Data CONNECTions

CT Voices for Children September 2004

The State of Working Connecticut, 2004

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I. Introduction

> *[C]onsider the economy. We're in a new world of work in which good jobs at good pay with good benefits are ever more hard to find. Despite the administration's insistence that the economy is strong and getting stronger, there is no light at the end of this dismal tunnel. Job growth is anemic. The middle class is being relentlessly squeezed. And the Census Bureau tells us that in 2003, for the third year in a row, the number of Americans who are poor increased.*[1]

> *[F]amilies are overwhelmed by their debt and scared for their futures. After a decade of building up debt, they're worried that the next time a spouse gets laid off, the car breaks down or a child gets sick, their safety net will finally break. That's the real truth about household debt in America.*[2]

Recent headlines paint a telling picture of changes that have been occurring in Connecticut's economy:

- "Income Gap Up Over Two Decades, Data Show"[3]
- "Laid-Off Workers Lacking Choices: Manufacturing Cuts Continue State Trend"[4]
- "Nearly 9 Million Americans Lost Health Insurance from 2001 to 2003"[5]
- "Banking Giant's Ax Swings in State"[6]
- "Rising Cost of Health Benefits Cited as Factor in Slump of Jobs"[7]
- "State Loses 4,900 jobs"[8]

Collectively, these stories – and others – depict great turbulence in our current economy, with transformations and dislocations that are leaving Connecticut families increasingly vulnerable to forces beyond their control. Indeed, global and national economic forces are fundamentally re-ordering the relationship between workers and the economy.

The State of Working Connecticut, the fourth such report written by Connecticut Voices for Children in partnership with The Economic Policy Institute in Washington, DC, focuses specifically on state trends in jobs and employment, workforce composition, unemployment and underemployment, wages, income, income distribution and poverty. Unless otherwise indicated, the data in this report are based on primary data from the United States Census Bureau and the Bureau of Labor Statistics, on analysis of these data by the Economic Policy Institute, and on secondary analysis of these data by Connecticut Voices for Children.

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[1] Bob Herbert, "Of Campaigns and Breakfast Cereals," *New York Times*, August 30, 2004. http://www.nytimes.com/2004/08/30/opinion/30herbert.html?hp.

[2] Tamara Draut, "Our Economic House of Cards," *The Hartford Courant*,, August 16, 2004.

[3] Leigh Strope, "Income Gap Up Over Two Decades, Data Show," *The Hartford Courant,* August 17, 2004.

[4] "Laid-Off Workers Lacking Choices: Manufacturing Cuts Continue State Trend," *The Hartford Courant*, August 1, 2004.

[5] John A. MacDonald, "Nearly 9 Million Americans Lost Health Insurance from 2001 to 2003," *The Hartford Courant*, August 3, 2004.

[6] Kenneth Gosselin, "Banking Giant's Ax Swings in State," *The Hartford Courant*, August 19, 2004.

[7] Eduardo Porter, "Cost Of Benefits Cited As Factor In Slump In Jobs," *The New York Times*, August 19, 2004.

[8] Michael Remez, "State Loses 4,900 Jobs," *The Hartford Courant*, August 20, 2004.

II. The Face of Working Connecticut

Gender

Share of Labor Force. In 2003, Connecticut's labor force was 52% male and 48% female. The share of women in Connecticut's labor force slightly exceeds national and regional averages: 47% women and 53% men in both the United States labor force and the Northeast labor force.

	Gender	
	Male	**Female**
UNITED STATES	53%	47%
NORTHEAST	53%	47%
Connecticut	52%	48%

Table II-1: Share of Labor Force by Gender, 2003.[1]
Source: United States Census Bureau, Current Population Survey

Labor Force Participation Rate. The significant change over time in Connecticut's labor force participation rate by gender, illustrated in Figure II-1, merits attention. Since 1979, the labor force participation rate among Connecticut men has declined from 80% to 74%, while the participation rate among Connecticut women has increased from 55% to 61%.[2] The entrance of more women into Connecticut's workforce suggests the need for more "family-friendly" policies that assist families in providing adequate care for their children when both parents (or a single parent) are at work.

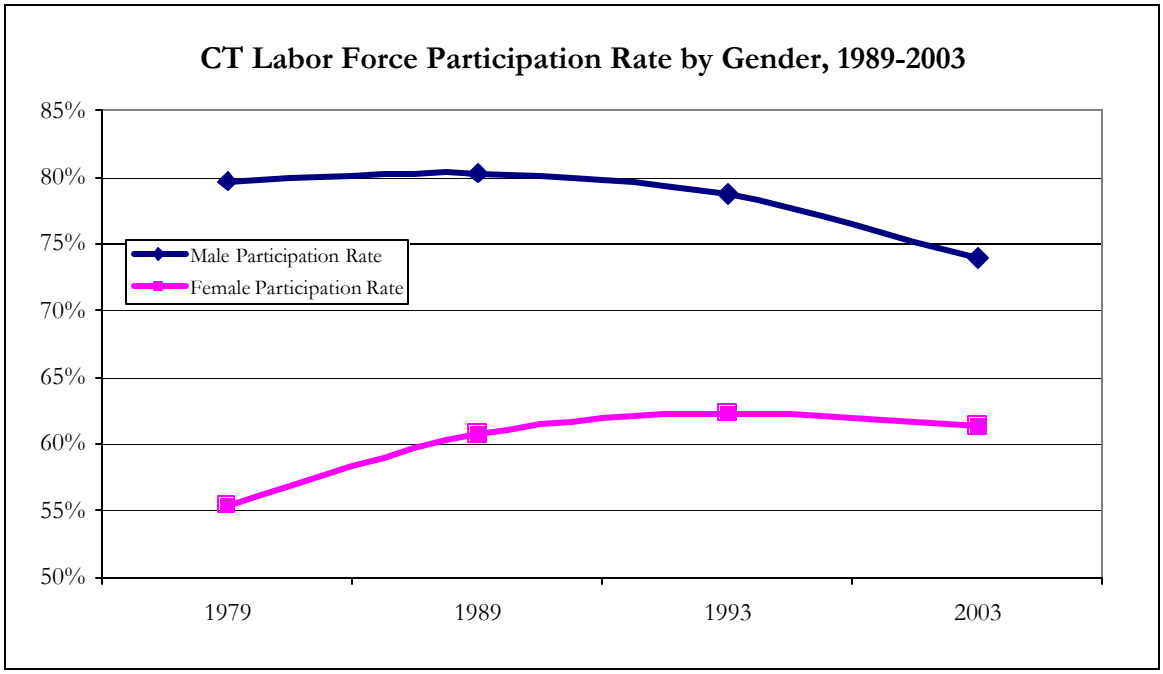


Figure II-1 Source: United States Census Bureau, Current Population Survey

[1] These differences in the proportion of men and women in the labor force are all statistically significant. The term *labor force* includes all those in the civilian non-institutional population who are either employed or unemployed. The civilian non-institutionalized population includes all persons 16 years of age or older who are not inmates of institutions (e.g., correctional, mental, homes for the aged) and who are not on active duty in the Armed Forces.

[2] The *labor force participation rate* is the share of civilian non-institutional population (age 16 and above) who are in the civilian labor force.

Race and Ethnicity

Share of Labor Force. Connecticut's labor force is less diverse in race and ethnicity than the national average, but reflects fairly accurately the racial and ethnic composition of the state. Connecticut's labor force is 78.1% White, 8.8% African American, 8.7% Hispanic, and 3.2% Asian/Pacific Islander.[3] By comparison, the United States labor force is 70.4% White, 10.9% African American, 12.8% Hispanic, and 4.1% Asian/Pacific Islander.

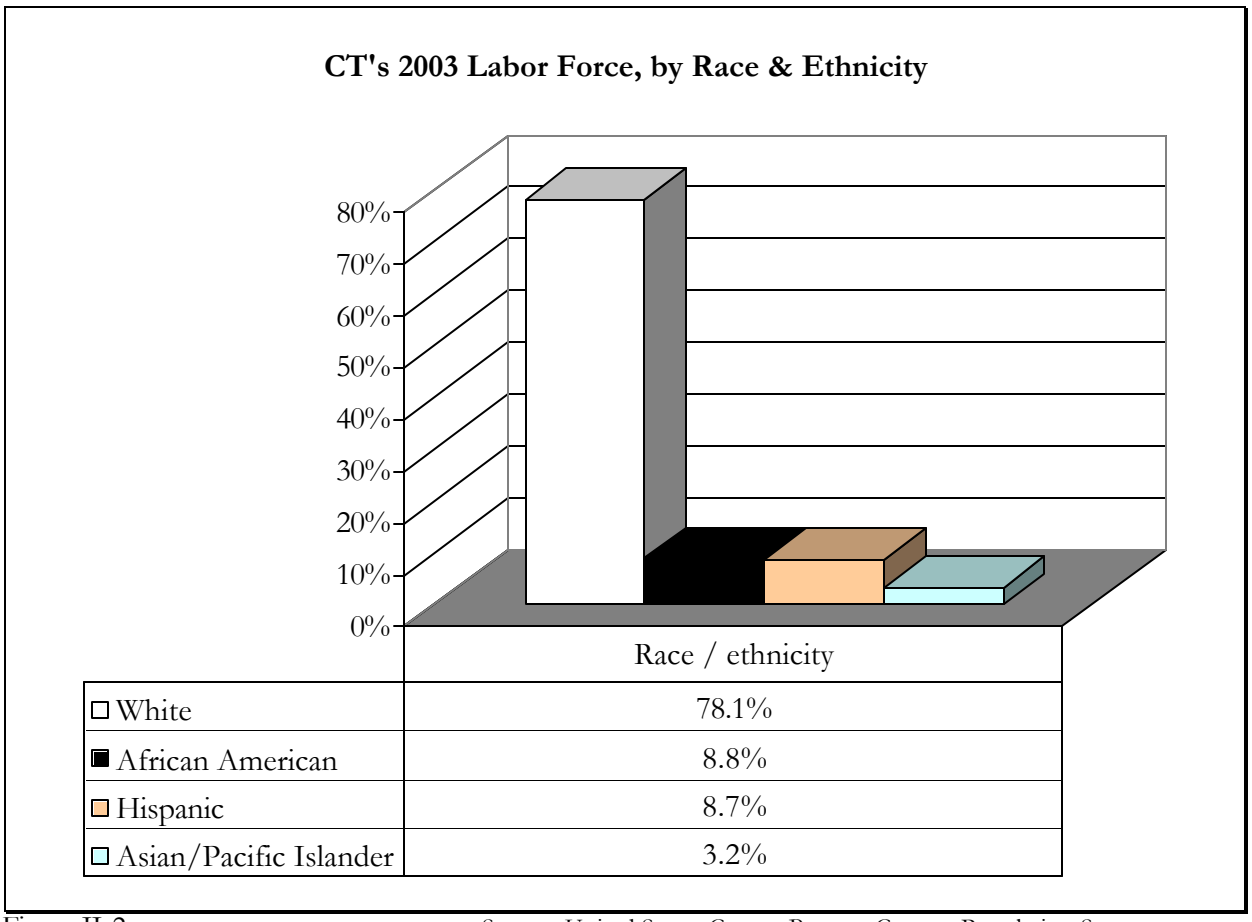


Figure II-2 Source: United States Census Bureau, Current Population Survey

Labor Force Participation Rate. In 2003, 67% of Connecticut's white non-institutionalized population over age 16 was in the labor force. By comparison, 69% of Connecticut's African-American population, 71% of its Hispanic population, and 72% of its Asian/Pacific

[3] Labor Force data on race and ethnicity are from the United States Census Bureau's Current Population Survey (CPS)0. 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 persons of that race. Although the categorization of race and ethnicity differ somewhat in Census 2000 demographic data, these data show that the race and ethnicity of Connecticut workforce fairly reflects Connecticut's overall population. Census 2000 data 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) comprise 4.4% of the population.

Islander population were in the labor force. The labor force participation rates of Connecticut workers by race and ethnicity have not changed significantly between 1989 and 2003. While there has been an increase of 3.2 percentage points in the labor force participation of Hispanic workers (from 67.9% in 1989 to 71.1% in 2003) and a decline of 7.1 percentage points in the labor force participation rate of African-Americans (from 75.7% in 1989 to 68.6% in 2003), the changes are not statistically significant.

Educational Attainment

Share of Labor Force. Connecticut's labor force is more highly educated than the national average, with 35.9% having a Bachelor's degree or higher, 24.5% having some college education, and only 9.6% having less than a high school education, as illustrated in Table II-2. Comparable national figures show 28.5% with Bachelor's degrees or higher, 28.3% with some college, and 12.8% lacking a high school degree. Connecticut ranks fifth highest in the nation in the share of its labor force having a Bachelor's degree or higher, behind only the District of Columbia (53.0%), Massachusetts (39.5%), Maryland (36.9%), and New Jersey (36.6%).

Share of Labor Force by Educational Attainment, 2003				
	Less than high school	High school	Some college	Bachelor's or higher
UNITED STATES	12.8%	30.4%	28.3%	28.5%
NORTHEAST	10.6%	32.1%	23.8%	33.5%
Connecticut	9.6%	30.0%	24.5%	35.9%

Table II-2
Source: United States Census Bureau, Current Population Survey

Since 1979, Connecticut's labor force has grown increasingly well educated, as the following table illustrates. The share of the labor force with a Bachelor's degree or higher has increased from 24.3% to 35.9%, while the share with less than a high school education has declined from 19.5% to 9.6%:

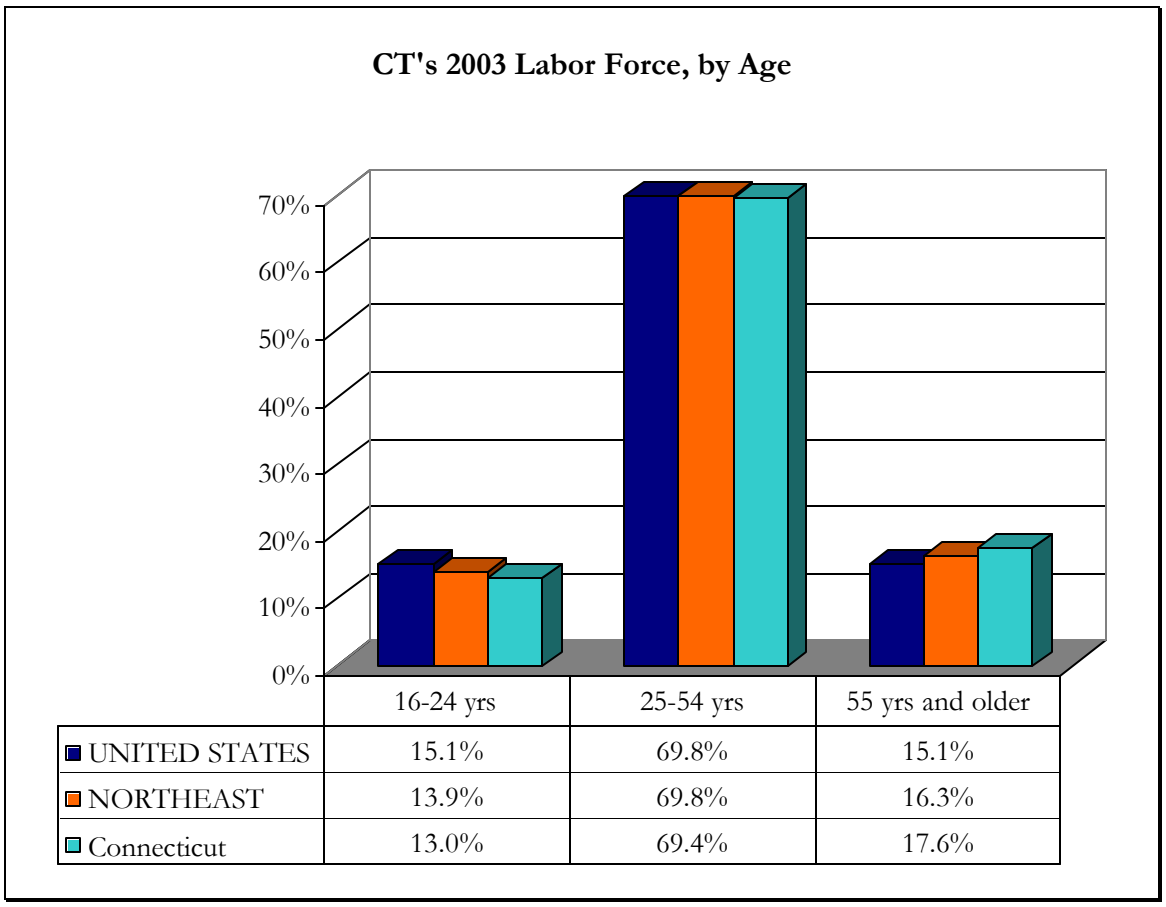
Share of Connecticut's Labor Force by Educational Attainment: 1979-2003				
	1979	1989	1999	2003
Less than high school	19.5%	12.2%	10.9%	9.6%
High school	38.9%	36.4%	28.6%	30.0%
Some college	17.4%	22.4%	23.9%	24.5%
Bachelor's degree or higher	24.3%	29.0%	36.6%	35.9%

Table II-3
Source: United States Census Bureau, Current Population Survey

Labor Force Participation. Since 1979, there has been a decline in the labor force participation of Connecticut's less well-educated workers. In 1979, 47% of persons sixteen and older with less than a high school education were in Connecticut's labor force, compared to 42% in 2003. The labor force participation rate among those with only a high school education has similarly declined, from 71% in 1979 to 66% in 2003.

Age

Share of Labor Force. Connecticut's workforce is relatively old compared to national averages. As seen in Figure II-3 below, Connecticut is at about the United States average in the share of the workforce that is 25 to 54 years old (with 69.4% of Connecticut's workforce in this age range, compared to the national average of 69.8%). However, the share of Connecticut's workforce that is 55 years and over exceeds the national average (17.6% in Connecticut compared to the national average of 15.1%) and the share of Connecticut's workforce that is 16 to 24 years old is less than the national average (13.0% compared to the national average of 15.1%).



