



The State of Working Connecticut, 2005: Executive Summary

September 2005

I. Introduction – Economic Context

The ‘state of working Connecticut’ is linked in important ways to the state’s broader economic context. The Connecticut economy exists in the midst of a national economy, and importantly, also in the midst of a global economy. On the one hand, in this global, ‘flat’¹ context, the range of matters over which state policy can make a real difference in determining the economic destiny of the state may be increasingly limited. On the other hand, in the areas in which the state *can* make a difference, its role is arguably *more important than ever*. Connecticut can ensure that its workforce – ‘working Connecticut’ – has the tools to excel in a flat world.

The figure below shows that over both the most recent past – 2000 to 2004 – and over a longer time period – 1997-2004², Connecticut’s growth in productivity has exceeded its median wage growth. Indeed, 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. That is, although productivity has remained strong in Connecticut (despite a period of stagnation during the worst parts of the state’s recession), wages and employment have lagged behind.³ Productivity increases come both from workers – working harder and smarter – and from capital investments in infrastructure.

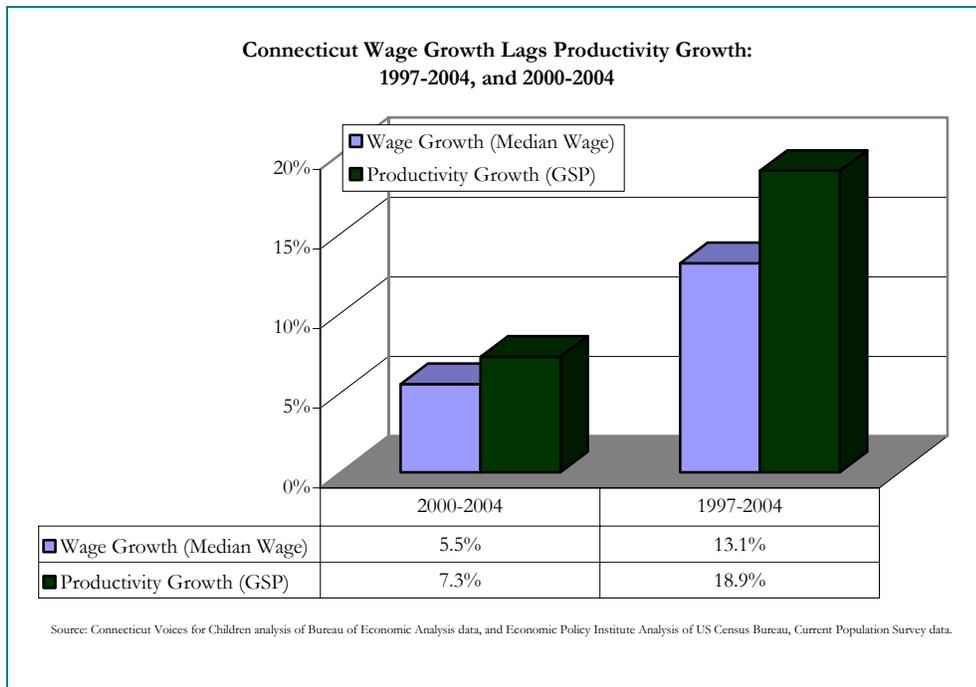
Such uneven growth between an economy and its workers can sow seeds of discontent among those who are failing to share in a growing economy. Philip Swagel, resident scholar at the American Enterprise Institute (a noted conservative research group), recognizes that workers are not fully sharing in the economic recovery: “It looks like the gains from the recovery haven’t really filtered down....The gains have gone to owners of capital and not to workers.”⁴

¹ Thomas Friedman’s book, *The World is Flat*, has been on the New York Times bestseller list for nonfiction for 20 weeks (as of September 4, 2005). Friedman’s book analyzes 21st-century economics and foreign policy and presents an overview of globalization trends, noting that previous barriers to world trade and information flows have largely been removed, leaving what he describes as a ‘flat’ world.

² This time frame corresponds to the period in which Gross State Product has been calculated based on the NAICS system.

