THE STATE OF WORKING CONNECTICUT

ADVANCING ECONOMIC JUSTICE IN THE LABOR MARKET

PATRICK R. O’BRIEN, PH.D., RESEARCH AND POLICY FELLOW

CONNECTICUT VOICES FOR CHILDREN
JUST RESEARCH. JUST ACTION
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GLOSSARY OF KEY TERMS

**Antiracist program** is one that “actively seek[s] to dismantle the racism embedded in our social, economic, and political systems and structures, which results in persistent racial inequities.”

**Corporate power** comes in two primary forms. *Monopsony power* is when a company faces little competition from other companies in hiring workers and so is able to set wages at a lower level than would otherwise be possible in a competitive labor market. *Monopoly power* is when a company faces little competition from other companies in selling goods and services and so is able to set a higher price than would otherwise be possible in a competitive market.

**Economic growth** is commonly measured as the percentage change in real (inflation-adjusted) gross domestic product (GDP), which is the nation’s or state’s total income over a given period of time.

**Economic justice** is providing the economic resources to enable all families to live a secure and fulfilling life and is achievable based on the support of a strong economy with an equitable distribution of income and wealth.

**Income** is the flow of money that a person or family receives over a given period of time, and it is derived from an array of sources, including salaries and wages, business income, rental income, investment income (interest, dividends, etc.), and government transfers.

**Productivity** is a measure that compares the amount of goods and services that a worker produces to the amount of time that it takes to produce those goods and services.

**Productivity-pay gap** is the difference between the actual growth in pay for a worker and the potential growth in pay for a worker based on growth in productivity.

**Racial income gap** is the difference in income among populations grouped by race or ethnicity.

**Racial unemployment rate gap** is the difference in the unemployment rate among populations grouped by race or ethnicity.

**Racial wage gap** is the difference in the wage for a population grouped by race or ethnicity.

**Racial wealth gap** is the difference in wealth for a population grouped by race or ethnicity.

**Unemployment rate** is the share of workers in the labor force who do not currently have a job but are actively looking for work.

**Wage** is a payment made by an employer to an employee for work and is the largest source of income for most workers.

**Wealth** is the total stock of assets, including money, property, stocks, bonds, and other kinds of capital.

**Worker power** arises primarily from unionization or the threat of unionization, from firms being run in the interests of workers as stakeholders, and from an economy at full employment, all of which strengthen the ability of workers to increase their pay to a higher level than would otherwise be possible.
INTRODUCTION

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.

The coronavirus pandemic-induced recession (hereafter simply referred to as the coronavirus recession) will likely exacerbate both of these defining, problematic features of the state’s 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 unofficial peak of 19 percent in May and an official peak of 10.2 percent in July—the unofficial rate is the state’s best estimate of the actual unemployment rate because, as the Connecticut Department of Labor reports, the official “unemployment rate continues to be underestimated due to challenges encountered in the collection of data.” 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. Moreover, the coronavirus recession in particular has disproportionately harmed low-wage workers, as they are less likely to have jobs that allow them to work from home and therefore have a higher unemployment rate.

Second, consider the effect of the coronavirus recession on the racial wage gap. In the United States, 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, as noted, higher unemployment negatively impacts wage growth, especially for low- and middle-wage workers.7

To further address the economic standing of Connecticut’s workers, this report proceeds as follows 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. Altogether, the analysis shows 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, the analysis shows that it is possible to have a stronger economy with a more equitable distribution of income and wealth, which would enable all families to live a secure and fulfilling life.

The second section provides an overview of the unjust labor market based on an examination of several key labor market indicators at both the national level and the state level. Altogether, the analysis shows 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, as noted, the coronavirus recession will likely exacerbate this dynamic. At the same time, the analysis shows 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.

