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## **Connecticut Unemployment and Job Trends Point to Need for Policy Changes**

### ***CT group warns state budget cuts would undermine economic recovery***

Even before the current recession began, Connecticut's job conditions were worse than they were before the last recession at the beginning of the decade, according to a new report by Connecticut Voices for Children. In addition, the portion of unemployed workers who have been looking for jobs for more than 26 weeks is higher in Connecticut than in any New England state. Problems with the state's economic engine extend beyond rising unemployment, however. Connecticut has been losing higher wage manufacturing jobs and gaining lower wage service sector jobs, and the leading area of economic growth – the health and education job sector -- is threatened by the prospect of severe state budget cuts.

The report, *The State of Working Connecticut: Job Trends and the Labor Market*, concludes that state government needs to take greater, not less responsibility for supporting Connecticut workers and creating higher-wage jobs. Severe state budget cuts would only worsen economic conditions for families in the state, according to the state policy thinktank.

“These findings are a warning to state policymakers,” said Douglas Hall, Acting Managing Director of Connecticut Voices for Children. “To restore economic prosperity and opportunity, we need to step up supports for families during a recession, not undercut them and create a downward spiral.”

The study's findings point to some troubling trends indicating a need for policy change:

- Even before the current recession began, Connecticut's job conditions were worse than they were before the last recession at the beginning of the decade. The state's unemployment rate in 2007 (4.5%), heading into the current recession, was twice the rate in 2000 (2.2%), prior to the last recession. By October 2008, the unemployment rate had risen to 6.5%.
- Long-term unemployment – the percentage of unemployed workers who have been without work for more than 26 weeks – is higher in Connecticut (20.3%) than the national average (17.6%), and Connecticut has the highest rate in New England.
- Connecticut is losing higher wage manufacturing jobs and gaining lower wage service sector jobs. The average wage in the job sectors that are gaining jobs (\$49,036) is lower than the average wage in the sectors that are losing jobs (\$64,300).

The study identifies a bright spot in the Connecticut economy – jobs in the health and education fields have been increasing more than in any other job sector. The success of this area of the economy, which is heavily dependent on public sector investment, is threatened by the prospect of major state budget cuts, according to the report. CT Voices recommends that Connecticut should avoid major state budget cuts that would undermine economic recovery and growth in the state’s largest job sector.

To support families struggling with difficult economic conditions and to help return the state to prosperity, Connecticut Voices for Children recommends:

- *Avoid state budget cuts that would further undermine the economy and reduce supports for the working families and the unemployed.* The Center for Economic and Policy Research recently estimated the potential harm that states could do to their economies by pursuing budget cuts rather than revenue enhancements to close budget deficits. They estimate that for the current fiscal year, Connecticut would lose 2,200 jobs if we relied on budget cuts to close 40% of the budget gap, and 5,400 jobs if we relied on budget cuts to close the entire budget shortfall. The detrimental impact on the state of closing much larger budget deficits in the following two fiscal years could prove devastating if Connecticut continues a budget-cutting path. For example, Connecticut’s education and health job sector, heavily dependent on public investment, is the largest job sector in the state, with the greatest amount of growth, even during the recession. Severe cuts to state spending in this area could undermine the leading area of progress in the state economy, and weaken one of Connecticut’s economic advantages – its well-educated workforce. With household costs rising and jobs shrinking, the state must also do more to help low-wage families make ends meet. The state should also avoid budget cuts for programs that reduce family expenses (e.g., child care subsidies, housing subsidies, energy assistance), and provide affordable health insurance for the unemployed and uninsured.
- *Rethink the state’s economic development strategy, particularly the state’s heavy use of business tax credits.* Each year, hundreds of millions of dollars in tax credits and other tax preferences are given to businesses for economic development. The identities of all these businesses are not disclosed, nor is there an adequate evaluation of the benefits to taxpayers. The loss of state revenues from corporation business tax credits alone (an estimated \$306 million in Fiscal Year 2009) has increased 113-fold since 1987. There is no comprehensive economic development plan that guides the adoption of new tax credits. Indeed, more than one-third of the projected FY 2009 revenue loss results from three new “film industry” credits.
- *Expand our public investment in education and training.* Since post-secondary education clearly is a key to higher earnings and steady employment, barriers to college must be reduced including by investing more in pre-school and K-12 education to reduce the state’s enlarging achievement gap, targeting interventions to curb the number of youth who drop out of high school, increasing funding for college scholarships, and expanding financial support to our public colleges and universities to limit tuition increases.

“In tight budget conditions, we need to make sure that every state dollar is well-spent,” said Jamey Bell, Executive Director of Connecticut Voices for Children. “We need to evaluate whether the hundreds of millions in revenues that we lose each year on corporate tax breaks are really producing the high-quality, high-wage jobs we need in the state.”

“State budget cuts would mean fewer jobs, less access to education, and fewer dollars circulating in the local economy,” said Joachim Hero, Research Fellow at Connecticut Voices for Children and a co-author of the report. “We need to focus our public investments on building the kind of future we want for our children and on strengthening our economy.”

The State of Working Connecticut is released each year in partnership with the Economic Policy Institute, an economic think tank based in Washington, DC ([www.epi.org](http://www.epi.org)). This year, Connecticut Voices issued two State of Working Connecticut reports. This first report, released in September, focused on wage and benefit trends. Connecticut Voices for Children is a statewide, research and policy organization that works at the state and federal levels to advance strategic public investment and wise public policies to benefit our state’s children, youth and families. The report is available at [www.ctkidslink.org](http://www.ctkidslink.org).

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