	16-24 yrs	25-54 yrs	55 yrs and older
UNITED STATES	15.1%	69.8%	15.1%
NORTHEAST	13.9%	69.8%	16.3%
Connecticut	13.0%	69.4%	17.6%

Figure II-3
Source: United States Census Bureau, Current Population Survey

The proportion of Connecticut workers who are over age 55 (17.6%) is *second highest* in the nation, behind only South Dakota (17.8%). By comparison, the proportion of Connecticut workers who are aged 16 to 24 years is *second lowest* in the nation, ahead only of New Jersey (12.9%) and tied with Hawaii.

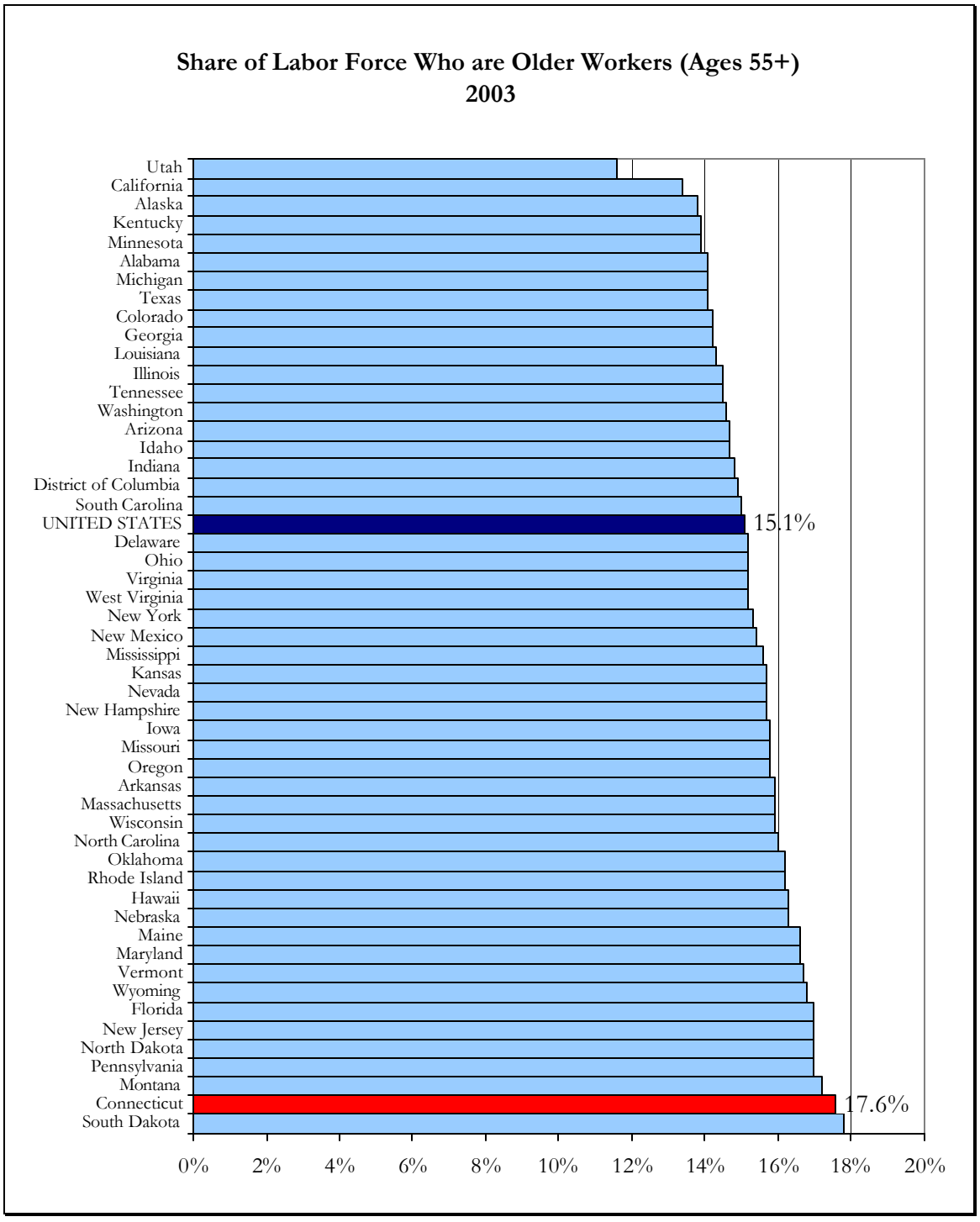


Figure II-4 Source: United States Census Bureau, Current Population Survey

Examining trend data, it is also clear that Connecticut's workforce (already relatively old) is aging. Over the last decade there has been a large and significant increase in the share of the Connecticut workforce that is made up of older workers (55 years and older). Specifically, between 1993 to 2003, the share of the Connecticut workforce made up of workers 55 years and older increased from 13% to 18% (a 39% increase). Indeed, the share of Connecticut's workforce that is 55 years and older is currently the highest it has been since 1979 (when the

share was 17.2%) and far greater than the state's lowest percentage of oldest workers during this period (12.2% in 1992).

By comparison, the share of the Connecticut workforce that is 16 to 24 years of age (currently 13.0%) is a little higher than the lowest proportion of young workers in Connecticut's labor force since 1979 (11.1% in 2000), but far lower than the highest proportion of young workers over this period (23.1% in 1979).

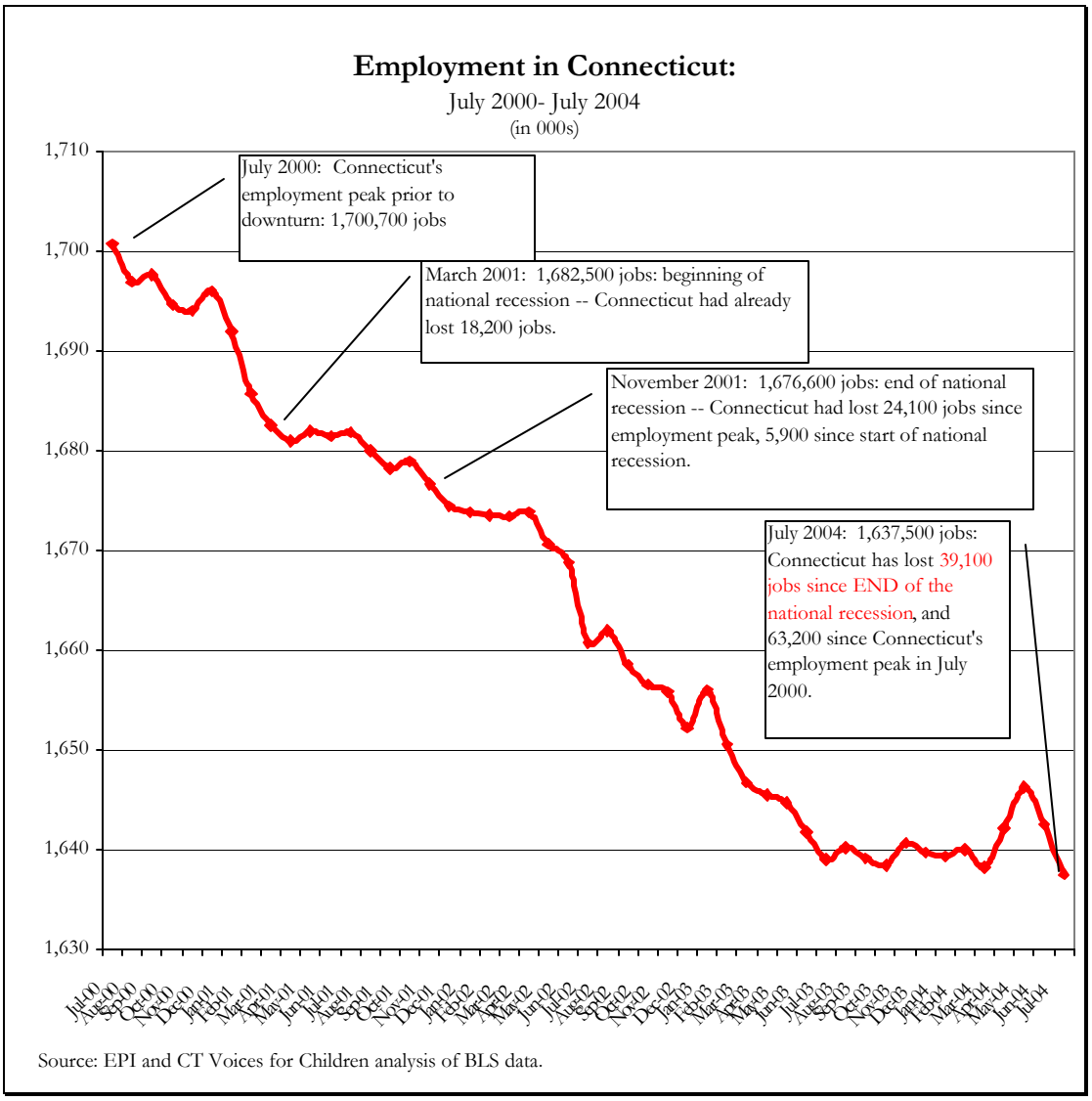
The consequences of Connecticut's aging workforce are self-evident. As more "boomers" retire, they will need to rely on a relatively smaller cohort of younger workers to support *their* retirements and sustain Connecticut's economy. However, reduced out-migration of Connecticut's more youthful workers, increased in-migration of younger workers and/or an increase in Connecticut's birthrate could help reverse this trend.

Labor Force Participation. Connecticut also has experienced a decline in labor force participation rate among persons 16 to 24 years of age. Between 1979 and 2003, the participation rate of this age cohort declined almost 12 percentage points, from 72% to 60%. During this same period, participation rates among workers 25 to 54 years of age increased by approximately 4 percentage points, from 81% to 85%. The modest decline (from 39% to 38%) among workers ages 55 and older was not statistically significant.

III. Job and Employment Trends

Payroll Employment[1]

Total Payroll Employment. Four years after the employment peak that preceded Connecticut's recession (and long after the end of the national recession), Connecticut's employment picture continues to teeter between 'bleak' and 'uncertain.' Figure III-1 paints a stark picture of recent employment trends in Connecticut (between July 2000 and July 2004) :



Source: EPI and CT Voices for Children analysis of BLS data.

Figure III-1

[1] "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.

Connecticut continues to lose jobs, not only in the manufacturing sector, but overall. In fact, the erosion of jobs since July 2000 has been relentless. In July 2004 there were:

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

As shown in Figure III-1 above, since July 2000 Connecticut has failed to show evidence of a sustained economic recovery. Although there have been twelve months in which employment increased from the previous month, on only one such occasion has the job market been able to sustain consecutive months of employment growth (April and May 2004) and, in that case, losses sustained in subsequent months have more than erased those gains.

Particularly positive employment signs evident in May (increased payroll employment by 4,100) caused some to be prematurely optimistic. The August edition of *The Connecticut Economic Digest*, a joint publication of the Connecticut Department of Labor and the Connecticut Department of Economic and Community Development, predicted that 'robust economic growth is expected to continue for the remainder of this year…The employment picture is looking brighter for Connecticut."[2]

For others, earlier optimism that Connecticut had emerged from recession, and that employment growth would soon follow, has given way to frustration. New Haven economist Donald Klepper-Smith noted in late August that "We are at the point when we should be creating jobs, and we simply are not doing that….We can't seem to jump-start this economy."[3]

Connecticut's Job Growth Compared To The Nation, The Region, And Other States. The *State of Working Connecticut 2003* reported that, despite significant job losses, Connecticut's overall employment situation had deteriorated less severely than the national average. This year, that is no longer true.

As shown in Table III-1 below, the national workforce declined by over 1.2 million jobs since the beginning of the national recession, a loss of 0.9% of all jobs nationally. While Connecticut's loss of 45,000 jobs represents only a very small portion of the national number, the *2.7% of Connecticut jobs lost* during this period is *triple* the national loss of 0.9%. Connecticut's job loss surpassed also the regional job loss rate (-1.9%).

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[2] Connecticut Department of Labor and Connecticut Department of Economic and Community Development, "The employment picture continues to improve in May," *The Connecticut Economic Digest* (Vol. 9, No.8, August, 2004), p. 4.

[3] Donald Klepper-Smith, quoted in Michael Remez, "State Loses 4,900 Jobs," *The Hartford Courant*, August 20, 2004 .

Change in Payroll Employment Since Beginning of National Recession: Connecticut, Northeast & U.S. (000s)				
	March 2001	**July 2004**	**Number**	**Percent**
United States	132,507.0	131,272.0	**-1,235.0**	**-0.9%**
Northeast	25,456.2	24,978.1	**-478.1**	**-1.9%**
CONNECTICUT	1,682.5	1,637.50	**-45.0**	**-2.7%**

Table III-1

Source: Economic Policy Institute analysis of Bureau of Labor Statistics data, 2004.

As seen in Figure III-2 below, although Connecticut is one of thirty-two states that have fewer jobs now than at the beginning of the national recession in March 2001, Connecticut's job loss has been particularly severe relative to other states.[4] Other states in the Northeast that fared poorly since the beginning of the recession include Massachusetts (with a decline of 5.4% in jobs since March 2001), New York (a 2.6% decline), Pennsylvania (a 1.4% decline) and Vermont (a 1.0% decline). States in our region that fared relatively well include Rhode Island (a 2.0% increase), New Jersey (a 1.2% increase), and Maine (a 0.3% increase).

[4] http://www.jobwatch.org/states/index.html. These data are based on the beginning and ending of the recession nationwide.

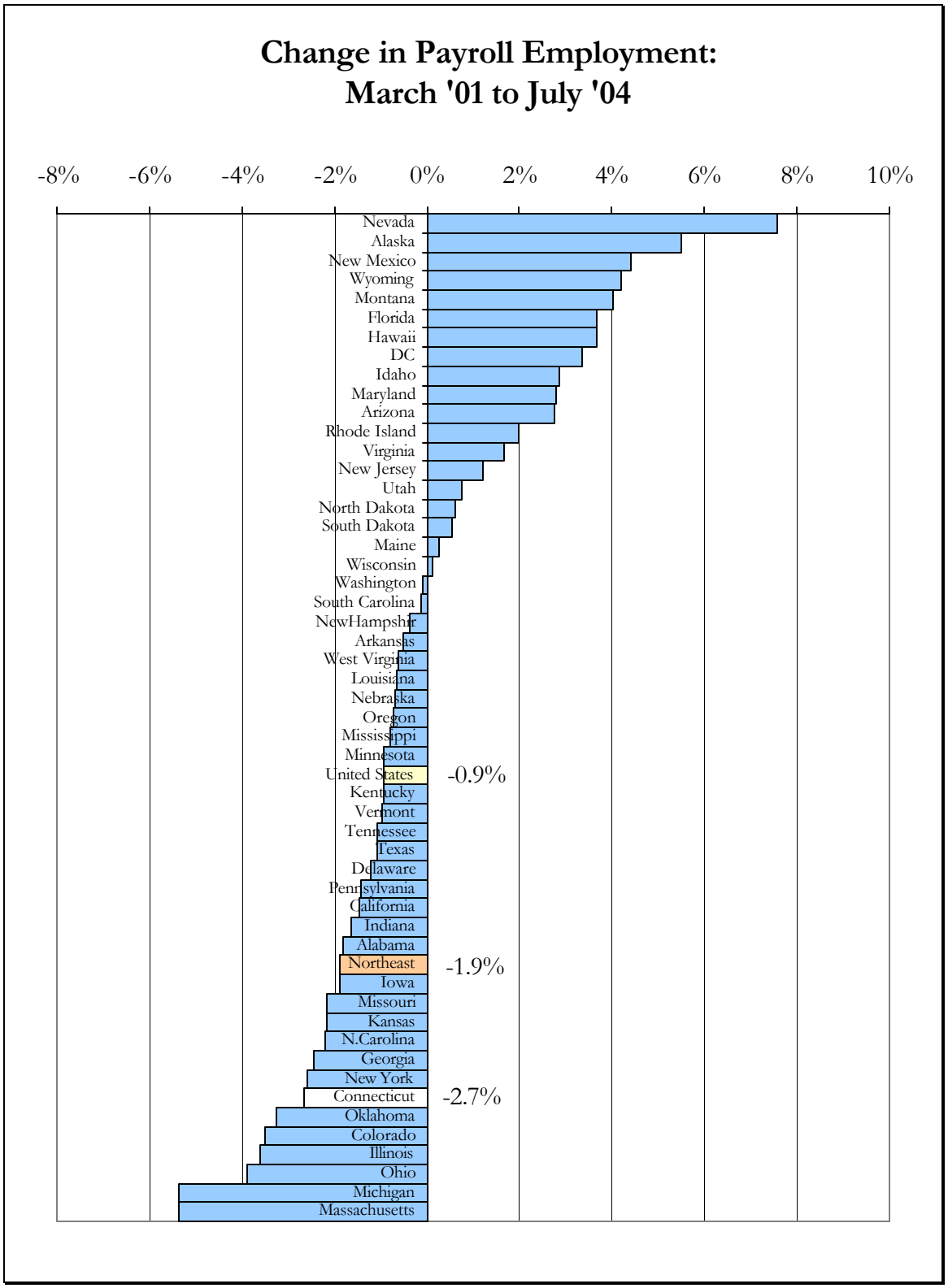


Figure III-2 Source: Economic Policy Institute analysis of Bureau of Labor Statistics data, 2004.

Employment by Sector -- Changes in Types of Jobs Available. Figure III-3 below shows the distribution of jobs in Connecticut in 2003 by sector.

