

FOR IMMEDIATE RELEASE
Friday, September 4, 2009

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Labor Day Report: Connecticut's Recession Marked by Severe Unemployment and Racial and Ethnic Gaps

Wage gaps point to long-term economic problems

Connecticut's current recession has been particularly severe, marked by historically high unemployment levels and racial and ethnic disparities in unemployment, according to a new Labor Day report on jobs and wages in the state. "The State of Working Connecticut 2009," released by Connecticut Voices for Children, a research-based policy think tank, also finds that stagnating wages and racial and ethnic wage gaps reveal longer-term economic problems that threaten the ability of many families to weather the recession. Wages have stagnated or declined for the bottom 50% of workers since the beginning of the decade, gaps between high- and low-wage workers are greater than at any time in the last three decades, and racial and ethnic wage gaps diminish economic opportunities for many.

To help restore broader economic opportunities and to help families through the recession, the report recommends that the state re-think its economic development strategies, ramp up supports for unemployed families, avoid further state budget cuts that would result in further job losses, and increase investments in education and worker training.

"Connecticut's job creation engine has stopped working for our families, and our public leaders need to step up supports for these families during this difficult period and develop new strategies for economic development," said Jamey Bell, Executive Director of Connecticut Voices for Children. "We need a strategic, long-term plan to build a stronger economy that works for all families and values their work."

Among the reports findings:

Connecticut's current recession has been particularly severe. Unemployment in Connecticut is higher than at any time since 1977, and the number of jobs has fallen to the lowest point since 1998. The rate of job loss in the current recession has been 2.5 times faster than during the 2000-2003 recession.

Unemployment is highest in Connecticut's largest cities (e.g., 13.9% in Hartford, 12.7% in Waterbury, 11.7% in New Britain, and 11.6% in Bridgeport). **However, the greatest percentage increases in unemployment since 2008 have more often been in smaller cities and towns** (e.g., a 3.6% increase in Plymouth, 3.5% in Thomaston, 3.2% in Union, and 3.1% in Thompson).

Unemployment has most heavily affected African Americans, Hispanics, and people without high school degrees. African Americans and Hispanics were more than 2.5 times as likely to be unemployed as Whites in 2008. Connecticut's racial and ethnic unemployment gap is higher than the gap for New England or the nation. Those without a high school degree in Connecticut are even worse off than their counterparts in other states. In 2008, 15.2% of residents with less than a high school degree were unemployed, a rate even higher than the rate for those with a similar education in New England (13%) and the U.S. (12.8%). In 2009, unemployment rates for the educational category are likely to be higher.

Low-wage workers have continued to lose ground over this decade, earning 7.5% less in 2008 than they did in 2001. Since 2001, wages have stagnated or declined for the bottom 50% of workers. However, wages for very high-wage workers (at the 90th percentile) reached their highest point in the decade in 2008. The gap between very high wage and very low-wage workers is growing faster in Connecticut than in the nation, and Connecticut's gap is wider than at any time in the last three decades. Wage gains over successive economic cycles are being shared by fewer people over time. Since 1989, the bottom 30% did not see their wages rise; since 2001, the bottom 50% did not see their wages rise.

Racial, ethnic, and educational wage gaps reveal limited economic opportunities for many Connecticut workers. Median wages for African Americans and Hispanics were only about 60% of the median wages for Whites in Connecticut. Wages for workers without a high school degree are only about one-third of wages for workers with a bachelor's degree.

Since the beginning of Connecticut's recession in March 2008, the state's greatest job losses have been in the professional and business services, construction, manufacturing, and retail trade sectors. Yet the recent record has not been bleak for all job sectors. The state's largest sector – education and health – has experienced the greatest gains in employment, though jobs in this sector have stalled since March 2009. The gains in this area are threatened by the potential of further state budget cuts in future years, according to the report.

“Gaps in employment and wages between racial and ethnic groups and between high- and low-wage workers are a threat to our common economic future,” said Joachim Hero, Research Associate at Connecticut Voices for Children and author of the report. “We can't afford an economy that leaves so many of our workers behind.”

To help restore broader economic opportunities and to help families through the recession, the report recommends that Connecticut:

Re-think the state's economic development strategy. In the last decade, the state's economic development efforts have been fragmented and without a cohesive strategy, according to the

report. It recommends evaluating the economic returns of current state economic development investment, and judging the success of these initiatives on the basis of higher wage jobs created and the preparedness of our workforce.

Ramp up supports for the families of lower wage workers and workers who have lost their jobs. The report recommends expanding the coverage and benefits of the unemployment insurance program, providing wage insurance for workers who lose their jobs, subsidizing COBRA coverage for unemployed and part-time workers, and taking advantage of federal opportunities to expand the HUSKY health insurance program. To help lower-wage families make ends meet, Connecticut should restore funds cut for programs that reduce family expenses, assure affordable health insurance, make the state tax code more equitable, expand the supply of affordable housing, and curb predatory lending practices.

Expand 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 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.

Avoid future state budget cuts that would undermine the economy and reduce supports for working families and the unemployed. An excessive reliance on one-time revenues and borrowing in the current state budget will contribute to projected budget deficits for Fiscal Year 2012 and later years. The detrimental impact of closing these budget gaps could prove devastating if Connecticut chooses to address them with further cuts, rather than increased on-going revenues. 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 an area of progress in the state economy, and weaken one of Connecticut's economic advantages – its well-educated workforce.

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). Connecticut Voices for Children is a statewide, research and policy organization that works to advance strategic public investment and wise public policies to benefit our state's children, youth and families. **For more information on Connecticut Voices, or to read the Voices' report, see www.ctkidslink.org.**

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