³ <http://www.bea.doc.gov/bea/regional/gsp/>.

⁴ David Leonhardt, “U.S. Poverty Rate Was Up Last Year,” *New York Times*, August 31, 2005.



This executive summary highlights many of the inequities that threaten “the state of working Connecticut” in 2005. A full version of the report is available at www.ctkidslink.org.

II. The Face of Working Connecticut

Gender. Since 1979, the labor force participation rate among men in Connecticut has declined from 80% to 73%, while the participation rate among women has increased from 55% to 60%.⁵ With a growing proportion of women joining the workforce, the importance of family-friendly policies that maximize the ability of parents to contribute to the economy has also grown.

Race and Ethnicity. Connecticut’s labor force is less diverse in terms of race and ethnicity than the national average. It is 79.0% White, 8.6% African American, 9.0% Hispanic, and 2.4% Asian/Pacific Islander, reflecting fairly accurately the racial/ethnic composition of the Connecticut population.

Educational Attainment. Connecticut’s labor force is more highly educated than the national average. Connecticut’s labor force has embraced the message that it must educate itself to thrive in a knowledge-based economy. While the largest share of Connecticut’s labor force in 1979, accounting for nearly 40% of the labor force, held only a high school diploma, by 2004, the largest share was held by those with a bachelor’s degree or higher (37%). During the same period, the share with less than a high school education was cut in half, from 19.5% in 1979 to 9.8% in 2004.

Age. Connecticut’s workforce is aging. The proportion of Connecticut workers who are over age 55 is second highest in the nation, behind only New Mexico’s 18.6%. Paired with a young workforce that is smaller than the national average, this presents a challenge for the future, as a comparatively large

⁵ The **labor force participation rate** measures the labor force as a proportion of the civilian non-institutional population, ages 16+.

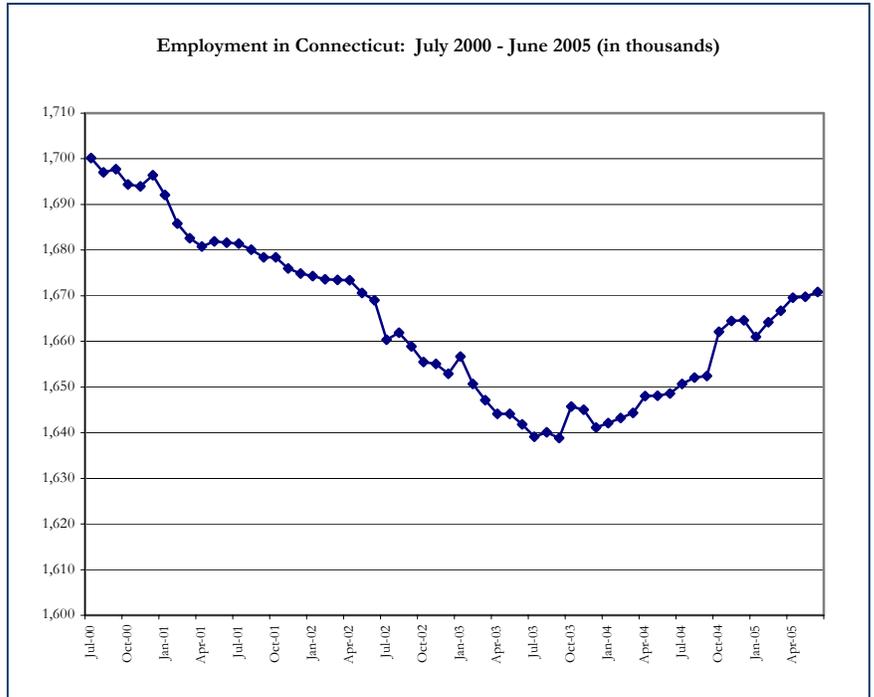
population will be dependent on a comparatively small population to support a variety of programs and services on which older populations rely more heavily. The growth of Connecticut's immigrant population may help to mitigate this imbalance.⁶

III. Job and Employment Trends

Payroll Employment⁷

Total Payroll Employment. Two factors have emerged to make this year's employment picture look much better than last year's. Not only has Connecticut seen steady growth, but previous employment estimates that showed continued job loss persisting through July 2004 have been significantly revised, showing Connecticut's employment picture improving since September 2003.