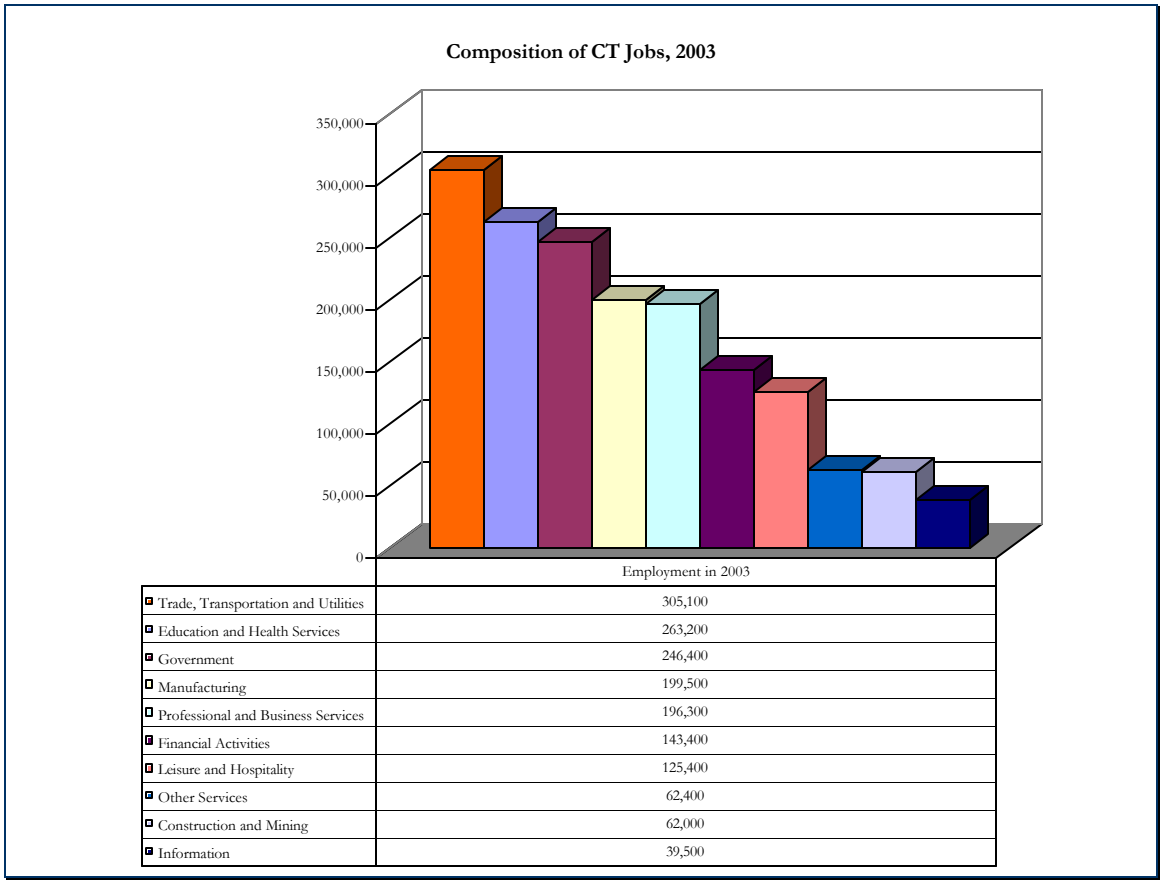


Figure III-3 Source: Economic Policy Institute analysis of Bureau of Labor Statistics data, 2004

Connecticut's largest employment sector is Trade, Transportation and Utilities, with 305,100 jobs in 2003 (19% of all nonfarm employment [NFE]). Other large sectors are Education and Health Services (16% of NFE), Government, including Indian tribal government employment (15% of NFE), Manufacturing (12% of NFE), and Professional and Business Services (12%). Financial Activities (9%), Leisure and Hospitality (8%), Other Services (4%), Construction and Mining (4%), and Information (2%) round out the remaining employment sectors.

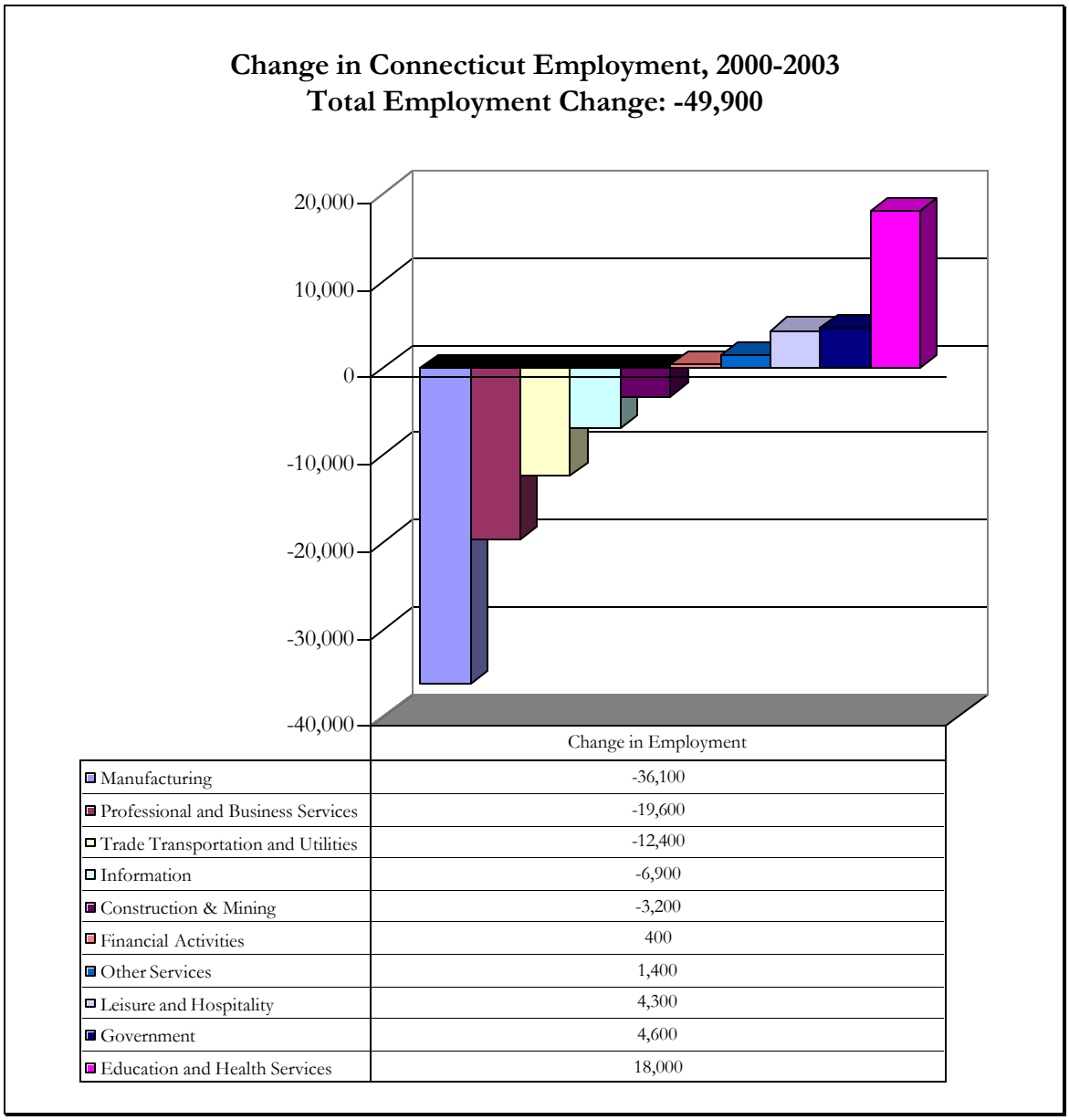
Figures III-4 and III-5 below show changes in sectoral employment during two time periods. This first is from 2000 to 2003, roughly the time since Connecticut's employment peak just prior to the national recession. The second presents a longer timeline, from 1990-2003, to place more recent changes in context. In both these periods, the continued erosion of the manufacturing sector is striking.

As shown in Figure III-4, below, since the peak of employment in 2000 Connecticut has lost over 36,000 manufacturing jobs.[5] Significant losses also have occurred in Professional and Business Services (-19,600) and Trade, Transportation and Utilities (-12,400). Smaller losses

[5] The Manufacturing sector is discussed in greater detail in a later section.

have been sustained in Information (-6,900) and Construction and Mining (-3,200). These losses have been somewhat offset by modest gains in Financial Activities (+400), Other Services (+1,400), Leisure and Hospitality (+4,300), and Government (+4,600),[6] and significant gains in Education and Health Services (+18,000).

[6] As noted elsewhere in this report, 'government' employment includes Native American tribal employment (e.g., persons employed at Connecticut's casinos).



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

Figure III-4 Source: CT Voices' analysis of Bureau of Labor Statistics data, 2004

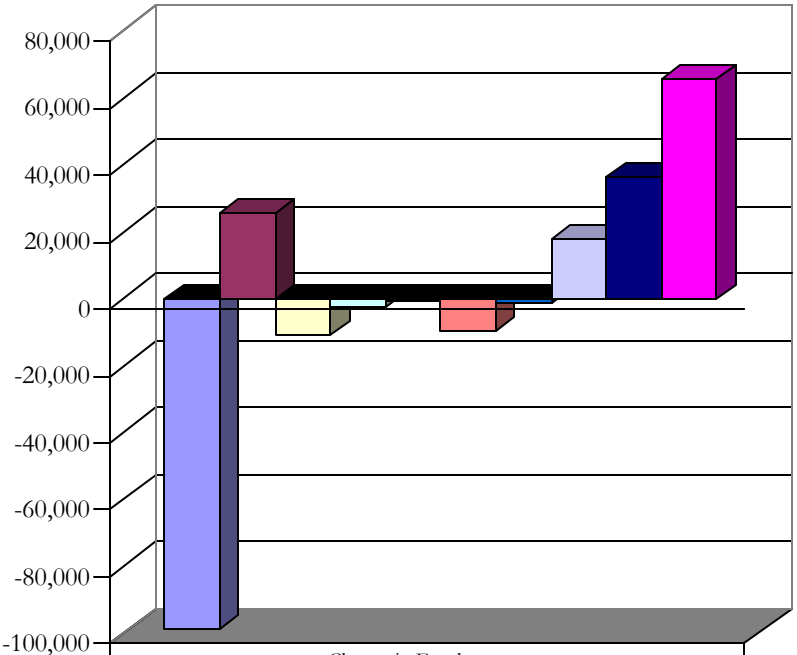
Longer-term trends, illustrated in Figure III-5, show that losses in manufacturing have taken a significant bite out of Connecticut's total employment. Connecticut has shed almost 99,000 manufacturing jobs since 1990 (83% of them in durable goods manufacturing). Connecticut's continuing decline in manufacturing jobs since its most recent recession merely continues a decades-old trend.[7]

Comparison of other sectors in the two time periods shows that, with one exception, there is consistency in which sectors are job "winners" and which are job "losers." Sectors that

[7] The University of Connecticut's quarterly review of the Connecticut economy recently reported that manufacturing's share of Connecticut employment declined from 63% of payroll employment after World War II to less than 15% of total employment at the turn of this century. See Steven P. Lanza, "Teaching Old Dogs New Tricks: Does Job Retraining Work? Is it Worth the Cost?" *The Connecticut Economy* (Summer 2004), p 6.

provided job growth in Connecticut since 1990 continued to do so even after the employment tide turned in 2000. However, one sector – Professional and Business Services – was a source of job growth over the longer time frame, but has, over the period 2000-2003, suffered significant losses.

Change in Connecticut Employment, 1990-2003
Total Employment Change: +19,700



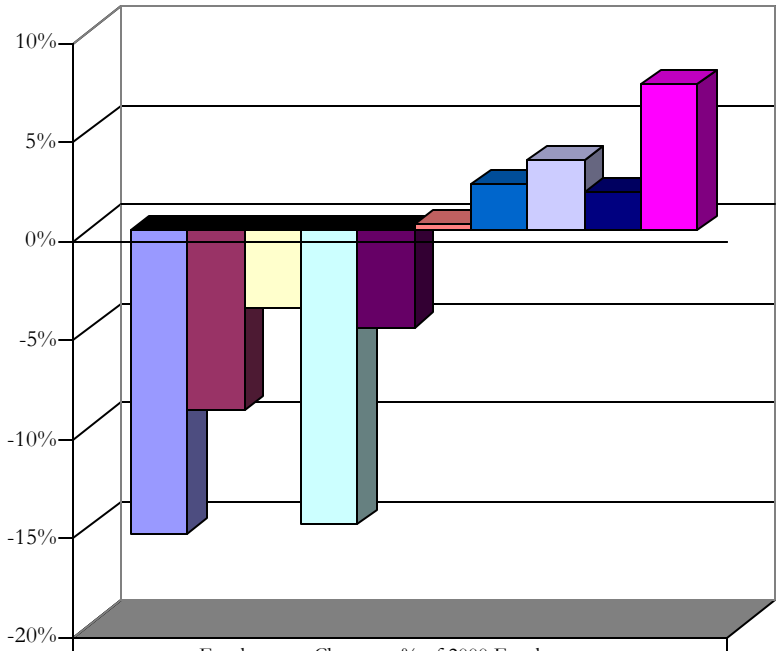
	Change in Employment
Manufacturing	-98,800
Professional and Business Services	25,600
Trade Transportation and Utilities	-11,000
Information	-2,600
Construction & Mining	-1,100
Financial Activities	-10,000
Other Services	-1,300
Leisure and Hospitality	17,600
Government	36,100
Education and Health Services	65,600

Figure III-5 Source: CT Voices' analysis of Bureau of Labor Statistics data, 2004

Connecticut's loss of Professional and Business Services jobs is equally striking when viewed as a percentage of 2000 employment, as shown in Figure III-6 below. Only the 15% loss of jobs in both Manufacturing and in Information jobs exceeds the 9% loss of these service jobs. Connecticut's shedding nearly one in ten of its Professional and Business Services jobs

should be of great concern, particularly since many had seen the growth in these "higher-end" service jobs to be a counter-balance to Connecticut's loss of manufacturing jobs.[8]

Change in Connecticut Employment, 2000-2003
(as % of 2000 employment)
Across All Sectors: Decline of 2.9%



	Employment Change -- % of 2000 Employment
Manufacturing	-15%
Professional and Business Services	-9%
Trade Transportation and Utilities	-4%
Information	-15%
Construction & Mining	-5%
Financial Activities	0%
Other Services	2%
Leisure and Hospitality	4%
Government	2%
Education and Health Services	7%

Figure III-6 Source: CT Voices' analysis of Bureau of Labor Statistics data, 2004

A closer look at manufacturing.[9]. The continued erosion of manufacturing jobs in Connecticut is shown in Figure III-7 below. This chart shows losses sustained between January 1990 and

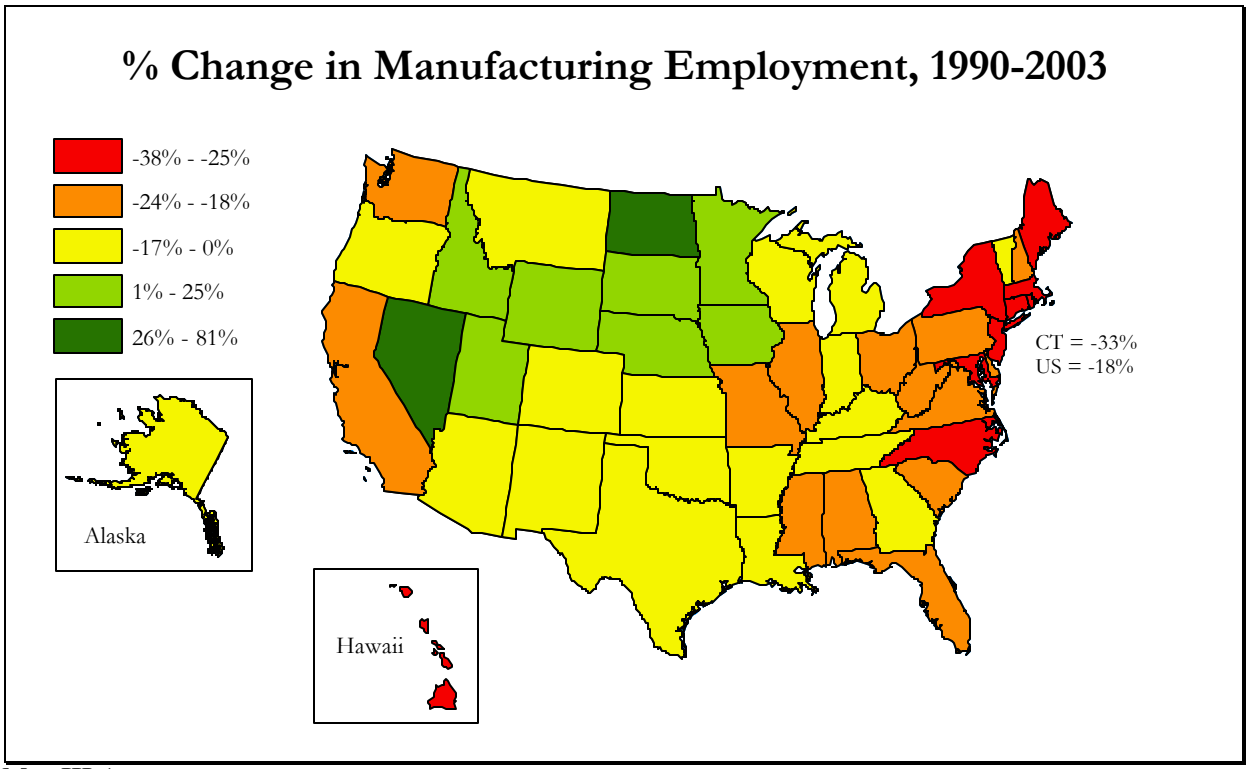
[8] All employment sectors have a mix of jobs that are both 'high-end' (requiring advanced skills and paying relatively high wages) and 'low end' (requiring lower skill levels and paying relatively low wages). This sector tends to have a greater concentration of high-end jobs.

[9] This section is based on monthly analysis of Bureau of Labor and Statistics (BLS) data by the Economic Policy Institute. See www.jobwatch.org.

July 2004 (rather than 2003, as in the previous figures). During this period, Connecticut lost 109,000 manufacturing jobs (36% of the manufacturing jobs in Connecticut in January 1990). Between the July 2000 peak in Connecticut's overall employment and July 2004, Connecticut lost 41,300 manufacturing jobs (17% of its January 1990 total).

