THE STATE OF WORKING CONNECTICUT

ADVANCING ECONOMIC JUSTICE IN THE LABOR MARKET

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JUST FACTS

CONNECTICUT VOICES FOR CHILDREN
JUST RESEARCH. JUST ACTION

SEPTEMBER 2020

What is economic justice and why is it important?

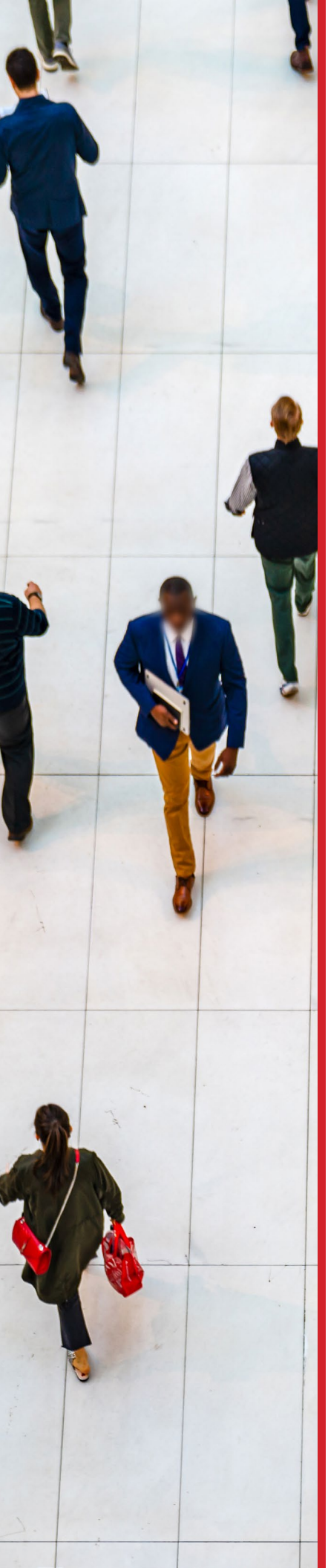
At the broadest level, our vision of a just economic system will produce a *strong economy* with an e*quitable distribution of income and wealth*, which together will enable all families to live a secure and fulfilling life. In our conversations with community members, stakeholders, and others, we heard that a just economic system will ensure that all families have high-quality health care, child care, food, and clothing; it will enable all families to, without financial and legal barriers, purchase homes or rent apartments in safe neighborhoods of their choice with well-funded public schools; it will enable all families to provide the emotional and developmental support necessary for even the highest needs children; it will enable all families to support their children in career and college attainment without burdening them with excessive debt; and it will secure the dream that future generations of families will have more opportunities than the previous. What we derive from these conversations is that a just economic system requires an equitable distribution of income and wealth to ensure that all of Connecticut's children reach their full potential, which in turn will produce a strong economy that benefits all of the state's residents.

Currently, the distribution of Connecticut's economic system is highly unjust, especially for families of color:

- The average pre-tax income in 2018 for the top one percent of tax filers in Connecticut ($3,092,389) is 41 times greater than the pre-tax income for the median household ($76,106), 65 times greater than the pre-tax income for the median Black household ($47,856), and 68 times greater than the pre-tax income for the median Hispanic household ($45,730).
- The average net worth in 2016 for the top one percent of taxed estates in Connecticut ($41,183,109) is 357 times greater than the net worth for the median household ($115,400), and wealth inequality is even greater for households of color, though a more precise estimate is not available.
- Economic growth in Connecticut averaged 0.05 percent during the 2010s, making it the third slowest state in the U.S.

How does Connecticut's unjust labor market contribute to economic injustice more broadly?

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.

- Because wages are the largest source of income for the typical worker and because "higher incomes can be saved into stocks of wealth," the rise in wage inequality is a key cause of both rising income inequality and rising wealth inequality. Moreover, research shows that rising economic inequality is in turn slowing economic growth.

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, meaning the majority of Black workers in the state have been harmed by both rising wage inequality and a substantial racial wage gap.

- Because wages are the largest source of income for most workers and "can be saved into stocks of wealth," the racial wage gap is a key cause of both the racial income gap and the racial wealth gap.

How will the coronavirus pandemic and recession affect Connecticut's unjust labor market?

First, consider the effect of the coronavirus recession on rising wage inequality. The unemployment rate in Connecticut increased from 3.8 percent in February 2020 to an official peak of 10.2 percent in July. This rise in unemployment will likely exacerbate rising wage inequality because research shows that in general high unemployment negatively impacts wage growth for low- and middle-wage workers more than for high-wage workers.

Second, consider the effect of the coronavirus recession on the racial wage gap. In the U.S., the Black unemployment rate increased from 2.4 percentage points higher than the overall unemployment rate in 2019 to 4.6 percentage points higher than the overall unemployment rate in August 2020, meaning the racial unemployment rate gap increased during the coronavirus recession. Moreover, the Black unemployment rate gap in Connecticut was even greater than in the U.S. as a whole before the coronavirus recession, averaging 3.7 percentage points higher in 2019 than the overall unemployment rate in the state.

In the absence of up-to-date data at the state level, this suggests both that the current Black unemployment rate in Connecticut is higher than the overall rate in the state and that the racial unemployment rate gap grew. All of this in turn will likely exacerbate the racial wage gap because higher unemployment negatively impacts wage growth, especially for low- and middle-wage workers.

What steps can be taken to advance economic justice in the labor market?

To advance economic justice in the labor market by strengthening worker power and countering racial discrimination, Connecticut Voices for Children recommends the following *federal* policies:

- 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.

To advance economic justice in the labor market by strengthening worker power and countering racial discrimination, CT Voices recommends the following *state* policies:

- 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.

CT Voices also recommends the following policy (which is not specific to strengthening worker power and countering racial discrimination in the labor market) as part of a sweeping, antiracist program to advance economic justice:

- The federal government should consider viable ways to make reparations to Black Americans.