To be sure, the coronavirus pandemic has had substantial health effects on Connecticut’s workers, especially those of color. Most notably, Connecticut’s Black and Hispanic workers have had the highest (age-adjusted) rates of infection and death.8 The focus of this report, however, is limited to the likely economic impact of the recession.
Connecticut Voices for Children (CT Voices) is a research-based advocacy organization—also known as a “think and do tank”—that focuses on advancing economic justice. This means we research issues that are central to a fair and just society, and then work in partnership with community, stakeholders, and others to develop and promote policies designed to create an economic system that supports all of Connecticut’s children in reaching their full potential, especially those that have been historically disadvantaged.

As a state with one of the highest levels of economic inequality as well as one of the slowest levels of economic growth during a period of near-unprecedented economic inequality and slow economic growth in the U.S. as a whole, we believe that the most effective course for addressing injustice is to restructure Connecticut’s economic system. Moreover, due to the deep-rooted relationship between racial and economic inequality—which includes ongoing racial discrimination in the economy as well as the historical economic impact of slavery; the subsequent loss of property due to “government complicity, fraud and seizures”; the “historical use of restrictive covenants, redlining, and general housing and lending discrimination” that inhibited the accumulation of wealth; and the government-sanctioned “exclusion of blacks from post-depression and World War II public policy” that was “largely responsible for the asset development of an American middle class”—we believe that advancing economic justice requires in particular the dismantling of racist policies embedded in the economic system. We also believe that the most effective approach is through the implementation of a sweeping, antiracist program built in conjunction with the communities directly affected.

To determine what economic justice should look like in Connecticut, we engaged in a series of conversations to shape our thinking. These conversations included fiscal coalition meetings throughout the state during which we presented an overview of income and wealth inequality. Additionally, we engaged in conversations about economic justice with members of the CT Voices staff, and we hosted separate conversations with community leaders working to advance justice in the state. This paper incorporates background research and the ideas shared throughout the above steps to create a working economic justice framework that is measurable and rooted in Connecticut’s needs.

At the broadest level, our vision of a just economic system will produce a strong economy with an equitable 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. By “strong economy,” we mean that a just economic system will, at minimum, work to reverse the decades-long decline in economic growth. And by “equitable distribution of income and wealth,” we mean that a just economic system will, at minimum, work to reverse the decades-long rise in income and wealth inequality in general and work to eliminate the even longer-standing racial income and wealth gaps in particular in order to distribute economic resources that have been earned but not paid.
To demonstrate that the current economic system is highly unjust, especially for families of color—and to establish a baseline for assessing developments moving forward—this section of the report provides an overview of five key economic indicators at both the national level and the state level: income inequality, the racial income gap, wealth inequality, the racial wealth gap, and economic growth. Importantly, the data in this section pre-date the coronavirus recession, which has likely exacerbated economic injustice in the U.S. and Connecticut.

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.
Rising Income Inequality in the U.S.

Income is the flow of money that a person or family receives over a given period of time, and three economists—Thomas Piketty, Emmanuel Saez, and Gabriel Zucman—have developed a prominent dataset that traces the historical distribution of pre-tax income in the U.S. using annual tax return data from the Internal Revenue Services (IRS). The distribution for four groups is of particular interest: (1) the bottom 50 percent of tax filers, referred to here as the working class or lower-income group; (2) the next 40 percent of tax filers—the 50th to the 90th percentiles—referred to here as the middle class or middle-income group; (3) the top 10 percent of tax filers, referred to here as the upper class or upper-income group; and (4) the top one percent of tax filers, referred to here as the wealthiest. For reference, IRS data on income shares for the working and middle class are only available beginning in 1962, whereas the other data are available for the entire historical analysis.12

There are two key, relevant and related findings:

The pre-tax income share for the top one percent of tax filers in the U.S. now exceeds that for the entire working class, and the pre-tax income share for the top 10 percent of tax filers in the U.S. now exceeds that for the entire middle class. As Figure 1 shows, in 2016—the most recent year available—the pre-tax income share for the top one percent is 19.3 percent, which is larger than the income share of 13.2 percent for the entire working class, a group 50 times larger in population. Likewise, the pre-tax income share for the top 10 percent (the top one percent plus the next nine percent in the figure) is 45.7 percent, which is larger than the income share of 41 percent for the entire middle class, a group four times larger in population. 13