Figure III-7

Map III-1 below puts the loss of manufacturing jobs in Connecticut in a national context. While all but nine states lost manufacturing employment between 1990 and 2003, the Northeast was hit particularly hard. Connecticut's loss of 33% of its manufacturing jobs between 1990 and 2003 was almost double the national average loss of 18%.



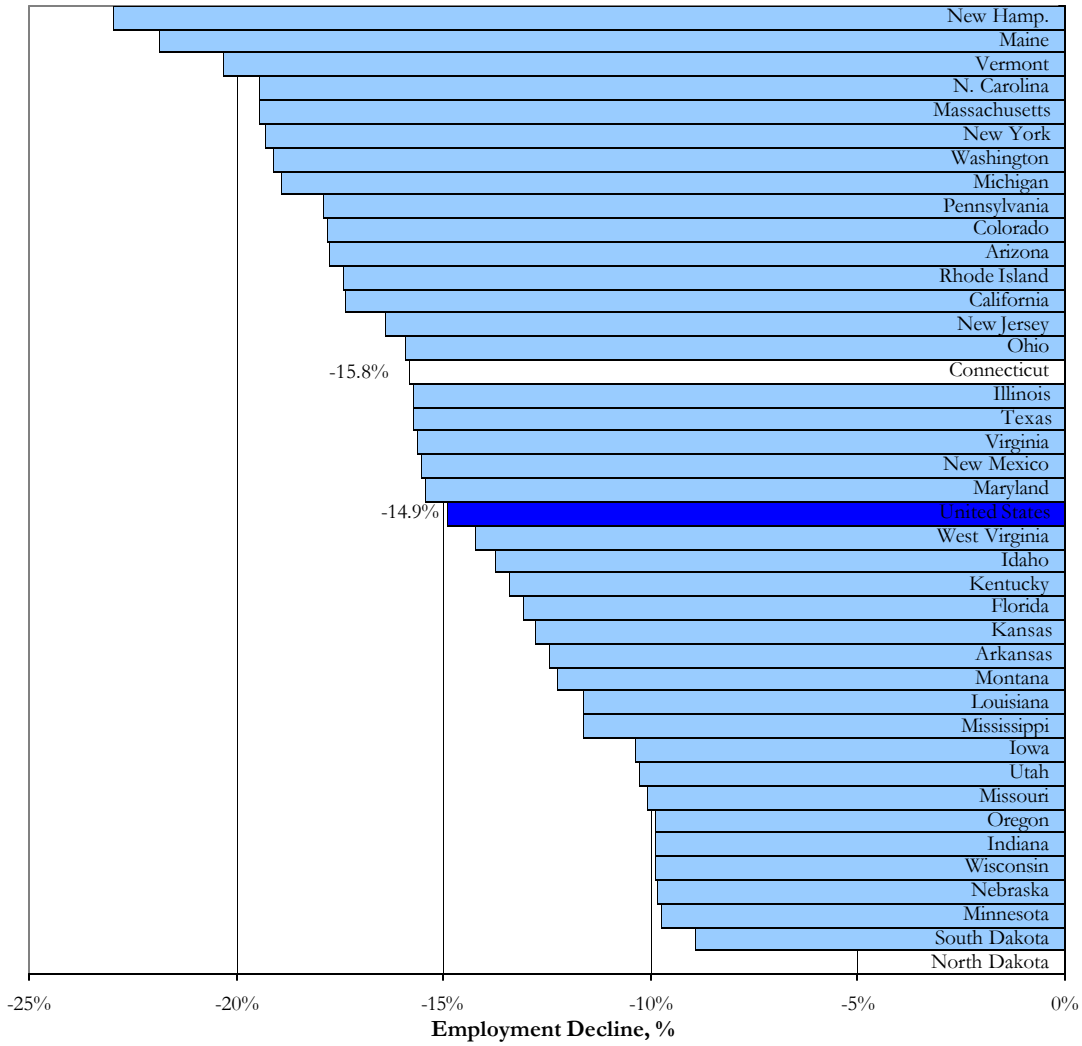
Map III-1

Figure III-8 below shows the decline in Connecticut's manufacturing employment compared to other states since the beginning of the national recession in March 2001.[10] Importantly, Connecticut did not fare as poorly over this period as many of her regional neighbors with declines – New Hampshire (23% decline), Maine (22%), Vermont (20%), New York (19%), Pennsylvania (18%), and Rhode Island (17%). However, Connecticut's 16% decline still exceeded the national average.[11]

[10] Seasonally adjusted manufacturing employment data are not available for all states.

[11] The *State of Working Connecticut 2003* reported that Connecticut's 11% decline in manufacturing employment between the start of the national recession and the report's writing was less than the national average of 12%.

Decline in Manufacturing Employment, March 2001 to July 2004



Seasonally Adjusted Manufacturing Employment Data are not available for all states

Figure III-8

Wages and Wage Growth

Table III-2 shows average annual wages and changes in average annual wages between 2002 and 2003 in Connecticut by industry sector. Importantly, for *all but one* sector (construction) average wages in 2003 exceeded those in 2002. Also, growth in manufacturing wages surpassed statewide wage growth (3.8% compared to 3.1%). In contrast, last year's data showed manufacturing wages slipping as compared to overall state wages.

This table highlights the "two Connecticut's" in the average annual pay within the general service sector – one, typified by higher end sub-sectors such as finance and insurance ($104,248) and management of companies and enterprises ($105,041) and the other by low paying jobs such as retail trade ($27,851) and accommodation and food services ($16,046). The fact that average government wages for 2003 ($44,751) fell below statewide averages reflects, in part, the inclusion in this sector of hundreds of relatively low paying casino-related jobs.[12]

Industry Sectors (NAICS Supersectors)	2002 Wages	2003 Wages	% Change
Statewide	$46,852	$48,318	3.1
Management of companies and enterprises	$96,696	$105,041	8.6
Finance and insurance	$98,204	$104,248	6.2
Utilities	$73,875	$80,024	8.3
Professional and technical services	$69,743	$70,819	1.5
Wholesale trade	$64,576	$66,468	2.9
Manufacturing	$55,944	$58,050	3.8
Information	$56,159	$57,477	2.3
Mining	$53,136	$56,047	5.5
Construction	$48,333	$48,034	-0.6
Total government	$43,684	$44,751	2.4
Educational services	$42,059	$43,769	4.1
Health care and social assistance	$37,822	$38,936	2.9
Transportation and warehousing	$35,948	$36,907	2.7
Administrative and waste management	$29,379	$30,192	2.8
Retail trade	$27,137	$27,851	2.6
Other services, except public administration	$26,324	$26,812	1.9
Agriculture, forestry, fishing and hunting	$24,596	$24,761	0.7
Arts, entertainment, and recreation	$23,250	$23,561	1.3
Accommodation and food services	$15,849	$16,046	1.2

Table III-2 Source: CT Department of Labor, *CT Economic Digest*, August 2004

[12] "Government" includes Indian tribal government employment, so employees of the Foxwoods and Mohegan Sun casinos are among those classified as "government" employees.

Impact of Connecticut's Recent Job Gains and Losses on Wages and Annual Income

A continued loss of jobs in Manufacturing and Professional and Business Services– where pay tends to be higher than statewide average pay – threatens family wages (and therefore family incomes) in Connecticut.[13] As noted in the Table III-2, above, manufacturing wages in Connecticut continue to surpass the state average wage -- $58,050 in 2003 compared with $48,318.[14] Professional and Technical Services[15] enjoyed average wages of $70,819, also well above state average wage levels. Clearly, losing jobs in these sectors, as has occurred in the last several years, exacts a toll on the state economy.

As shown in Table III-3, the industry sub-sectors[16] in which Connecticut *lost* the most jobs between 2002 and 2003 *pay more*, on average, than the industry sub-sectors in which Connecticut had the greatest job gains over this period. As a result, across these sub-sectors of greatest job change, Connecticut experienced an net decline in total annual wages.

Industry Sub-Sector	Employment Change 2002-2003	2003 Average Wage	Annual Wage Gain/Loss
Largest Employment Losses by Sub-Sector			
State government	-4,727	$50,716	-$239,734,532
Professional and technical services	-3,142	$70,819	-$222,513,298
Computer and electronic product manufacturing	-2,126	$55,602	-$118,209,852
Transportation equipment manufacturing	-2,020	$66,384	-$134,095,680
Fabricated metal product manufacturing	-1,696	$46,164	-$78,294,144
Food and beverage stores	-1,652	$22,216	-$36,700,832
Machinery manufacturing	-1,628	$61,574	-$100,242,472
Administrative and support activities	-1,628	$29,173	-$47,493,644
Specialty trade construction	-1,435	$45,223	-$64,895,005
Chemical manufacturing	-1,146	$90,772	-$104,024,712
Top Ten "Losing" Sub-Sectors: Total Job Loss and Average Wage, Total Annual Wage Loss	**-21,200**	**$54,066**	**-$1,146,204,171**
Largest Employment Gains by Sub-Sector			
Food services and drinking places	1,877	$15,286	$28,691,822
Educational services	1,102	$43,769	$48,233,438

[13] Wages are discussed at greater length in a later section of this report.

[14] Edward T. Doukas Jr., "A Detailed Look at Connecticut Industry in 2003," *The Connecticut Economic Digest*, Vol. 9, No. 8, (Connecticut Department of Labor and the Connecticut Department of Economic and Community Development, August 2004), pp. 2-3.

[15] Precise comparisons of the wage impacts of job losses in various sectors is complicated by the fact that employment sectors are categorized – or at least named – differently for employment and compensation purposes.

[16] The various categories of jobs in Table III-3 are some of the subsets of the industry sector categories in previous tables. For example, "state government" in this table is one subset in the broader industry sector category "government."

Industry Sub-Sector	Employment Change 2002-2003	2003 Average Wage	Annual Wage Gain/Loss
Local government	1,069	$41,632	$44,504,608
Ambulatory health care services	878	$48,486	$42,570,708
Nursing and residential care facilities	733	$29,533	$21,647,689
Hospitals	497	$46,799	$23,259,103
Management of companies and enterprises	454	$105,041	$47,688,614
Amusement, gambling, and recreation	454	$20,008	$9,083,632
Credit intermediation and related activities	349	$75,621	$26,391,729
Furniture and home furnishings stores	317	$31,910	$10,115,470
Top Ten Gaining Sub-Sectors: Total Job Gain, Average Wage, and Total Annual Wage	**7,730**	**$39,093**	**$302,186,813**
Net Result: Total Job Loss, Average Wage Loss, Total Annual Wage Loss	**-13,470**	**-$14,974**	**-$844,017,358**

Table III-3 Source: CT Economic Digest, August 2004, pp.2-3; CT Voices' analysis

Unionization Rate

In 2003, 17.7% of the Connecticut workforce was represented by unions, a slight decrease from the percentage in the prior year (2002) which, in turn, had seen a slight increase from the year before that (2001). Only fourteen states (and the District of Columbia) have a greater share of their workforces covered by collective bargaining agreements. As shown in Figure III-9 and Map III-2 below, Connecticut's unionization rate surpasses the national rate of 14.3%, but is less than the average rate in the Northeast (19.9%). The Northeast has a concentration of states with high rates of unionized workers (led by New York's 25.6%, the highest rate in the country in 2003).[17]

Because unions bargain collectively for wages and benefits, unions historically have been able to gain wages and benefits for their members that exceed those of workers in comparable jobs in non-unionized settings. As illustrated in Figure III-10 below, national data show that employees working in a unionized environment have had greater increases in their benefits in the last several years than non-union workers.[18]

[17] Note: These data also include individuals who are covered by collective bargaining agreements but who may not themselves be union members. If one were to look only at union membership, Connecticut's 15.4% for 2003 surpasses the national rate of 12.9%, and is less than the regional rate of 18.7% for the Northeast.

[18] Bureau of Labor Statistics, *Employment Cost Index*, June 2004. www.bls.gov/news.release/pdf/eci.pdf.

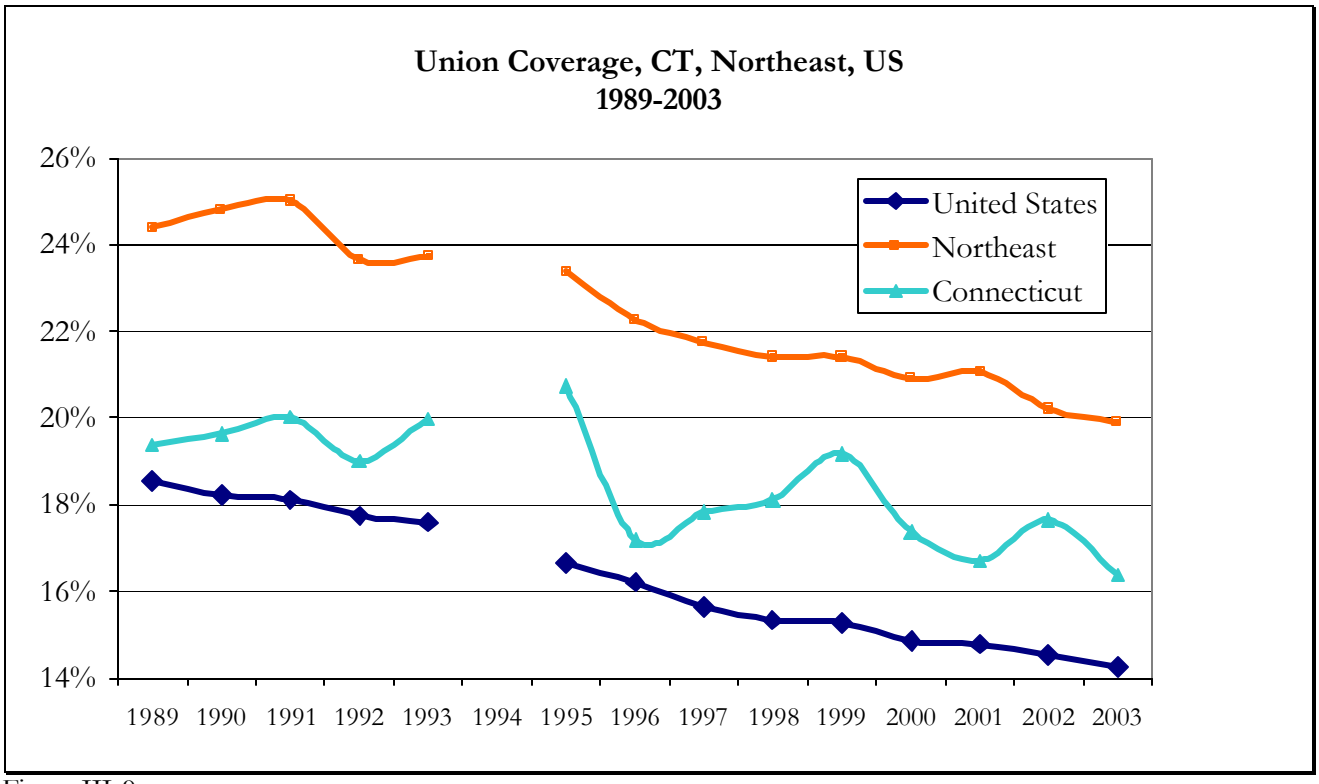
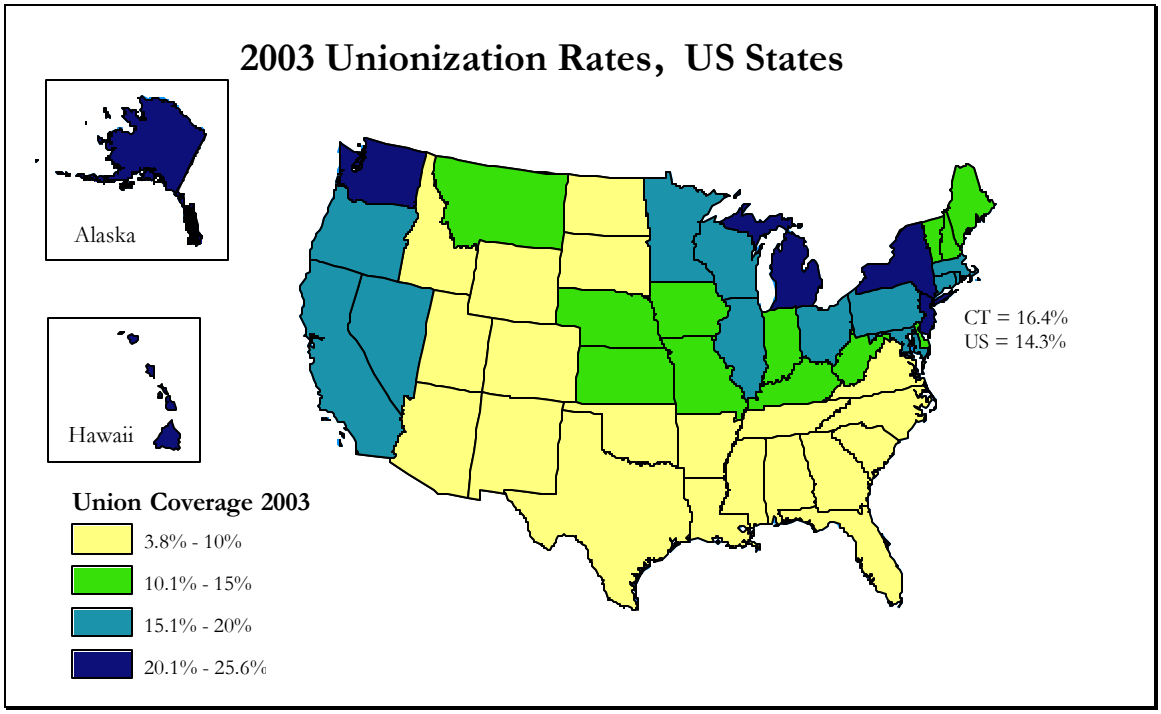


