CONNECTICUT VOICES FOR CHILDREN

NEWS RELEASE

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FOR IMMEDIATE RELEASE
Friday, Sept 2, 2005

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5th Annual *State of Working Connecticut* Report Finds Many Workers in State Are Losing Ground

Labor Day report calls for re-investment in "human capital" to reverse dangerous economic trends

Without significant investments in education, enhanced supports for its lower-wage workers, and a re-assessment of state economic development policies, Connecticut is in danger of losing its economic strength and competitive edge over other states, according to a new report released by Connecticut Voices for Children.

The State of Working Connecticut 2005 finds that Connecticut's incomplete job recovery and growing wage gaps are threatening the stability of the state's economy and the well-being of thousands of children. Connecticut Voices for Children, a research-based advocacy organization for children and families, specifically has called for a re-investment in the "human capital" of the state, though such measures as reversing reductions in need-based scholarships; tying a greater proportion of state economic development incentives to creation of jobs with wages sufficient to support families; and helping our lower-wage working families make ends meet through such tools as a state earned income tax credit and financial help with child care, health, and housing expenses. These steps, the group says, can help as Connecticut seeks to compete in a global economy.

Connecticut's employment picture has been improving over the last year, though the state has only recovered approximately half (52%) of the jobs lost during the recession. In July 2004, there were 32,300 more jobs than at the end of the recession (September 2003), but 29,100 fewer jobs than at Connecticut's employment peak in July 2000.

Connecticut wages have not grown with increased economic productivity. Over the period 1997-2004, growth in productivity was 44% greater than growth in median wages. The Connecticut economy shares with the national economy this disconnect between productivity (a measure routinely used by economists to gauge the 'health' of an economy) and wages. Such uneven growth between an economy and its workers can weaken the economy rather than strengthen it.

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The state has been losing higher-wage manufacturing and professional jobs and gaining lower-wage service sector jobs. The industry sectors in which Connecticut lost the most jobs between 2003 and 2004 pay more on average than the industry sectors in which Connecticut had the greatest gains during this period. The average 2004 wage in the five employment sectors showing the largest employment losses was almost $83,000, compared with an average wage of just $38,181 for jobs gained in the five sectors with the highest employment gains in 2004.

Connecticut's low-wage workers have lost ground, and the gap between high-wage and other workers is growing. Real (inflation-adjusted) wages for Connecticut's highest wage workers (at the 90th percentile), increased 20% between 1990 and 2004, while the wages of the lowest-wage workers (at the 10% percentile) actually declined by 2%. The increase for high-wage workers was double the increase for median-wage workers (10%) over this period.

Connecticut's low-paying jobs threaten the well-being of Connecticut children and the economic future of the state. One in four Connecticut children (25%) live in families that do not have enough income to meet their family's essential needs. These families have incomes under 200% of the Federal Poverty Level, which is roughly equivalent to the Connecticut self-sufficiency standard (a measure that estimates the income needed to support a family based on the local cost of living). The damaging effects of poverty fall most harshly on children, and particularly on young children, impairing their cognitive development and academic achievement and exposing them to unsafe and unhealthy living environments. Connecticut cannot afford to limit the life chances of a quarter of its children – its future workforce – by not reducing the harmful impacts of child poverty, particularly because we have a relatively older workforce.

The report is released a few days after the Census Bureau reported data indicating that Connecticut has not made progress in reducing child poverty since 1990. *The State of Working Connecticut* helps explain this lack of progress -- low-end wages have not grown with the economy, and lower-wage service sector jobs with fewer benefits have replaced higher-wage manufacturing and professional jobs.

While some of the troubling trends in this report result from the changing global economy, Connecticut Voices for Children argues that Connecticut can successfully weather these changes and retain its competitive edge through smart and proven public investments. To help reverse some of the adverse impacts of these economic trends, Connecticut Voices for Children recommends that Connecticut:

- *Further increase public investment in education*. This includes investments in high quality early care and education programs and services (particularly for young children at greatest educational risk and for infants and toddlers), increase the state's share of K-12 education funding, restore recent severe cuts to need-based scholarships, and enhance education and training programs for displaced workers. Connecticut now ranks 2nd last in the nation (49th) among all states on state and local spending on education as a share of personal income. Keeping Connecticut's workforce one of the most highly educated in the nation not only helps Connecticut families, but also keeps Connecticut economically competitive.

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- *Re-assess economic development strategies.* Require state economic development initiatives (whether through grants and loans or tax benefits) to measure their success not only in terms of increased productivity but also the number of higher-wage jobs created.

- *Create a better system of supports for the families of low-wage workers and workers who have lost their jobs.* 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 restoration of full funding for the Care4Kids child care subsidy program, increased state investment in building and restoring housing that low-wage workers can afford and rental subsidies, and expansion of eligibility for publicly-funded health insurance programs). The economic safety net should also 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.

"Connecticut's major strength in a global economy is its highly educated workforce. It has helped keep our state competitive and our families economically self-reliant," said Shelley Geballe, President of Connecticut Voices for Children. "If we don't want our economy and quality of life to fall further behind, we need the state to commit to significant re-investments in the education of Connecticut families."

"We can't afford an economy that leaves thousands more families behind, working in poverty-wage jobs that can't pay the bills," said Doug Hall, Policy Fellow at Connecticut Voices for Children. "A state earned income tax credit would help families to cover the gap between low wages and a high cost of living."

The *State of Working Connecticut* is released each year in partnership with the Economic Policy Institute, an economic thinktank based in Washington, DC. Connecticut Voices for Children is a research-based policy and advocacy organization committed to promoting leadership, policy change, and investment on behalf of all of Connecticut's children and youth. For more information on Connecticut Voices, or to read Voices' report, *The State of Working Connecticut 2005,* see www.ctkidslink.org.

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