The positive trend in Connecticut's overall employment numbers must be tempered by the recognition that the state has still only regained approximately half (53%) of the jobs lost during the recession. By July 2005, there were 29,100 fewer jobs than at Connecticut's employment peak prior to the national recession (July 2000), and 32,300 more jobs than at the end of Connecticut's employment recession (September 2003).



Employment by Sector -- Changes in Types of Jobs Available. Since the peak of employment in 2000 Connecticut has lost over 38,000 manufacturing jobs. Significant losses also have occurred in Professional and Business Services (-18,200) and Trade, Transportation and Utilities (-9,200). Smaller losses have been sustained in Information (-7,300) and Financial Activities (-2,300). These losses have been somewhat offset by modest gains in Government (+600)⁸, Construction and Mining (+1,300), and Other Services (+1,700), and significant gains in Leisure and Hospitality (+6,800) and Education and Health Services (+23,200).

Employment Change by Sector, 2000-2004, as Percent of 2000 Employment	
Manufacturing	-16%
Information	-16%
Professional and Business Services	-8%
Trade Transportation & Utilities	-3%
Financial Activities	-2%
Government	0%
Construction & Mining	2%
Other Services	3%
Leisure and Hospitality	6%
Education & Health Services	9%

⁶ Joseph Fishkin, Priscilla Canny and Douglas Hall, *Immigration in Connecticut*, (Connecticut Voices for Children, 2005).

⁷ "Payroll Employment" is the number of employed persons, excluding the self-employed and farm and agricultural workers. Source: Bureau of Labor Statistics, Current Employment Statistics (CES) data.

⁸ As noted elsewhere in this report, 'government' employment includes Native American tribal employment (e.g., persons employed at Connecticut's casinos).

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

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 *job gains* over this period. The average 2004 wage in the five employment sectors showing 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.

IV. Unemployment, Long-term Unemployment, and Underemployment

Unemployment

Connecticut's 5.4% unemployment rate in June 2004 remains more than double the 2.4% rate Connecticut enjoyed in June 2000, prior to its most recent recession.

Impact of Education on Unemployment. There is a strong association between level of educational attainment and rates of unemployment in Connecticut. Specifically, the lower the level of educational attainment, the more likely it was that a worker would be unemployed. In Connecticut the 'education premium' is dramatic – those with less than a high school education experienced unemployment rates that were five times greater than for those with a bachelor's degree or higher (15.3% vs. 3.0%).

Unemployment by race and ethnicity. Disparities in unemployment by race and ethnicity are striking in Connecticut. The 2004 unemployment rate among Connecticut's African-American workers was 8.0%, almost double the rate of its white workers (4.1%). The unemployment rate of Connecticut's Hispanic workers, at 9.3%, was more than double the rate of its white workers. While these unemployment ratios largely mirror national patterns, the relative rates of Hispanic and African American unemployment are reversed in Connecticut compared to the national pattern, in which African American workers have higher rates of unemployment than do Hispanic workers.

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. In Connecticut, as in the region and nation, about a quarter of all persons who were unemployed in 2004 had been unemployed for more than 26 weeks.

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 *conditionally interested workers* 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. Connecticut's underemployment rate in 2004

(9.1%) was 4.2 percentage points higher than its unemployment rate (4.9%). In 2004 the underemployment rate among Connecticut’s African-American workers was 17.8%, compared to 16.5% of Hispanic workers, and 7.2% of White workers.