Figure III-9



Map III-2

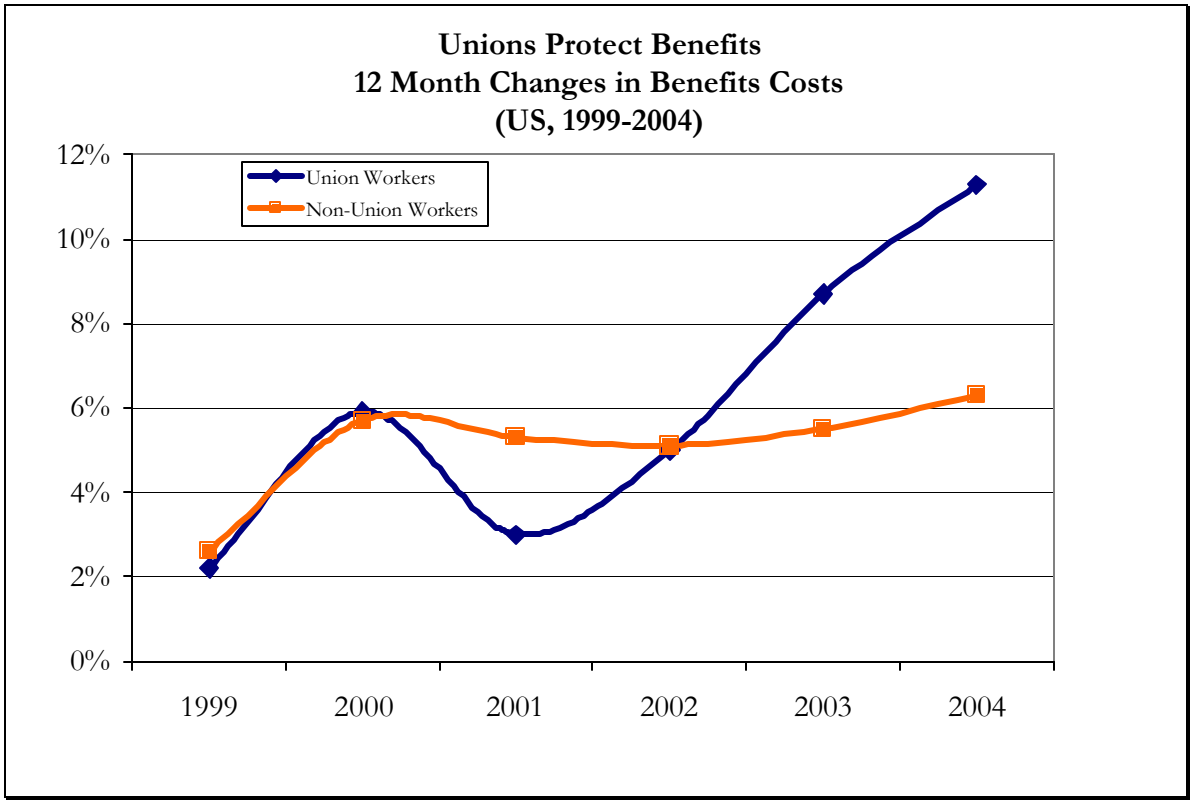
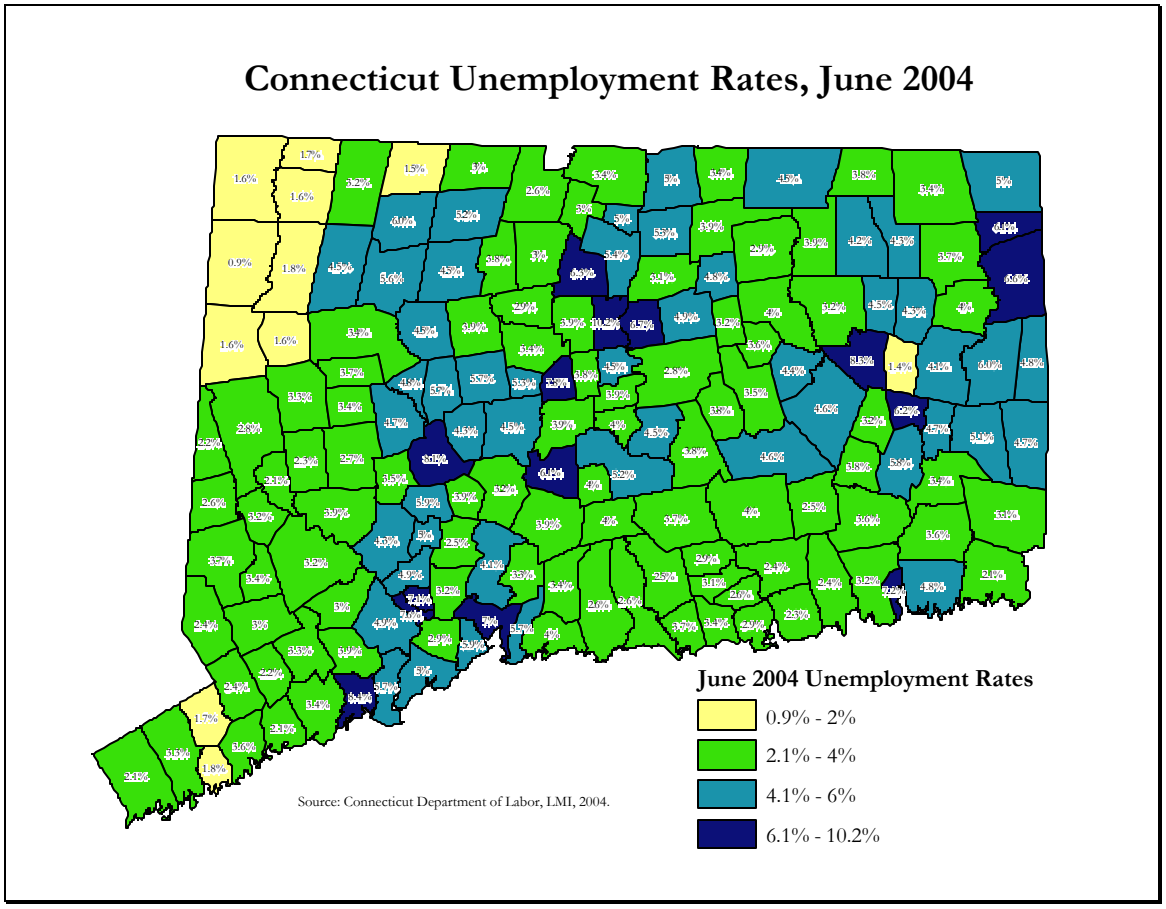


Figure III – 10 Source: Bureau of Labor Statistics, Employment Cost Index, June 2004 www.bls.gov/news.release/pdf/eci.pdf.

IV. Unemployment, Long-term Unemployment, and Underemployment[1]

Unemployment

Connecticut's 4.8% unemployment rate in June 2004 is double the 2.4% rate Connecticut enjoyed in June 2000, prior to its most recent recession. Map IV-1, below, shows the considerable variation in unemployment throughout Connecticut. While eleven towns have unemployment rates of less than 2%, fifteen towns struggle with unemployment rates that exceed 6%.



Map IV-1

[1] The *unemployment rate* is the percent of the labor force that is on layoff or seeking employment. It is the proportion of the civilian labor force who have had no employment in the reference week, were available for work (except for temporary illness) and had made specific efforts to find employment sometime during the four-week period ending with the reference week. (Persons who were waiting to be recalled to a job from which they had been laid off are classified as unemployed even if they had not been actively looking for work). The more comprehensive *underemployment* rate includes the unemployed, and 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, and a smaller group of people who want to work but who have not looked for work in the four weeks preceding the survey because they face a barrier to employment such as lack of transportation or lack of child care.

Many of Connecticut's largest cities continue to have unemployment rates that exceed the state average, led by Hartford's 10.2% and Bridgeport's 8.4%. Moreover, there has been significant consistency over the last four years in the Connecticut towns that have had the highest levels of unemployment. This year's "top ten" list adds only New London (while the Town of Killingly drops off the 2003 list). Half of the towns on the "top ten" unemployment list also appear on the list of the top ten *increases* in unemployment in the four years since Connecticut's June 2000 employment peak.

Top Ten Unemployment Rates Among CT Towns, June 2004	
TOWNS	**June 2004 Rate (%)**
HARTFORD	10.2%
BRIDGEPORT	8.4%
WINDHAM	8.3%
WATERBURY	8.1%
NEW BRITAIN	7.8%
DERBY	7.6%
NEW LONDON	7.2%
ANSONIA	7.1%
NEW HAVEN	7.0%
EAST HARTFORD	6.7%

Table IV-1
Source: CT Department of Labor, LMI, 2004

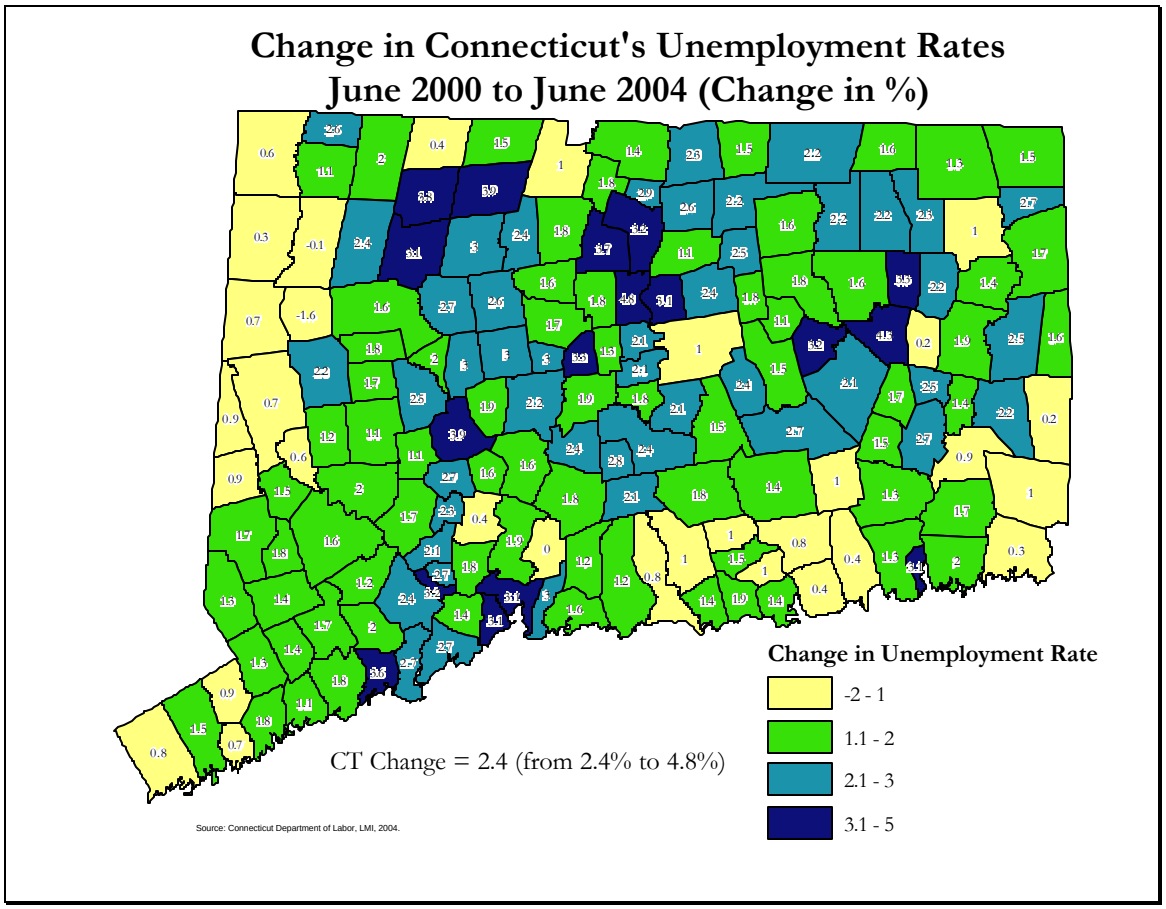
Top Ten Increases in Unemployment Rate among CT Towns: June 2000 to 2004	
TOWN	Percentage Point Change
HARTFORD	4.8%
WINDHAM	4.3%
BARKHAMSTED	3.9%
WATERBURY	3.9%
WINCHESTER	3.8%
BLOOMFIELD	3.7%
BRIDGEPORT	3.6%
NEW BRITAIN	3.3%
CHAPLIN	3.3%
WINDSOR	3.2%

Table IV-2
Source: CT Department of Labor, LMI, 2004[2]

Map IV-2, below, shows the *change* in Connecticut's unemployment rate, by town, between June 2000 and June 2004. While most of Connecticut's largest cities have the highest rates of unemployment and the greatest increases in unemployment since June 2000, high levels of unemployment also plague the Naugatuck Valley and Northeastern Connecticut.

The clustering of communities with rising unemployment rates also is noteworthy, and highlights the extent to which the challenges faced by Connecticut's inner cities are felt like shock waves in the surrounding towns. Significant clusters of rising unemployment can be found around Windham (Chaplin and Columbia), Hartford (Bloomfield, Windsor and East Hartford), and New Haven (West Haven). Another noteworthy cluster includes Barkhamsted, Winchester and Torrington.

[2] The numbers shown represent the percentage point change in the unemployment rate between June 2000 and June 2004, rather than the percentage change in unemployment.



Map IV-2

Impact of Education on Unemployment. Table IV-3 below shows the strong association between level of educational attainment and rates of unemployment in Connecticut, the Northeast, and nationally. Specifically, the lower the level of educational attainment, the more likely it was that a worker would be unemployed.

In Connecticut and nationally, those lacking a high school degree experienced unemployment rates in 2003 that were four times greater than those experienced by persons with bachelor's degrees or higher – 12% as compared to 3%.

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

Table IV-3

Source: United States Census Bureau, Current Population Survey

Unemployment by gender. Table IV-4 compares Connecticut's 2003 overall unemployment rate, and unemployment rates for women and men, to corresponding rates for the region and the nation. In 2003, Connecticut's 5.5% overall unemployment rate was less than the national average (6.0%) and the regional average (5.8%). Unemployment rates in 2003 for Connecticut women and Connecticut men also were less than corresponding regional and national rates for women and men. Comparing unemployment rates by gender, Connecticut mirrors national trends, with Connecticut men unemployed at a slightly higher rate in 2003 than Connecticut women (6.1% of men compared to 4.8% of women).

Unemployment rates by Gender: Connecticut, US, and Northeast Region, 2003			
	All	Women	Men
UNITED STATES	6.0%	5.7%	6.3%
NORTHEAST	5.8%	5.4%	6.2%
New England	5.4%	4.8%	6.0%
Maine	5.1%	4.1%	5.9%
New Hampshire	4.3%	4.1%	4.5%
Vermont	4.6%	4.2%	4.9%
Massachusetts	5.8%	5.2%	6.4%
Rhode Island	5.3%	4.9%	5.7%
Connecticut	5.5%	4.8%	6.1%
Middle Atlantic	6.0%	5.7%	6.3%
New York	6.3%	6.1%	6.5%
New Jersey	5.9%	5.6%	6.1%
Pennsylvania	5.6%	5.1%	6.0%

Table IV-4 Source: United States Census Bureau, Current Population Survey

Unemployment by race and ethnicity. Disparities in unemployment by race and ethnicity also are striking. As shown in Figure IV-1, the 2003 unemployment rate among Connecticut's African-American workers was 9.7%, more than twice the rate of its white workers (4.5%). Further, more than one in ten Hispanic workers (10.3%) was unemployed in 2003, also more than twice the unemployment rate of Connecticut's white workers.

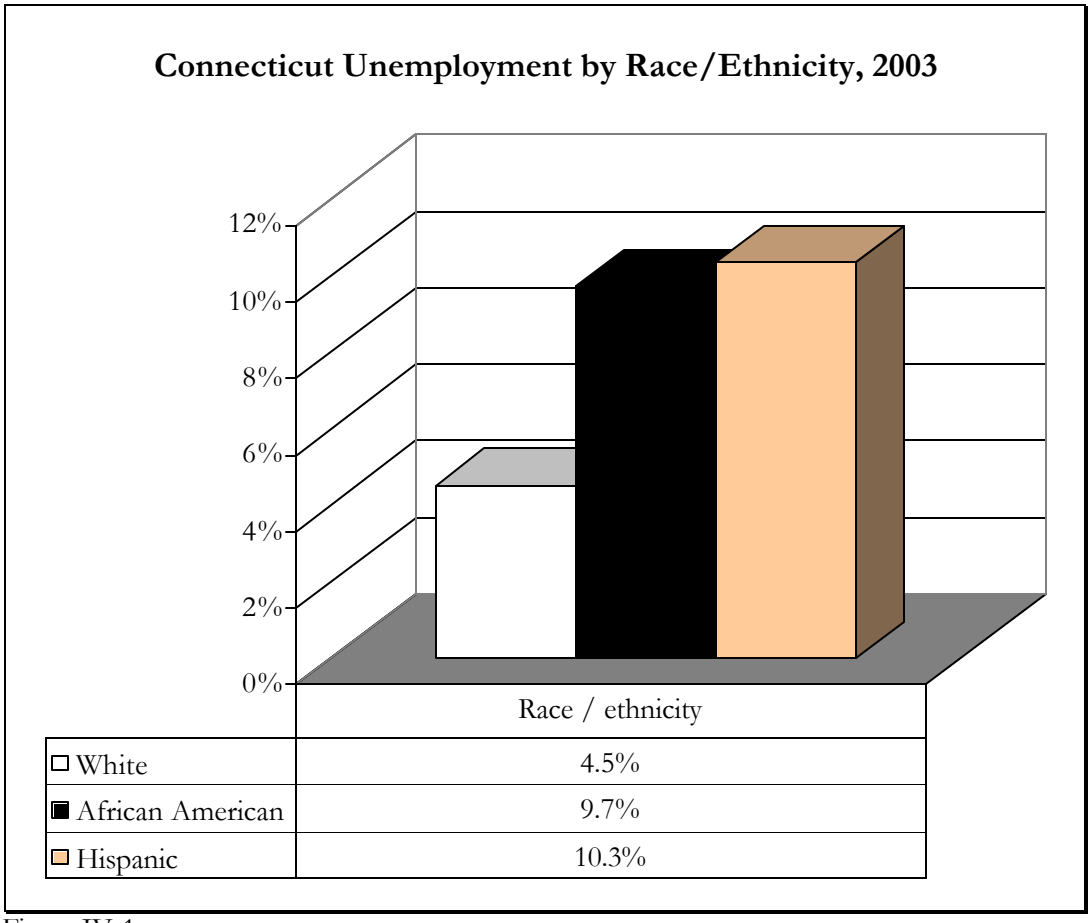


Figure IV-1

Long Term Unemployment

Long-term unemployment is a measure of the number of persons who have been unemployed for a period of more than 26 weeks. Table IV-5 indicates the proportion of all the unemployed who were "long-term" unemployed.[3] In Connecticut, as in the region and nation, about a quarter of all persons who were

Long-term unemployment share, 2003			
	All	**Women**	**Men**
UNITED STATES	22.1%	20.7%	23.1%
NORTHEAST	25.4%	24.0%	26.4%
Connecticut	25.0%	24.6%	25.3%

Table IV-5

Source: United States Census Bureau, Current Population Survey

[3] Workers are classified as employed or unemployed based on their employment status during a "reference week," the week preceding the monthly sampling on which the CPS is based. The long-term unemployed are individuals who had been unemployed for more than 26 weeks at the reference week.

unemployed in 2003 had been unemployed for more than 26 weeks. Long-term unemployment was more common among men than women, suggesting that men may have a more difficult time transitioning back into the active workforce[4] and/or that women may stop looking for work sooner (leaving the labor force altogether) and therefore not be counted as unemployed.[5]

Underemployment

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

As seen in Figure IV-2 below, Connecticut's *underemployment* rate in 2003 (10%) was 4.5 percentage points higher than its *unemployment* rate (5.5%). Underemployment was also higher regionally by 3.7 percentage points (9.5% underemployment compared to 5.8% unemployment) and nationally (10.1% underemployment compared to 6.0% unemployment). Although, in the past, Connecticut has had considerably lower underemployment rates than regional and national averages, in 2003 this 'advantage' disappeared. The minor differences between Connecticut's underemployment rate and those for both the United States and the Northeast, shown in Figure IV-2, are not statistically significant.

