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Labor Day Report: CT Workers Throughout the Wage Spectrum Are Losing Ground

6th Annual State of Working CT report finds productivity gains and economic recovery have not translated into wage growth

The rising tide of Connecticut's economic recovery is not lifting the boats of *most* workers in the state, according to a new report released by Connecticut Voices for Children, a research and public policy organization. The sixth annual *State of Working Connecticut* report finds that in recent years, low-, middle-, *and* high-wage workers have seen their real wages decline, even as the economy's productivity has increased. And while the state has slowly recovered a little more than half of the jobs it lost during the recession, it has been gaining lower-wage service sector jobs while losing higher-wage manufacturing and professional jobs.

To reinvigorate Connecticut's economic strength and its competitive edge in a global economy, Connecticut Voices for Children is calling for a significant re-investment in the "human capital" of the state, through such measures as targeted efforts to reduce the state's educational achievement gap and reverse reductions in need-based scholarships; tying a greater proportion of state economic development incentives to quality job creation; and helping low-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.

Workers throughout the income spectrum have lost ground in recent years. Over the long-term, from 1980 to 2005, modest wage gains by low-wage workers were dwarfed by dramatic gains among high-wage workers. However, between 2003 and 2005, real (inflation-adjusted) wages have declined for low, middle, *and* high-wage workers (i.e., for all but the very highest-wage workers). These recent trends suggest that the vast majority of Connecticut's workers are not benefiting from its recent economic recovery.

The Connecticut economy is more productive, but wages have not kept pace with growth in productivity. Between 2000 and 2005, productivity growth (8%) has been *four times* greater than real wage growth for middle-income workers (2%). For low-wage workers, the gap is more pronounced – productivity growth of 8% has corresponded with a *decline in real wages* (-2%) during this period.

Connecticut's employment picture has been slowly improving, though the state has only recovered approximately half (54%) of the jobs lost during the recession. In July 2006, there were 32,500 more jobs than at the end of the recession (September 2003), but 27,900 fewer jobs than at Connecticut's employment peak in July 2000. Those with the least education are the greatest risk of unemployment, particularly in Connecticut. Unemployment among Connecticut residents with less than a high school education was fifth highest among the 50 states and District of Columbia.

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 2004 and 2005 pay more on average than the industry sectors in which Connecticut had the greatest gains during this period. The average 2005 wage in the five employment sectors showing the largest employment losses was almost $63,587, compared with an average wage of just $35,857 for jobs gained in the five sectors with the highest employment gains in 2005.

Connecticut's low-paying jobs threaten the well-being of Connecticut's children and the economic future of the state. One in four Connecticut children (25%) live in families with incomes under 200% of the Federal Poverty Level, which is roughly equivalent to the *lowest* of the self-sufficiency standards in the state (a measure that estimates the income needed to support a family based on the local cost of living). Even more children live below Connecticut's self-sufficiency standard in the many areas of the state with an even higher cost of living. Connecticut cannot afford to handicap the life chances of its children, who are its future workforce, by failing to reduce the harmful impacts of child poverty.

The report, released a few days after Census Bureau findings that poverty has increased in Connecticut since 2000, helps explain this trend -- low-end wages have not grown with the economy, and lower-wage service sector jobs 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 help weather these changes and retain its competitive edge through smarter public investments. To help reverse some of the adverse impacts of the current economy, Connecticut Voices for Children recommends that Connecticut:

- *Greatly increase our public investment in education*. 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, restore funding for need-based scholarships, and enhance education and training programs for displaced workers. Connecticut now ranks 2nd last in the nation (49th) among all states in 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.

- *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 assistance meeting child care, housing, and health expenses). 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 and higher 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. "State government has a major role to play in ensuring that the gains of our growing economy are more equitably shared. Committing to more strategic public investment – including in life-long learning for *all* our Connecticut families and in a safety net that buffers our families from the risks of our global economy – is imperative."

"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 refundable state earned income tax credit is one proven strategy to quickly help families cover some of the gap between low wages and Connecticut's high cost of living. Help offsetting the budget-breaking costs of quality child care and safe housing is also essential."

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 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. For more information on Connecticut Voices, or to read the Voices' report, see www.ctkidslink.org.

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