



NEWS RELEASE

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Labor Day Report: 2007 CT wages up, but lower than earlier in decade and falling short of high and increasing cost of living

8th Annual State of Working Connecticut report calls for support of working families as Connecticut heads into recession

The wages of most Connecticut workers have taken one step forward after taking three steps back, according to the *State of Working in Connecticut, 2008: Wage Trends* report issued today by Connecticut Voices for Children. While real (inflation-adjusted) wages for most Connecticut workers improved between 2006 and 2007, their wages remain lower than they were earlier in the decade. Indeed, as Connecticut heads into a recession that some economists consider the worst since the great Depression and as families struggle to cope with sharply rising food and energy costs, the real wages of many Connecticut workers are actually *less* than they were going into the last recession (in 2000).

To address these wage trends and the challenges of the new recession, Connecticut Voices for Children is calling for a stepped-up investment in supports for the state's lower-wage working families, including assistance with reducing energy consumption, increased education funding, and supports for low-wage and unemployed workers.

“As our state economy falters and costs rise, now is the time to ramp up supports for working families,” said Douglas Hall, Acting Managing Director at Connecticut Voices for Children and co-author of the report. “Too often, our public officials have cut back on public investment in our most vulnerable families at the very moment that supports are most needed. With large budget reserves in the state’s Rainy Day Fund, any such cuts would be short-sighted, unnecessary, and damaging to our economic well-being.”

The report found that Connecticut’s median hourly wage in 2007 was up 1.4% from 2006, with increases at all wage levels. However, the report also shows that despite this recent growth, earners across the wage spectrum earned less in real (inflation-adjusted) wages than they did in 2003.

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Although the productivity of Connecticut workers has increased in recent years and Connecticut's economy has grown, the wages of most state workers have not. While Connecticut workers' productivity increased 5% between 2003 and 2007 and gross state product expanded, wages actually *declined* for most of Connecticut's workforce over this period. In short, most workers are not enjoying any benefit from their increased contributions to the workplace or the expanding economy.

Wages among women and African Americans improved significantly between 2006 and 2007, up 6 percent and 8 percent respectively. Wages among Hispanic workers showed no progress. Despite these increases, wage disparities based on race/ethnicity are wider in Connecticut than in New England and in the United States as a whole. The disparity between whites and Hispanics is particularly wide in Connecticut, where Hispanics earn just 61 percent of what whites earn at the median hourly wage.

The gap between high and low wage earners continues to grow. Very high wages (90th percentile) in Connecticut were 4.8 times very low wages (10th percentile) in 2007, a steep increase from 1989, when very high wages were 3.6 times greater than very low wages. The report notes that the real income gap between Connecticut's wealthy and its poor is even greater than this, because the available wage data do not take into account the significant non-wage income (e.g., dividend, interest, and capital gains) of the state's wealthy families and individuals.

Connecticut's cost of living is the second highest in the continental U.S. Specifically, the state is the most expensive one in which to buy groceries; the fifth most expensive for housing; the third most expensive for utilities; the fifth most expensive in health care costs, and the sixth most expensive in transportation costs.

The cost of living has damaged the buying power and economic security of Connecticut families. The state's median wage workers have the highest wages in the nation. However, if their wages are adjusted using a state-by-state cost of living index, the report finds that the ranking of Connecticut's average workers falls to 36th highest in the continental United States. Among low-wage workers, the impact of Connecticut's high cost of living is felt more deeply. Low-wage workers rank 3rd highest in the nation compared to low-wage workers in other states, but their ranking falls to 44th when Connecticut's cost of living is taken into account.

Workers are finding fewer protections and benefits at work. Employer-provided pensions and health insurance coverage have continued to erode, according to the report. Since the beginning of the decade, the percentage of workers with employer-provided pensions has dropped from 56% to 51% while the percentage of workers with employer-provided health insurance is down from 65% to 60%.

Education continues to be a strong predictor of income in Connecticut. Workers with bachelor's degree or higher earn a median wage of \$27.85 per hour, compared to \$10.13 per hour to workers without a high school education. Further, Connecticut's median wages are higher than the regional and national averages, except for people without a high school degree.

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Given the troubling trends documented in this report, Connecticut Voices for Children argues that instead of cutting back on public investment in these difficult economic times, our state government instead needs to do *more* to support its families.

- *Support programs for families of low-wage workers and workers who have lost their jobs.* With household costs rising and wages shrinking, the state must do more to help lower-wage families make ends meet including increased subsidies for child care, housing, and energy assistance; assuring affordable health insurance for all who are uninsured; making the state tax code more equitable (e.g., providing income tax deductions for dependent children, a refundable state earned income tax credit), expanding the supply of housing that is affordable; and curbing predatory lending practices. To help workers who have lost their jobs, and to cushion families from economic catastrophe, the state should expand unemployment coverage and benefits and expand job training programs to enable wage-earners to “re-tool.”
- *Develop and support an energy program that helps families with immediate needs, but also provides funding and assistance to reduce energy consumption.* With the volatile cost of oil, low and some middle income families will likely need help in the coming year with heating costs, and that support should be provided by the state. But in the long term, families could permanently reduce their energy bills through programs that helped them better insulate their homes, and purchase more efficient furnaces, water heaters and household appliances. Expanding public transportation in the state also can reduce families’ reliance on their cars, reducing the impact of increasing gasoline costs.
- *Increase our public investment in education.* Since post-secondary education clearly is a key to higher earnings and steady employment, barriers to college must be reduced by investing more in preschool and K-12 education. To reduce the achievement gap, the state should target interventions to curb the number of high school drop outs, increase funding for college scholarships, and expand financial support to our public colleges and universities to limit tuition increases.

“Connecticut’s major strength in a global economy is its highly educated workforce,” said Shelley Geballe, President of Connecticut Voices for Children and a co-author of the report. “If we don’t want our economy to fall further behind other states and other nations, we need the state to commit to significant new investments in our human capital. There is no *better* time to make these investments than during a recession, as the investments can help our economy rebound.”

The *State of Working Connecticut* is released each year in partnership with the Economic Policy Institute, an economic think tank based in Washington, DC. This year, Connecticut Voices will issue two *State of Working Connecticut* reports. This first report focuses on wage and benefit trends. The second, to be released in late September, will examine employment and job sector 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.

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