[4] Although Connecticut's long-term unemployment rates for 'all', 'women,' and 'men,' as shown here, are higher than the national rates, these differences are not statistically significant.

[5] The differences between rates of long-term unemployment among men and women in the United States and in the Northeast are statistically significant. In Connecticut, while the difference is not statistically significant, the differences at the national and regional levels suggest that Connecticut's difference is also likely to be real.

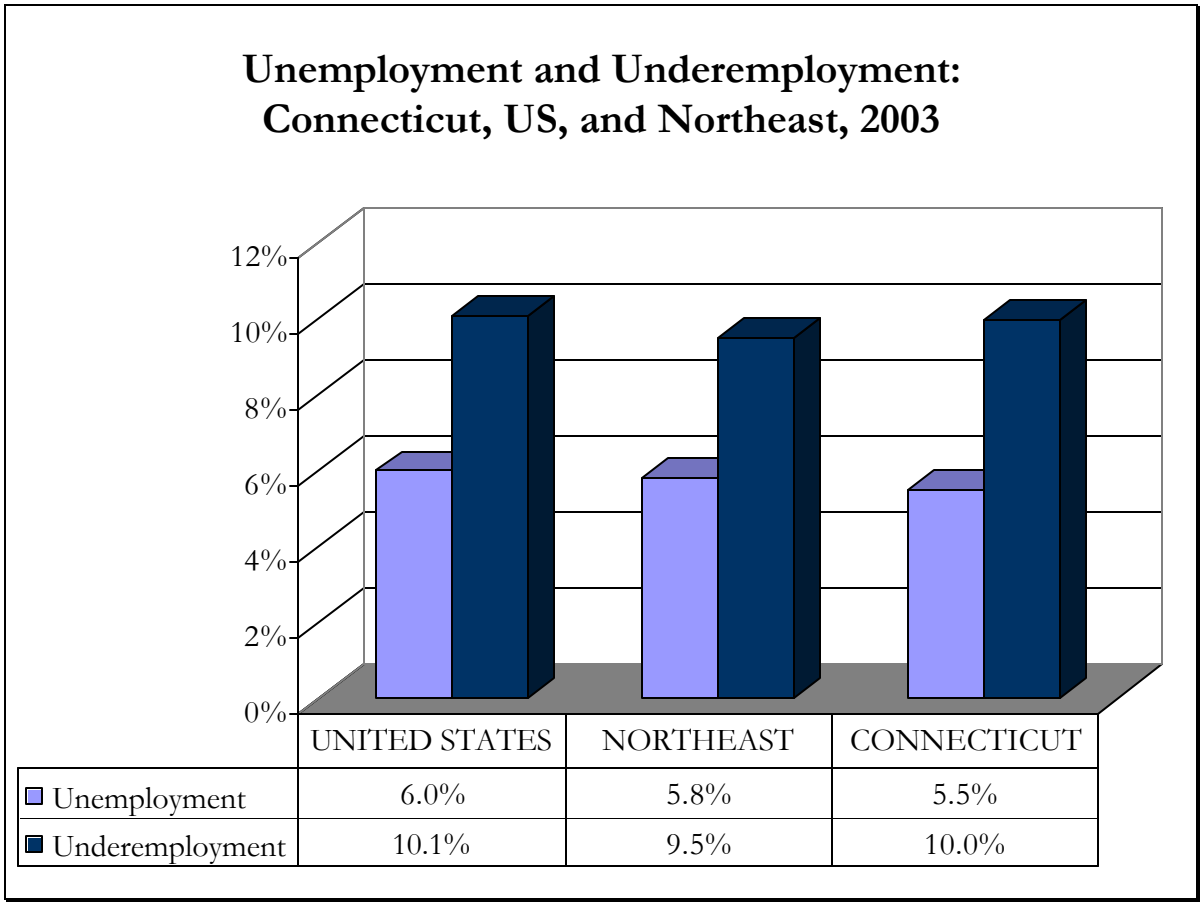


Figure IV-2
Source: United States Census Bureau, Current Population Survey

Underemployment by race and ethnicity. The pattern of disparity in *unemployment* by race and ethnicity is also found in *underemployment* rates. As seen in Figure IV-3 below, in 2003 the underemployment rate among Connecticut's African-American workers was 17%, twice the rate for White workers (8%). One in five of Connecticut's Hispanic workers (20%) were under-employed in 2003.

Underemployment by gender, age, and level of educational attainment. Table IV-6, below, highlights differences in Connecticut's underemployment rates by gender, age, and level of educational attainment. Higher rates of underemployment are most evident among men, younger workers, and among those with lower levels of educational attainment.

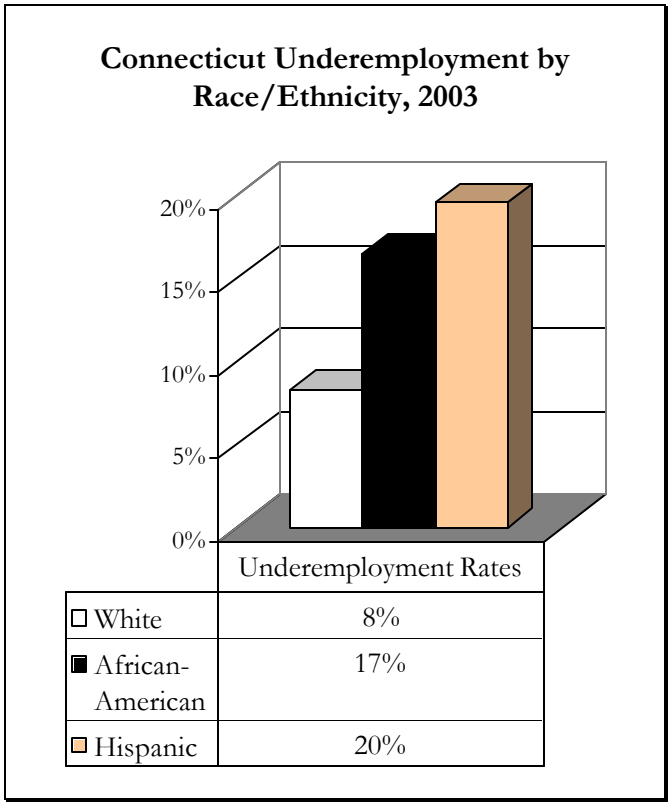


Figure IV- 3

Source: United States Census Bureau, Current Population Survey

Connecticut Underemployment Rates, 2003		
All		10%
Gender	Male	11%
	Female	9%
Age	16-24 yrs	23%
	25-54 yrs	8%
	55 yrs and older	7%
Education	Less than high school	21%
	High school	12%
	Some college	9%
	Bachelor's or higher	5%

Table IV-6

Source: United States Census Bureau, Current Population Survey

V. Wages and Wage Trends

Wage Trends. The following table shows trend data for real (inflation-adjusted) hourly wages for Connecticut's very low-wage workers (10th percentile),[1] low-wage workers (20th percentile), median-wage workers (50th percentile), high-wage workers (80th percentile), and very high wage workers (90th percentile). By definition, fully 10% of Connecticut workers earn wages below the "very low" wage level, while fully 10% of Connecticut workers earn wages above the "very high" wage level.

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

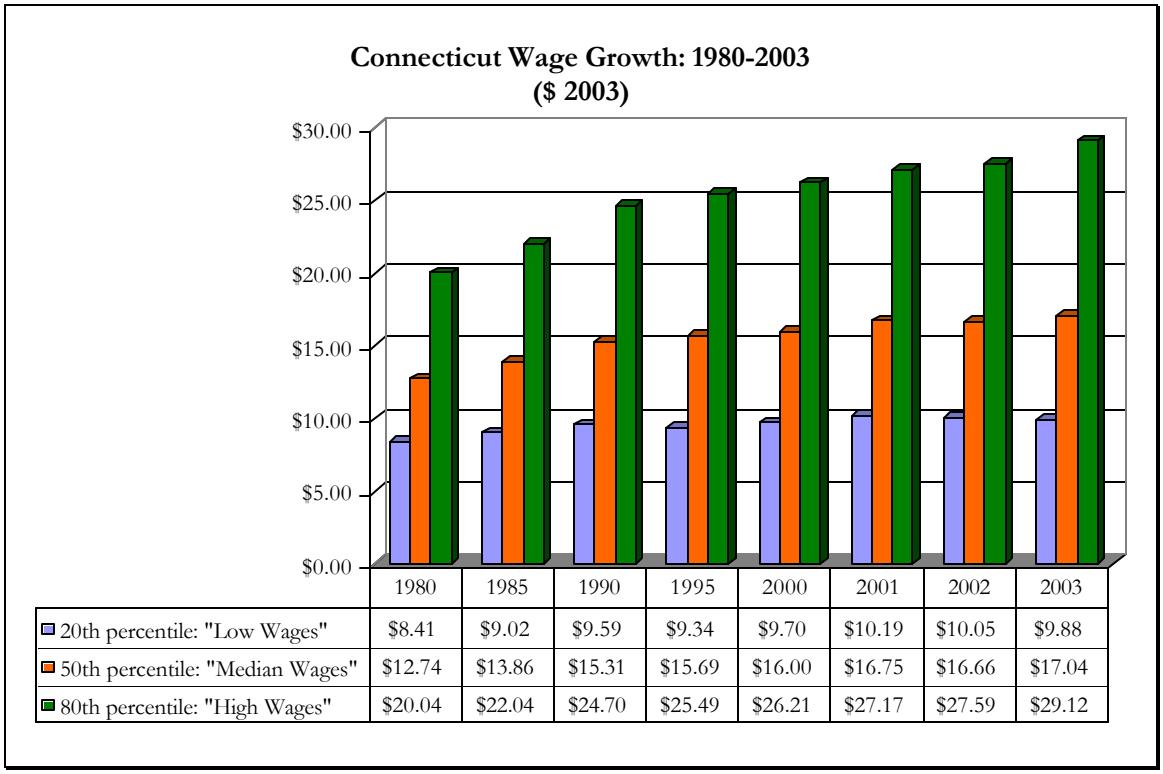
Table V-1
Source: United States Census Bureau, Current Population Survey

These data suggest[2] that, since 2001, both low wage and very low wage workers have had a decline in their real (inflation-adjusted) wages, while high and very high wage earners continued to enjoy wage growth. The fact and the extent to which higher wage earners enjoy real wage growth in bad economic times, as well as good, is noteworthy.

Figure V-1, below, compares changes in real (inflation-adjusted) hourly wages of Connecticut's low, median, and high-wage workers from 1980 to 2003. The very modest gains by low wage workers over this time period are clearly dwarfed by significant gains among Connecticut's high wage earners. Workers at the 80th percentile enjoyed real wages in 2003 that were $9.08 per hour greater than in 1980, an increase of 45%. By comparison, real wage growth for median wage workers over the same period was $4.30 per hour (34%), and for low-wage workers just $1.47 per hour (17%).

[1] The "very low wage" is the wage of the worker at the 10th percentile of wages. That is, the hourly wage for a "low wage" worker is the wage at which 10% of wage earners earn less and 90% of wage earners earn more. Similarly, the hourly wage for a "low wage" worker is the wage at which 20% of wage earners earn less and 80% earn more; the "median wage" is the wage at which 50% of wage earners earn less and 50% of wage earners earn more; the "high wage" is the wage at which 80% of wage earners earn less and 20% of wage earners earn more; and the "very high wage" is the wage at which 90% of wage earners earn less and 10% of wage earners earn more.

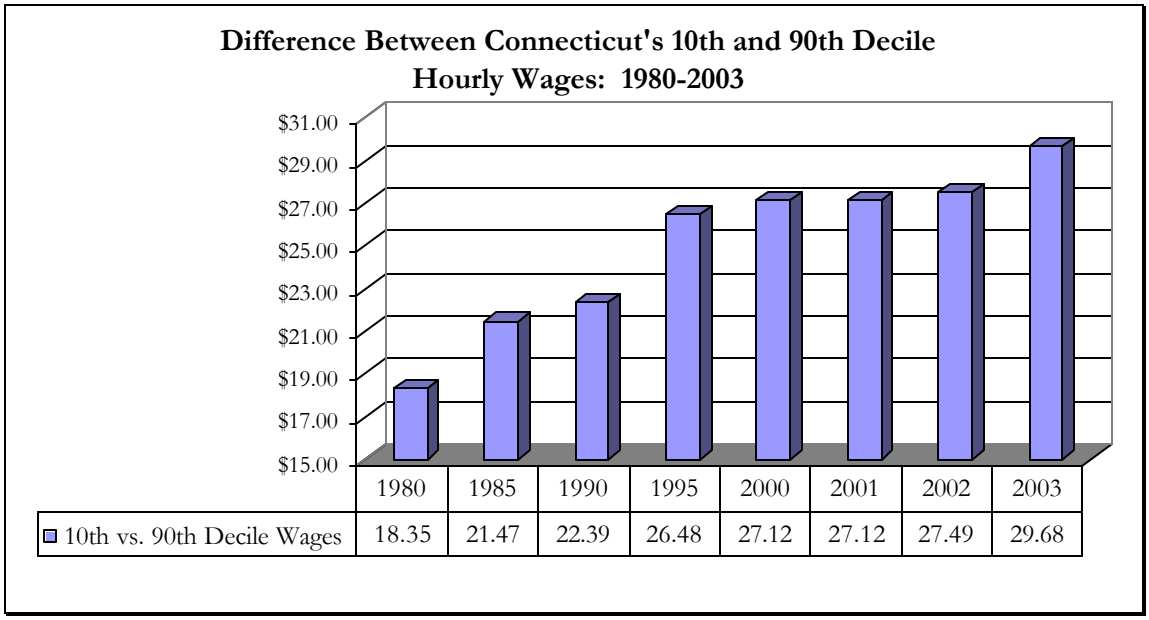
[2] Small sample sizes in these specific data limit the precision of the estimates of these changes in wages.



	1980	1985	1990	1995	2000	2001	2002	2003
20th percentile: "Low Wages"	$8.41	$9.02	$9.59	$9.34	$9.70	$10.19	$10.05	$9.88
50th percentile: "Median Wages"	$12.74	$13.86	$15.31	$15.69	$16.00	$16.75	$16.66	$17.04
80th percentile: "High Wages"	$20.04	$22.04	$24.70	$25.49	$26.21	$27.17	$27.59	$29.12

Figure V-1 Source: United States Census Bureau, Current Population Survey

Figure V-2, below, demonstrates the ongoing and significant "pulling apart" of Connecticut's wages. The difference between 10th percentile wages and 90th percentile wages grew from $18.35/hour to $29.68/hour between 1980 and 2003. That is, over this period, Connecticut's very high wages went from just over 2½ times its very low wages to almost 4 times its very low wages.



	1980	1985	1990	1995	2000	2001	2002	2003
10th vs. 90th Decile Wages	18.35	21.47	22.39	26.48	27.12	27.12	27.49	29.68

Figure V-2

Table V-2, below, compares changes in real hourly wages between 1980 and 1990 and between 1990 and 2003 for the various wage deciles. Two point merit mention. First is the extent to which growth in high and very high wages has outstripped growth in low and very low wages throughout *both* periods. Also noteworthy are the *differences* in real wage growth evident in the two time periods. Over the 1980s, real wages increased about 14% for low and very low wage workers, compared to gains of 20% and more for median and higher wage workers. Since 1990, however, real wage gains have been far more uneven, with Connecticut workers in very low wage jobs actually *losing* economic ground, while those in very high wage jobs have enjoyed real wage gains that exceed those of the 1980s. *In short, Connecticut's low wage and very low wage workers increasingly are being "left behind" by Connecticut's economy.*

Changes in Connecticut's Real Hourly Wages ($ 2003): 1980-2003

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

Table V-2

Figure V-3, below, shows the relative wage growth of Connecticut's very low, low, median, high, and very high hourly wages, for the periods 1980 to 1990 and 1990 to 2003.

