THE STATE OF WORKING CONNECTICUT

ADVANCING ECONOMIC JUSTICE IN THE LABOR MARKET
PATRICK R. O’BRIEN, PH.D., RESEARCH AND POLICY FELLOW

EXECUTIVE SUMMARY
EXECUTIVE SUMMARY

As this report shows, rising wage inequality—or, more specifically, growth at the top of the wage distribution but stagnant wages for the majority of workers—due largely to a decline in worker power, has been one of two defining features of Connecticut’s labor market for several decades. For example, in 2019 dollars, the median hourly wage (the wage at which half the workforce is paid less and half is paid more) decreased from $21.73 in 2000 to $21.70 in 2019, meaning the typical worker in the state has not had a real (inflation-adjusted) raise for the last two decades and in fact makes slightly less now. In contrast, the hourly wage at the 90th percentile (the wage at which 90 percent of the workforce is paid less and 10 percent is paid more) increased from $47.51 in 2000 to $57.67 in 2019, a growth rate of 21 percent.

The other defining feature of Connecticut’s labor market is a substantial racial wage gap due in large part to racial discrimination. For example, while the hourly wage for the median worker in Connecticut remained stagnant at $21.70 in 2019, the hourly wage for the median Black worker was only $14.85. Put differently, the typical Black worker earned only $0.68 for each $1.00 that the overall median worker earned in 2019, meaning the majority of Black workers in the state have been harmed by both rising wage inequality and a substantial racial wage gap.

To further address the economic standing of Connecticut’s workers—including the likely effect of coronavirus pandemic-induced recession on the two defining, problematic features of the state’s labor market—this report proceeds in three sections.

The first section outlines a new economic justice framework that incorporates several key economic indicators at both the national level and the state level. The following is a condensed list of the key findings:

- Income inequality has been rising for several decades in the U.S. and has recently reached the highest levels since at least the end of the Second World War in 1945; and income inequality is even greater in Connecticut than in the U.S. as a whole.

- The decades-long rise in income inequality in the U.S. includes a substantial racial income gap, which exacerbates income inequality for households of color, and the racial income gap in Connecticut is even greater than in the U.S. as a whole.

- Wealth inequality has been rising for several decades in the U.S. and has recently reached the highest levels since at least the end of the Second World War in 1945; and wealth inequality is even greater in Connecticut than in the U.S. as a whole.

- The decades-long rise in wealth inequality in the U.S. includes a substantial racial wealth gap, which exacerbates wealth inequality for households of color, and the racial wealth gap in Connecticut is even greater than in the U.S. as a whole.

- Economic growth in the U.S. has slowed to the lowest average level since at least the end of the Second World War in 1945, and economic growth has slowed even more in Connecticut than in the U.S. as a whole since the Great Recession of 2007–09.

- Altogether, these economic indicators show that in the U.S. in general and in Connecticut in particular the income and wealth shares from an increasingly slow-growing economy have overwhelmingly gone to the top 1 percent, meaning the distribution of the current economic system is highly unjust, especially for families of color. At the same time, these economic indicators show that it is possible to have a stronger economy with a more equitable distribution of income and wealth.
Due largely to a decline in worker power, wage inequality has been rising for several decades in the U.S. and is a key cause of income inequality, wealth inequality, and slow economic growth; and wage inequality is even greater in Connecticut than in the U.S. as a whole.

Due largely to racial discrimination, the decades-long rise in wage inequality in the U.S. includes a substantial racial wage gap, which is a key cause of the racial income and wealth gaps; and the racial wage gap in Connecticut is even greater than in the U.S. as a whole.

The coronavirus recession caused a historic loss of jobs in the U.S. that will likely exacerbate the decades-long rise in wage inequality, and the recession caused an even greater loss of jobs in Connecticut relative to the size of the state’s labor market.

The coronavirus recession increased the racial unemployment rate gap in the U.S., which will likely exacerbate the racial wage gap; and the coronavirus recession likely increased the racial unemployment rate gap in Connecticut, which was already greater than that in the U.S.

Altogether, these labor market indicators show that in the U.S. in general and in Connecticut in particular the decline in worker power (rather than a decline in productivity) and the continuation of racial discrimination are contributing to rising wage inequality and the racial wage gap, which in turn are contributing to rising income inequality, the racial income gap, rising wealth inequality, the racial wealth gap, and slowing economic growth. Put more simply, an unjust labor market is contributing to economic injustice, and the coronavirus recession will likely exacerbate this dynamic. At the same time, these labor market indicators show that, by strengthening worker power and using public policy to counteract racial discrimination, it is possible to have a more just labor market that contributes to a stronger economy with a more equitable distribution of income and wealth.
The third section proceeds in two parts. The first part provides an overview of the interaction of injustice in Connecticut’s tax system and injustice in Connecticut’s labor market. This demonstrates the need for a sweeping, antiracist program to advance economic justice. The second part provides several policy recommendations. The following is a list of CT Voices’ policy recommendations:

- The federal government should consider viable ways to make reparations to Black Americans.
- The Federal Reserve (Fed) should use monetary policy—the adjustment of the money supply and interest rates—both to reach full employment as quickly as possible and to maintain full employment as long as possible.
- The federal government should use fiscal policy—the adjustment of spending and taxes—both to reach full employment as quickly as possible and to maintain full employment as long as possible.
- The federal government should extend the increase in unemployment benefits under the CARES Act both to support unemployed workers and to prevent further job losses.
- The Connecticut government should expend the Budget Reserve Fund (BRF) and create a progressive tax system both to reach full employment as quickly as possible and to maintain full employment as long as possible.
- The Connecticut government should speed up the implementation date of the state’s new minimum wage and also consider increasing the minimum wage to a living wage.