is truly extraordinary. Unfortunately, there remain many people who do not share in the benefits of that high standard of living.

Unless Connecticut finds a way to ensure that its great wealth benefits all – perhaps not equally, but fairly – Connecticut will face further polarization of its communities, threatening the fabric of society and the vibrancy of our democracy, and compromising our children's futures.

The warning signs are evident – the erosion of Connecticut's employment base (particularly in manufacturing) demands a response that places the interests of workers rather than investors more at the forefront. At the current rate of "recovery" from the recession of 2001, Connecticut would shed its last job in the year 2080. Productivity, yes, but at what price?

The Connecticut experienced by its African-American and Hispanic workers is very different than that experienced by many of its White workers. They more commonly earn lower wages and are unemployed (or underemployed) at rates that are two and three times higher. In part, this reflects Connecticut's troublesome educational attainment gap that must be addressed if Connecticut is to have a vibrant workforce in the years ahead, since the state's African-American and Latino populations are younger than its white population.

One important measure to take is to create a system of true lifelong learning. Children of all races, ethnicities, and incomes need to have access to high quality early care and education so they start school equally ready to succeed. Our K-12 education must prepare all students for post-secondary learning that is appropriate to their abilities and interests. Resources need to be channeled to those areas most in need, and must be spent wisely. Rather than cutting need-based aid to Connecticut's colleges and universities to reduce budget deficits, Connecticut must redouble its efforts to provide the resources needed to give qualified students access to post-secondary education without encumbering them with extraordinary indebtedness. And finally, high quality training must be available to all workers – particularly those experiencing disproportionately high rates of unemployment and underemployment – so that all of Connecticut's workforce have the tools to contribute to, and benefit from, Connecticut's ever-evolving economy.

Connecticut also must also understand that many of the jobs that now exist, particularly those in services, pay wages that are far below the wages necessary for a family to meet its essential needs. Efforts to supplement these wages and reduce the living expenses of these families is essential to assure the successful growth and development of their children who, soon, will join Connecticut's workforce. A state earned income tax credit, a housing stock that these lower-wage workers can afford, and help with the expenses of childcare and health care, are all essential. Sadly, and counterproductively, many of these supports have been among the first on the state "chopping block" in its budget deficit mitigation efforts.

Connecticut has the resources to address these challenges. If ranked as a country, Connecticut would enjoy the *world's* highest per capita income. Connecticut must demonstrate now that it has the foresight and the will to create a better place for *all* of working Connecticut. In a global economy, Connecticut is a very small boat. We cannot afford to lose our edge as one of the nation's – indeed, the world's -- best-educated workforces. Budget and policy solutions must be found that do not turn the state itself into an agent of increasing disparity between the 'two Connecticut.'