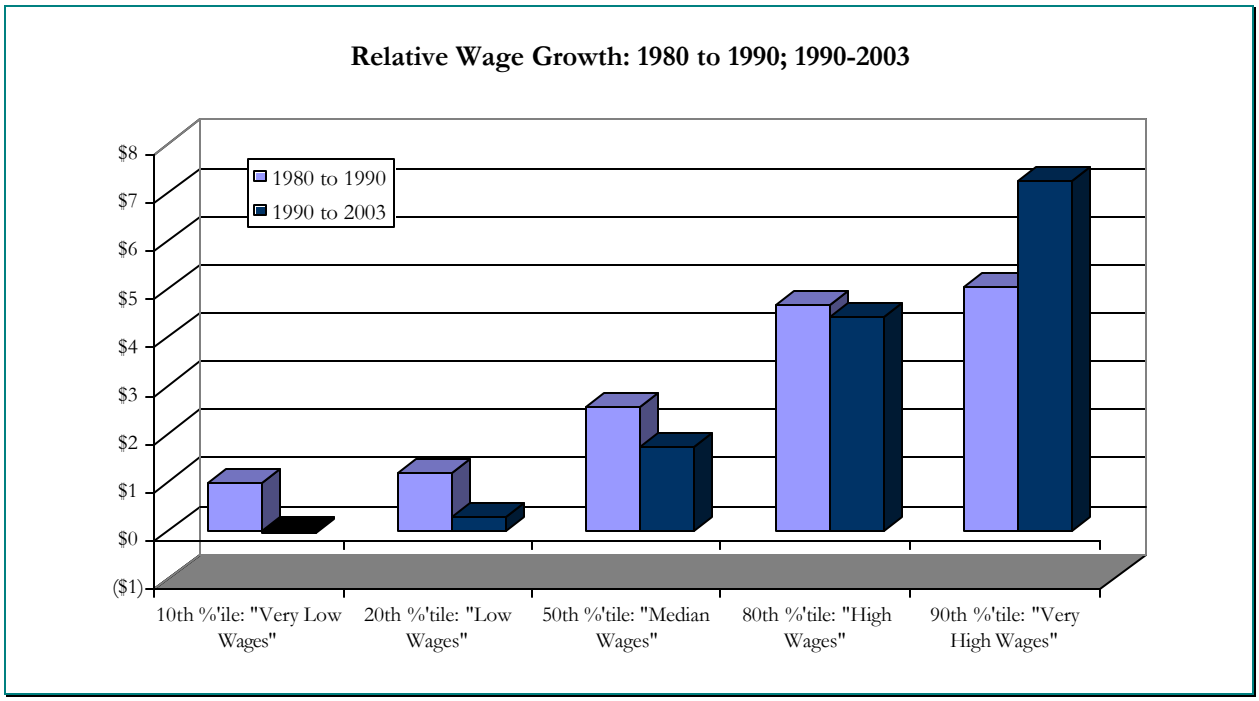


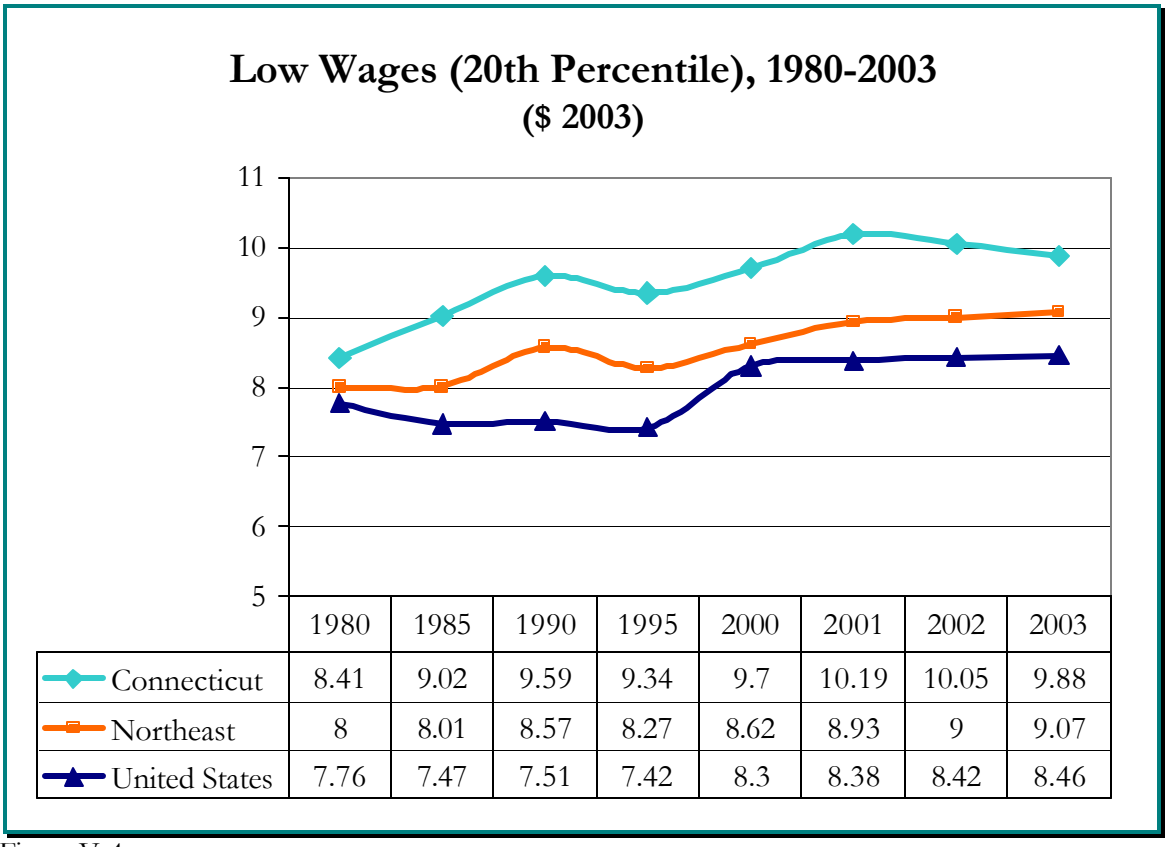
Figure V-3 Source: United States Census Bureau, Current Population Survey

Wage Trends in Connecticut, the Northeast and the United States In a state with a relatively high cost of living, like Connecticut, it is not surprising that wages exceed national averages. Table V-3 below shows that Connecticut's average hourly wage among low wage workers has slipped considerably with respect to other states since 2000, when it boasted the highest low wage among all states. In 2003, at $9.88/hour, Connecticut's 2003 wage stood 7th among states.

Year	20th percentile wage	Rank	50th percentile wage	Rank	80th percentile wage	Rank
2000	$9.70	1	$16.00	1	$26.21	2
2003	$9.88	7	$17.04	1	$29.12	2

Table V-3: Connecticut's Hourly Wages and State Rankings, 2000 and 2003
Source: United States Census Bureau, Current Population Survey

Figures V-4, V-5, and V-7 below show how Connecticut's real hourly wages (low, median, and high) compare with regional and national hourly wages over time. In each wage group, Connecticut's wages ***have exceeded*** both national and regional wages, after starting at very similar points in 1980.

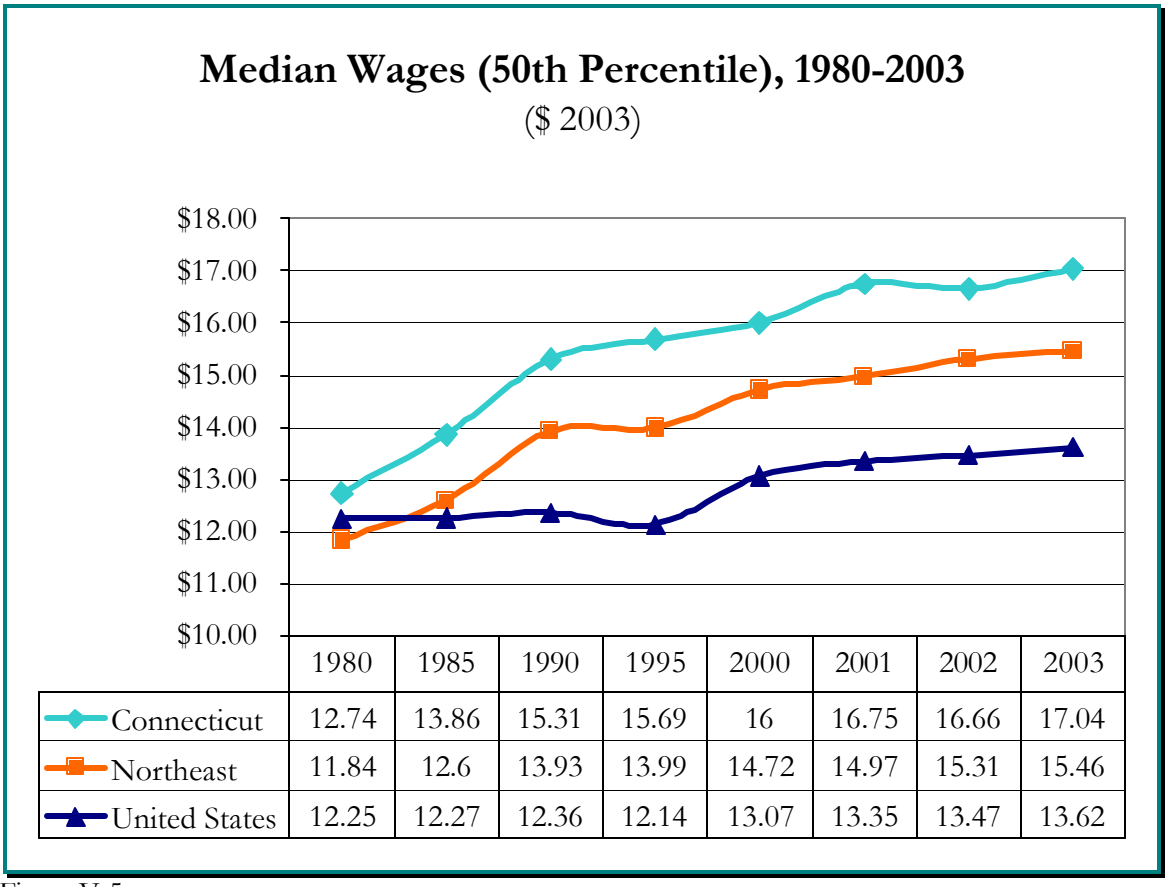


	1980	1985	1990	1995	2000	2001	2002	2003
Connecticut	8.41	9.02	9.59	9.34	9.7	10.19	10.05	9.88
Northeast	8	8.01	8.57	8.27	8.62	8.93	9	9.07
United States	7.76	7.47	7.51	7.42	8.3	8.38	8.42	8.46

Figure V-4

Low wages. In 2003, Connecticut's "low" (20th percentile) hourly wage was about $0.80/hour higher than the "low" wages in the Northeast, and almost $1.50 higher than the average national low wage. Connecticut's relatively high minimum wage has helped boost Connecticut's low wages relative to other states. Connecticut's 2003 minimum wage of $6.90 (or $7.01 in inflation-adjusted 2004 dollars) surpassed every other state's minimum wage, except for Alaska's $7.26 and Washington's $7.12. Oregon also had a 2003 minimum wage of $7.01.[3] Connecticut's low hourly wage has slipped from highest in the nation in 2000 to 7th highest in 2003.

[3] With the exception of Connecticut's nominal 2003 minimum wage of $6.90, these data are all inflation-adjusted figures.



	1980	1985	1990	1995	2000	2001	2002	2003
Connecticut	12.74	13.86	15.31	15.69	16	16.75	16.66	17.04
Northeast	11.84	12.6	13.93	13.99	14.72	14.97	15.31	15.46
United States	12.25	12.27	12.36	12.14	13.07	13.35	13.47	13.62

Figure V-5

Median Wages. In 2003, Connecticut's median hourly wages continued to outpace both national and regional median wages, as seen in Figure V-5 above. Although only $0.47/hour higher than the national median hourly wage in 1980, Connecticut's median hourly wage in 2003 exceeded the national average by $3.42/hour. Compared to other states, Connecticut's 2003 median hourly wage ranked highest, as it did in 2000.

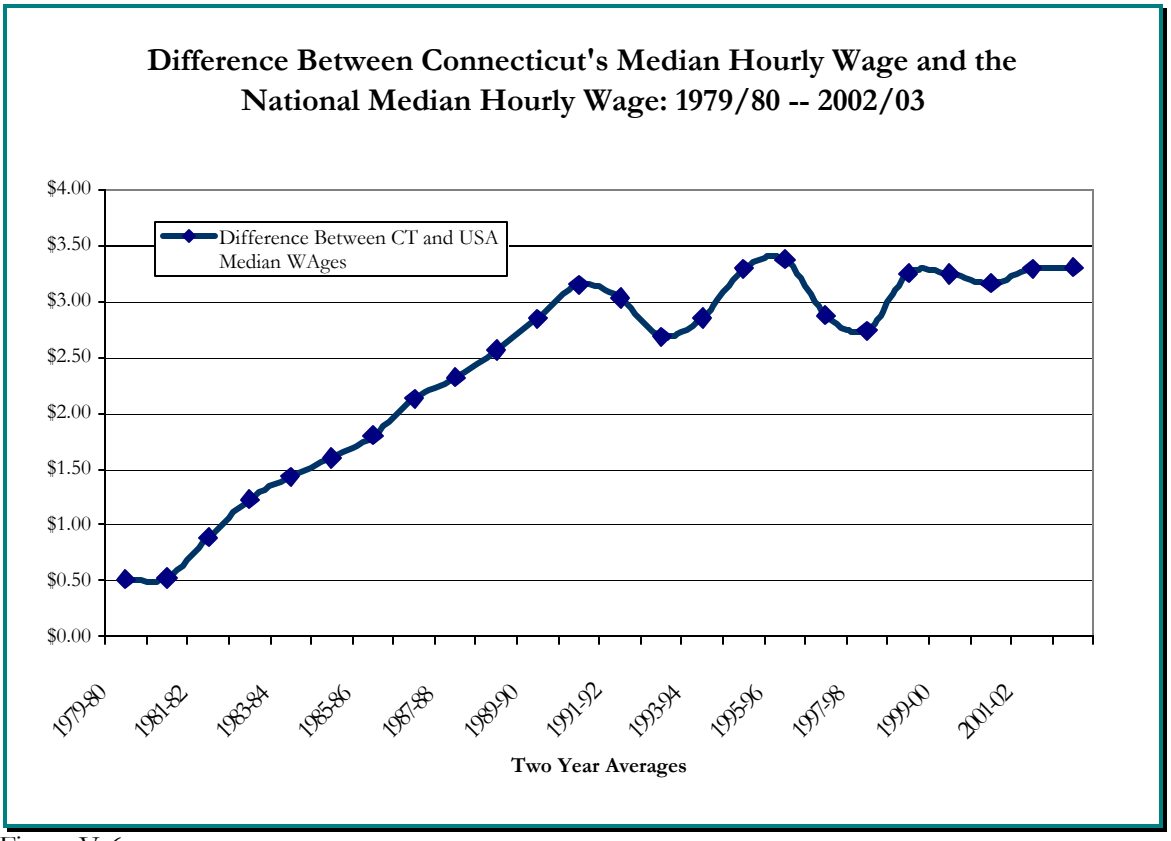
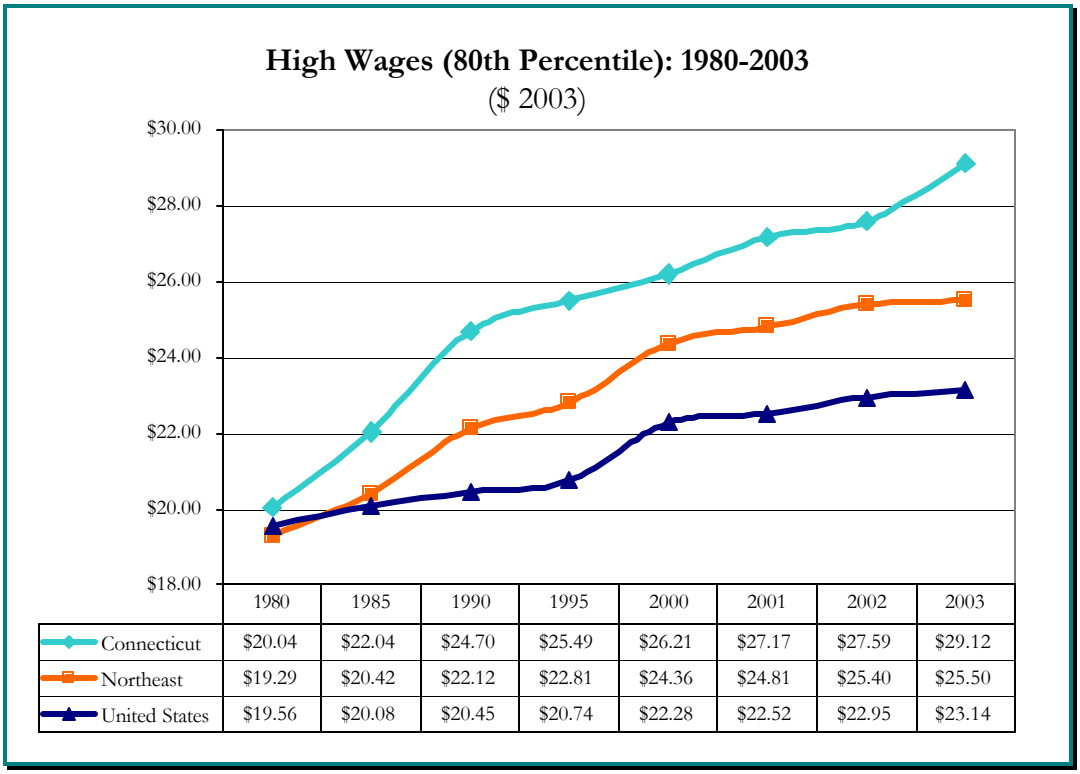


Figure V-6

Figure V-6, above, shows that from 1979-80 until 1990-91, Connecticut's median wage earners pulled rapidly away from their national counterparts. The wage gap in median hourly wages has remained relatively constant since then, however.