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),⁹ 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, 1980-2004 (\$ 2004)									
Wage Decile	1980	1985	1990	1995	2000	2001	2002	2003	2004
10th percentile: "Very Low Wages"	\$7.16	\$7.57	\$8.18	\$7.26	\$7.79	\$8.17	\$8.20	\$8.13	\$8.05
20th percentile: "Low Wages"	\$8.64	\$9.26	\$9.84	\$9.59	\$9.96	\$10.46	\$10.32	\$10.15	\$9.95
50th percentile: "Median Wages"	\$13.08	\$14.23	\$15.72	\$16.10	\$16.42	\$17.20	\$17.10	\$17.49	\$17.33
80th percentile: "High Wages"	\$20.58	\$22.62	\$25.35	\$26.17	\$26.91	\$27.90	\$28.33	\$29.89	\$28.98
90th percentile: "Very High Wages"	\$26.00	\$29.60	\$31.16	\$34.44	\$35.63	\$36.00	\$36.43	\$38.60	\$37.45

These data suggest¹⁰ that, since 2001, the real (inflation-adjusted) wages of both low wage and very low wage workers have declined, while high and very high wage earners continued to enjoy wage growth. In the past year, however, wage earners at the 10th, 20th, 50th, 80th, and 90th percentiles *all* evidently saw real wage decline between 2003 and 2004.

The table below compares changes in real hourly wages between 1980 and 1990 and between 1990 and 2004 for the various wage deciles. Two points 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 are equal to those of the 1980s. *In short, Connecticut’s low wage and very low wage workers increasingly are being “left behind” by Connecticut’s economy.*

⁹ 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.

¹⁰ Small sample sizes in these specific data limit the precision of the estimates of these changes in wages.

Changes in Connecticut's Hourly Wages, 1980-2004 (\$ 2004)							
Wage Decile	1980	1990	2004	\$ Change, '80 to '90	% Change, '80 to '90	\$ Change, '90 to '03	% Change, '90 to '04
10th percentile: "Very Low Wages"	\$7.16	\$8.18	\$8.05	\$1.02	14%	(\$0.13)	-2%
20th percentile: "Low Wages"	\$8.64	\$9.84	\$9.95	\$1.20	14%	\$0.11	1%
50th percentile: "Median Wages"	\$13.08	\$15.72	\$17.33	\$2.64	20%	\$1.61	10%
80th percentile: "High Wages"	\$20.58	\$25.35	\$28.98	\$4.77	23%	\$3.63	14%
90th percentile: "Very High Wages"	\$26.00	\$31.16	\$37.45	\$5.16	20%	\$6.29	20%

Wage Inequality. Growing inequality in wages is a basic contributor to the growing inequality of family income that threatens the fabric of Connecticut's communities and families.¹¹ Since 1980, 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 accelerated in Connecticut between 1980 and 1995, but since then has remained fairly steady. 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 has returned to a ratio of 4.7 in both 2003 and 2004.

Connecticut's "very high"/"very low" wage gap ratio surpassed the national rate only after 1990. It remains quite high compared to other states.¹² In 2004, Connecticut had the 7th highest gap between very high and very low wages (ratio of 4.7), behind only California (5.1), New Jersey (5.0), New York (4.9), Maryland (4.8), Virginia (4.8), and Massachusetts (4.7). The highest inequality ratio in 2004 was in the District of Columbia (5.3).

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 (\$19,307/year for a family of 4 in 2004). In 2003, 76% of Connecticut's 43,000 poor families with a parent able to work had a parent in the workforce. In Connecticut, 69,000 people live in families in which parents work more than 26 weeks of the year, including 40,000 children. Employment is not adequate to lift these working families out of 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. Because the federal poverty level is not adjusted for regional differences in cost of living, and Connecticut's cost of living is higher than the national average, this measure provides a more accurate (though still underestimated) measure of how many Connecticut children are living in families where essential needs are not being met. In the 2002-2004 period, one in four (25%) of Connecticut children were in families living below 200% of the FPL.

¹¹ Douglas Hall and Shelley Geballe, *Pulling Apart in Connecticut: An Analysis of Trends in Family Income* (Connecticut Voices for Children, 2002).

¹² The gap in total income for high-wage workers would exceed the gap in wages, since higher-income persons have much more non-wage income than low-wage workers.