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Report: Inequality Worsens Over Recession

State of Working CT Report Tracks Wage Trends Surrounding State's Recession

As the struggling economy and the Occupy movement focus renewed attention on wage inequality, a new report finds wage gains for the highest-paid workers, along with stagnation or losses for many other workers. The report by Connecticut Voices for Children summarizes recent wage data and trends for Connecticut workers before, during, and after the economic recession. In response to the findings Connecticut Voices called on state policymakers to strengthen the state's educational system and establish a comprehensive state economic strategy.

"Connecticut will only have a strong economic future if we provide opportunities for all workers to earn wages that enable them to make ends meet for their families," said Sarah Esty, co-author and Policy Fellow at Connecticut Voices.

Among the report's key findings:

- **In recent years, wage gains have largely gone to those who were already doing better than most workers, and wage gaps have worsened.** The last five years (2006 to 2010) – including the Great Recession and its aftermath – have resulted in gains for those who were already doing better than most, but stagnation or decline for many of the rest. Wages rose most for the highest-paid workers (90th percentile wages grew an inflation-adjusted 14.4 percent), while the lowest-paid saw virtually no increases (the 10th percentile wage increased by only 1.3 percent). In 2010, women earned 76 percent of the median wages of men, somewhat worse than the 2007 gap of 79 percent and worse than the 2010 national gap (81 percent). Similarly, in 2010 blacks in Connecticut earned 67 percent of whites' median wages as compared to 72 percent in 2007. Nationally, blacks earned 78 percent of whites' median wages.
- **While median wages have risen in the last few years, the change in this measure of mid-level wages may simply be the result of higher unemployment at the lower end of the wage scale.** Data suggest some positive overall trends -- in particular the 10 percent rise in statewide median weekly wages from 2006 to 2010, and the 18 percent growth in median wages for Hispanics, which has reduced the Hispanic-white wage gap. However, these trends

may be more of a statistical anomaly than evidence of widespread improvements in wages. The large rise in unemployment from 4.3 percent in 2006 to 9.2 percent in 2010, and even greater increase for Hispanics (8.2 percent to 17.7 percent), suggests that rising median wages could be due to job losses among low wage workers that artificially inflated the median, rather than broad wage increases.

- **Educational inequality is a key factor driving wage inequality.** Workers with bachelor's degrees earned twice the median wage of those with less education, and saw an 8 percent increase in wages from 2006 to 2010, while those with only a high school diploma suffered a 5 percent reduction in wages over the same period. Forty percent of Connecticut's whites have a bachelor's degree, compared to only 18 percent of blacks and 14 percent of Hispanics. The report concludes that inequality is unlikely to be reduced without addressing the K-12 achievement gap and increasing access to higher education.
- **Wage levels and trends vary dramatically across the state.** Average weekly wages in the Bridgeport-Stamford Labor Market Area (LMA) are more than twice those in the Willimantic-Danielson LMA (\$1,532 versus \$739). While some LMAs experienced increases in average weekly wage from 2006 to 2010 (3 percent in Enfield and 2 percent in New Haven), others saw declines (4 percent in Danbury and 2 percent in Willimantic-Danielson).

In order to encourage more broadly shared prosperity and opportunity, promote the creation of good-paying jobs, and reduce wage disparities, Connecticut Voices recommended that state policymakers:

- Strengthen the state's educational system from infancy through higher education and work to expand educational opportunity for all students.
- Establish a comprehensive state economic strategy that makes targeted and strategic investments.

"Investing in education now will help Connecticut recover economically in the short term and expand opportunities for all workers in the long term," said Orlando Rodriguez, Senior Policy Fellow at Connecticut Voices and co-author of the report.

The *State of Working Connecticut* is released each year in partnership with the Economic Policy Institute (www.epi.org), an economic think tank based in Washington, DC. This year, Connecticut Voices is issuing two State of Working Connecticut reports. The first report, released in mid-September, examined employment and job sector trends. This second report focuses on wage trends. Connecticut Voices for Children is a research-based policy think tank that works to advance policies that benefit the state's children, youth and families (ctkidslink.org). **For more information on Connecticut Voices, or to read the Voices' report, see www.ctkidslink.org.**

Note to reporters: the report summarizes employment and job sector trends in nine Labor Market Areas (LMAs): **Bridgeport-Stamford, Danbury, Enfield, Hartford, New Haven, Norwich-New London, Torrington, Waterbury, and Willimantic-Danielson.** More detailed LMA wage data are available from the authors on request.

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