	1980	1985	1990	1995	2000	2001	2002	2003
Connecticut	$20.04	$22.04	$24.70	$25.49	$26.21	$27.17	$27.59	$29.12
Northeast	$19.29	$20.42	$22.12	$22.81	$24.36	$24.81	$25.40	$25.50
United States	$19.56	$20.08	$20.45	$20.74	$22.28	$22.52	$22.95	$23.14

Figure V-7

High Wages. Of these three wage categories, only the "high" wage (80th percentile) group demonstrates considerable growth in average real hourly wages throughout the period -- in Connecticut, the Northeast, and the United States. The difference between Connecticut's "high" hourly wage and the national average increased from $0.48 in 1980 to $5.98 in 2003. Like the median hourly wage, Connecticut's high hourly wage pulled away from the national average primarily over the 1980s.

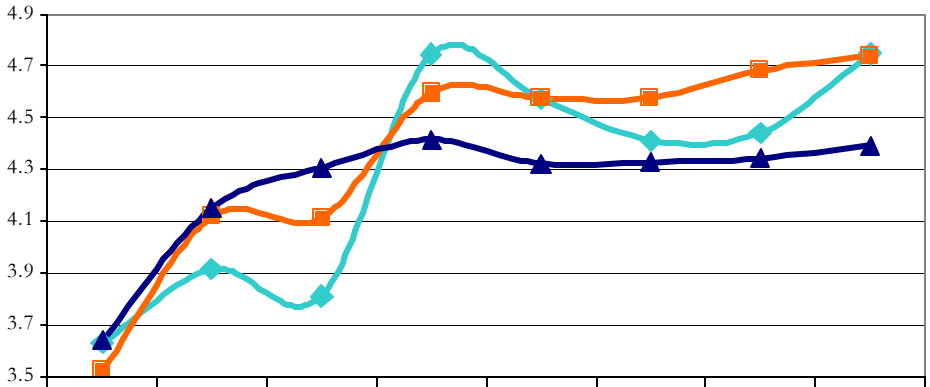
Connecticut's "high" average hourly wage of $29.12 in 2003 exceeds both the national and regional average "high" wages. It is second highest among states, in fact, after the District of Columbia's $29.27, and up from third place last year (behind Washington DC and New Jersey).

Wage Inequality. CT Voices for Children has written elsewhere about the growing inequality of family income in Connecticut.[4] A basic contributor to this is growing inequality in wages. Since 1979, the gap between low and high hourly wages in Connecticut has grown considerably in absolute terms. The growing gap between *very high* (90th percentile) and *very low* (10th percentile) wages is even more pronounced.

Expressing the gap between very high and very low hourly wages as a ratio, one finds that growth in the wage gap has been accelerating in Connecticut, as is evident in Figure V-8 below. Specifically, in 1980, the wage gap ratio was 3.6 (i.e. the 90th percentile wage was 3.6 times greater than the 10th percentile wage). By 1990, the wage gap ratio had increased slightly, to 3.8. However, by 1995, the wage gap ratio had increased to 4.7. Since then, it has fluctuated some, but returned to a ratio of 4.7 in 2003.

Connecticut's "very high"/"very low" wage gap ratio surpassed the national rate only after 1990. It is now quite high compared to other states. In 2003, Connecticut had the 5th highest gap between very high and very low wages (ratio of 4.7), behind only New Jersey (5.0), the District of Columbia (5.0), California (4.9), and New York (4.9).

Ratio of Very High (90th Percentile) to Very Low (10th Percentile) Hourly Wages, 1980-2003



	1980	1985	1990	1995	2000	2001	2002	2003
Connecticut	3.6	3.9	3.8	4.7	4.6	4.4	4.4	4.7
Northeast	3.5	4.1	4.1	4.6	4.6	4.6	4.7	4.7
United States	3.6	4.2	4.3	4.4	4.3	4.3	4.3	4.4

Figure V-8

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

Importantly, wage 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.[5]

[5] "Very high" wages in this report are the average wages of the worker at the 90th percentile. That is, fully 10% of Connecticut's workers earn *more than* the "very 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 highest wages. While "very 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 in this report will substantially underestimate the true level of income inequality between high and low income Connecticut families.

VI. Wage Inadequacy

Many Connecticut families earn wages that are not only inadequate to meet their self-sufficiency needs, but are so low as to leave them below the federal poverty level ($18,400/year for a family of 4 in 2003).

As seen in Figure VI-1, data released by the United States Census Bureau show that in 2003, despite working full-time, full-year, there were over 100,000 Connecticut workers earning less than $20,000 annually, and more than a quarter of a million workers earning less than $30,000 annually. These same data indicate that the proportion of Connecticut women working full-time, year-round yet earning less than $20,000 (13%) and less than $30,000 (30%) is approximately double the proportion of Connecticut men working full-time, year-round who are earning such low incomes (6% and 17% respectively).

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

Table VI-1

Source: US Census Bureau, American Community Survey, 2004[1]

Wage Inadequacy and Connecticut's Self Sufficiency Standard

Connecticut's Self-Sufficiency Standard, released by the Office of Policy and Management in 1999, defines for multiple family types and for 12 regions in the state, the hourly/monthly wage necessary for a family to be economically self-sufficient in Connecticut.[2]

The Self-Sufficiency Standard includes costs for housing, childcare, food, transportation, health care, taxes, and miscellaneous expenses. It assumes that working adults (whether married or single) work full-time, and therefore includes costs associated with employment (transportation, taxes, and for families with young children, child care). It takes into account the fact that many costs differ not only by family size and composition, but also by the age of the children in the family. It incorporates regional and local variation in costs and includes the net effect of taxes and tax credits. It is now widely viewed as a more accurate measure of what it "takes to get by" in Connecticut than the federal poverty threshold.

The federal poverty threshold is based on the cost of a single item (food) and assumes a fixed ratio between food and non-food expenses (food costs are assumed to be 1/3rd of all expenses, a now outdated notion). Moreover, the federal poverty threshold is a national measure, and fails to take into account significant differences both between, and

[1] Percentages are percentages of those working full-time, year round.

[2] Pearce and Brooks, *The Self-Sufficiency Standard for Connecticut* (1999).

within, states in the cost of living. It also does not take into account the expenses associated with parental work. By comparison, the Self-Sufficiency Standard is based on the costs of each basic need, determined independently, and adjusted for regional cost differences

Table VI-2, below, shows the self-sufficiency standard for a Connecticut family of four (two parents and an infant and a school aged child). Even in the most 'affordable' region – Hartford – the annual income needed to achieve self-sufficiency is more than double the federal poverty level (FPL). For the family composition shown in the table, the income required to meet self-sufficiency needs ranges from more than double the FPL in the Hartford region (2.4 times FPL), to more than triple the FPL in Stamford-Norwalk (3.2 times FPL).

CT Self-Sufficiency Standard for Family with Two Working Parents with One Infant and One School-Aged Child (2003$)		
Region	Average annual income needed for economic self-sufficiency	Federal Poverty Threshold
Hartford	$43,378	$18,400
Middletown	$43,921	$18,400
Northeast	$44,558	$18,400
Bristol	$44,789	$18,400
Waterbury	$45,195	$18,400
New Haven	$45,440	$18,400
Southeast Region	$45,968	$18,400
Torrington	$45,996	$18,400
Danbury	$48,667	$18,400
Old Saybrook	$49,006	$18,400
Bridgeport	$51,338	$18,400
Stamford-Norwalk	$58,484	$18,400

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 in this table have been adjusted for inflation using the CPI-U to allow a comparison of 2003 dollars to the federal poverty threshold for 2003.

Table VI-2

Table VI-3 shows the relationship between Connecticut's 2003 average wages at the various percentiles (10, 20, 50, 80, 90) and the wages required to meet self-sufficiency needs in twelve regions in Connecticut for a Connecticut family with two parents, and two children (an infant and a school aged child), as well as for a single parent family with children of the same age.

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

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

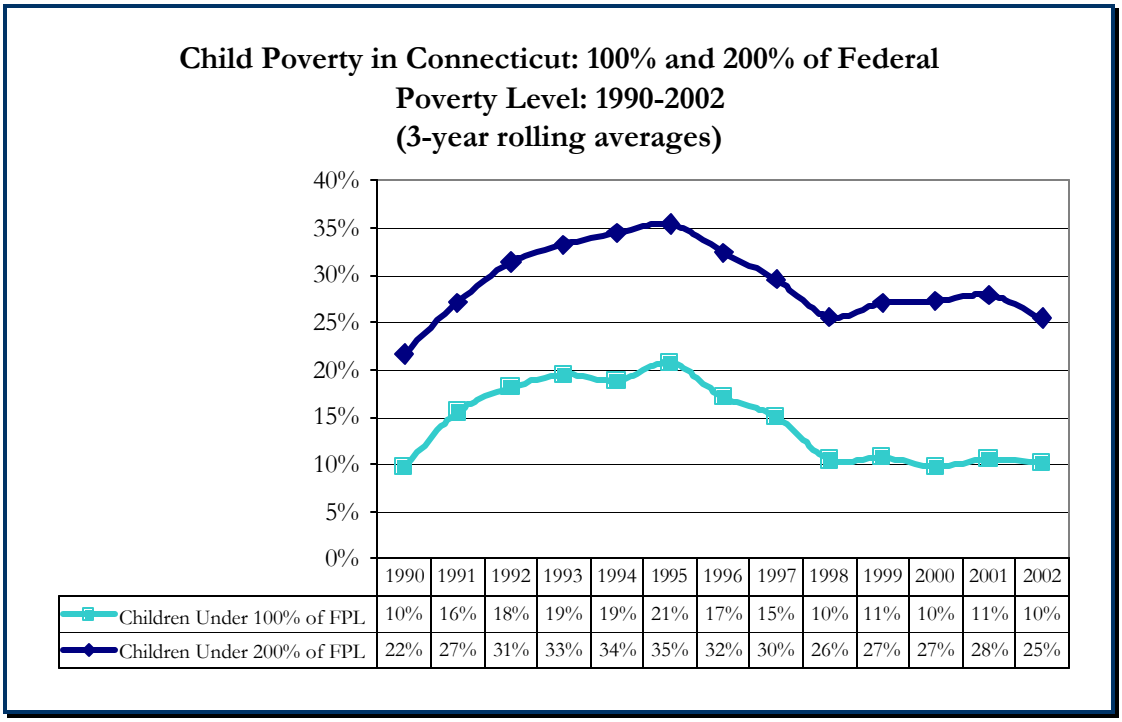
While the number and proportion of Connecticut children living below the federal poverty level are of particular concern, one also must look to the proportion of children living below 200% of the FPL since that provides a more accurate (though still underestimated) measure of how many children are living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

2003 CT Hourly Wages ($ 2003)	
Very low wage workers (10th percentile)	$7.92
Low wage workers (20th percentile)	$9.88
Median wage workers (50th percentile)	$17.04
High wage workers (80th percentile)	$29.12
Very high wage workers (90th percentile)	$37.60

CT Self-Sufficiency Standard for Family with One Infant and One School-Aged Child ($ 2003)		
Region	**Two parent family:** Average hourly wage needed by *each* working parent for economic self-sufficiency	**Single parent family:** Average hourly wage needed by single working parent for self-sufficiency
Bridgeport	$12.34	$22.09
Bristol	$10.77	$18.89
Danbury	$11.70	$20.75
Hartford	$10.43	$18.17
Middletown	$10.56	$18.44
New Haven	$10.92	$19.23
Northeast	$10.71	$18.78
Old Saybrook	$11.78	$20.91
Southeast Region	$11.05	$19.46
Stamford-Norwalk	$14.06	$25.57
Torrington	$11.06	$19.47
Waterbury	$10.86	$19.08

Table VI-3: Source: Pearce & Brooks, *The Self Sufficiency Standard for Connecticut* (1999). Note: Hourly wage data is for 2003, while the Self Sufficiency Standard report defines hourly wages necessary for self-sufficiency as of 1998. Accordingly, the "self-sufficiency" wages were adjusted for inflation using the CPI-U to allow a comparison in 2003 dollars. The self-sufficiency wage shown here assumes full-time, full-year work.

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



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Children Under 100% of FPL	10%	16%	18%	19%	19%	21%	17%	15%	10%	11%	10%	11%	10%
Children Under 200% of FPL	22%	27%	31%	33%	34%	35%	32%	30%	26%	27%	27%	28%	25%

Figure VI-1

VII. Conclusion

Data reported in this *State of Working Connecticut 2004* suggest that Connecticut is losing ground on some important fronts. While the steady loss of manufacturing jobs remains a cause for concern, perhaps more alarming is the failure of the state economy as a whole to engage in a full recovery following the recession of 2001. This report documents a state economy that has continued, virtually unabated, to shed jobs – not only manufacturing jobs, but also high-end service jobs.

Not only are Connecticut jobs being lost, but Connecticut's national ranking on "low" hourly wages has slipped also. Where we were a leader in wages across the full wage spectrum – ranking 1st among states in low (20th percentile), median (50th percentile), and high (80th percentile) hourly wages as recently as 1999, our rank has now slipped, respectively, to 7th, 1st, and 2nd.

The "Two Connecticut's" are continuing to grow apart, in good economic times as well as bad. Since 1990, the real (inflation-adjusted) hourly wages of Connecticut's "very low" wage workers (10th percentile) have *declined 1%*, and the wages of its "low" wage workers (20th percentile) have grown just 3%. By comparison, the wages of Connecticut's "high" (80th percentile) and "very high" (90th percentile) workers have grown 18% and 25%, respectively. Measured by an inequality index that compares average wages at the 10th and 90th deciles, Connecticut's wage inequality in 2003 ranked fifth greatest among all states.

This report has considered several dimensions of the complex and uncertain economic world we live in. As workers, we need wages that are high enough to sustain our families. As consumers, we demand products that are "affordable," even if that affordability results, in part, from wages that have been forced downward or from the 'outsourcing' of jobs to other states or nations.

For many hard working Connecticut families, intellectual exploration of the complexities of the global economy is a luxury they cannot afford. Instead, their focus is on the immediate well-being of their families. They are all too aware that they are just a few paychecks, an unexpected illness, or an on-the-job injury away from poverty. These families are what Len Span, President of the Community Action Partnership, has called "the future face of poverty."[1] These are families for whom the 'pulling apart' documented in this report is of particular concern. As this report shows, the growth in wages and incomes of Connecticut's low and moderate income families is failing to keep pace with the growth enjoyed by our wealthier families. The rising economy has stopped lifting all boats equally.

In short, Connecticut – and the nation -- needs an economy that better shares the fruits of labor with those who are actually *doing* the labor, rather than one that seems to reward 'the investor class' at the expense of working families.

[1] Derrick Len Span, "No Room for Poverty Rally," New Haven, August 19, 2004.

A recent report[2] by the Center on Budget and Policy Priorities is instructive on this point. Based on analysis of United States Commerce Department data released August 27, 2004, the report found that the share of national real (inflation-adjusted) income growth attributed to increases in wage and salary income is smaller in this current economic recovery than during any other post-World War II recovery period. By comparison, the share of real income growth attributed to increasing corporate profits has been higher in this current recovery than during all other post-World War II recoveries.

The report also found that in the current economic recovery, real wages and salaries have grown at only 0.8% per year nationally, compared to 4.8% per year in all other recoveries since World War II. By comparison, inflation-adjusted corporate profits nationally have increased at a rate of 14.2% per year in the current recovery, as compared to an average increase of 11.8% per year in prior recoveries. That is, in the *current* economic recovery nationally, the increase in real corporate profits has been 18 times greater than the increase in real wages and salaries. By comparison, in all other post-World War II economic recoveries, the increase in real corporate profits was 2.5 times greater than the increase in real wages and salaries.

While many of the forces described in this report extend far beyond the influence of Connecticut policymakers, or even national policymakers, there are steps that can be taken to help reduce those aspects of the globalization of Connecticut's economy that have adverse impacts on Connecticut families. These steps will help Connecticut families meet their essential needs and Connecticut's children reach their full potential, thereby also helping to keep Connecticut economically competitive.

Connecticut Voices for Children recommends that Connecticut:

- *Increase our public investment in education.* Connecticut's highly educated workforce is perhaps its greatest asset in a global economy. Higher education is also a key to family economic success in Connecticut. For these reasons, Connecticut should increase the state's contribution to high quality pre-school programs (particularly for young children at greatest educational risk) and the state's share of K-12 education funding, rescind recent cuts to need-based scholarships and to higher education, and enhance education and re-training programs for displaced workers.

- *Re-assess economic development strategies.* Connecticut currently invests hundreds of millions of dollars (through grants, loans, and tax benefits) in its economic development initiatives. Connecticut should re-assess if these funds are invested in the most strategic ways possible, and begin to measure the success of our economic development efforts *not only* in terms of increased productivity but also by the number of jobs created that pay a family-sustaining wage.

- *Create a better system of supports for the families of low-wage workers and workers who have lost their jobs.* Connecticut's economy includes an increasing number of relatively low-

[2] See D. Kamin & I. Shapiro, *An Uneven Recovery: New Government Data Show Corporate Profits Enjoying Unusually Large Gains, While Workers' Incomes Lag Behind* (Center on Budget and Policy Priorities, September 3, 2004), http://www.cbpp.org/9-3-04ui.pdf.

wage jobs, particularly in our service sectors. To reduce the adverse impacts of poverty on the children living in families headed by Connecticut's lower-wage workers, Connecticut can help enhance family income (e.g., through a refundable state earned income tax credit) and help reduce family expenses (e.g., through greater assistance in meeting child care, housing, and health expenses). The economic safety net also should be strengthened for the many Connecticut families whose financial assets are so low that a job layoff can quickly throw the family into poverty, including by providing extended unemployment insurance benefits, enhanced education and training to those struggling with long-term unemployment, and assistance to families in building and maintaining their financial assets.

Unless the warning signs in this report are acknowledged and addressed by some strategic changes in state policy, the *State of Working Connecticut* will remain one in which too many working families are left behind, and the life-chances of too many of our children and youth are sacrificed. Connecticut can do better and - to stay economically competitive - *must* do better.