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. However, the pre-tax income share for the working class used to exceed that for the top one percent of tax filers, and the pre-tax income share for the middle class used to exceed that for the top 10 percent of tax filers, which demonstrates that it is possible to have a more equitable distribution of income. As Figure 2 shows, between 1945 and 1975, the pre-tax income share for the top one percent decreased from 14.9 percent to 10.9 percent. Then, between 1975 and 2016, the pre-tax income share for the top one percent increased from 10.9 percent to 19.3 percent, whereas the pre-tax income share for the working class decreased from 20.8 percent to 13.2 percent. Likewise, between 1945 and 1980, the pre-tax income share for the top 10 percent decreased slightly from 35.6 percent to 34.1 percent. Then, between 1980 and 2016, the pre-tax income share for the top 10 percent increased from 34.1 percent to 45.7 percent, whereas the pre-tax income share the middle class decreased from 45.5 percent to 41 percent.14
**Figure 1.** Pre-Tax Income Distribution in the U.S., 2016

![Pie chart showing income distribution](chart.png)

- **Top 1% (Wealthiest):** 13.2%
- **Middle 40% (Middle Class):** 26.4%
- **Next 9% (Upper Class):** 19.3%
- **Bottom 50% (Working Class):** 41.0%

*See reference 13 for data source.

**Figure 2.** The Rise of Pre-Tax Income Inequality in the U.S.

![Line chart showing income share percentage over time](chart2.png)

*See reference 14 for data source. The upper class here includes the top one percent plus the next nine percent.
Even Greater Rising Income Inequality in Connecticut

Moving from the national level to the state level, the combination of data from three sources shows the rise of pre-tax income inequality in Connecticut. First, the U.S. Census Bureau provides annual measures of household income and income inequality for all 50 states and the District of Columbia. Second, the Connecticut Department of Revenue Services (DRS) provides an annual overview of income tax data. Third, two economists—Estelle Sommeiller and Mark Price—have developed a prominent dataset that traces the historical distribution of pre-tax income for the top one percent of tax filers in all 50 states and D.C.

There are three key, relevant and related findings:

Pre-tax income inequality is even greater in Connecticut than in the U.S. as a whole. As Figure 3 shows, in 2018—the most recent year available—Connecticut had a Gini Index score of 0.501, which is the third highest level of pre-tax income inequality in the U.S., behind only D.C. and New York and substantially above 0.468, the average for all 50 states and D.C.15 For reference, the Gini Index “ranges from 0, indicating perfect equality (where everyone receives an equal share), to 1, perfect inequality (where only one recipient or group of recipients receives all the income).”16

The average pre-tax income for the top one percent of tax filers in Connecticut is 41 times greater than the pre-tax income for the median household in the state. An analysis of data from the DRS reveals that the top one percent of tax filers in Connecticut earned on average $3,092,389 in 2018—the most recent year available.17 In contrast, data from the Census Bureau show that the median household in Connecticut earned $76,106 before taxes in 2018.18

Income inequality has been rising for several decades in Connecticut and has recently reached the highest levels since at least the end of the Second World War in 1945. However, the pre-tax income share for the top one percent of tax filers in Connecticut used to be considerably smaller and more closely aligned with the U.S. as a whole, which demonstrates that it is possible to have a more equitable distribution of income. As Figure 4 shows, between 1945 and 1978, the average pre-tax income share for the top one percent in all 50 states and D.C. decreased from 11.9 percent to 8.5 percent; and in Connecticut, the pre-tax income share for the top one percent decreased from 13.4 percent to 10.1 percent. Then, between 1978 and 2015—the most recent year in the dataset—the average pre-tax income share for the top one percent in all 50 states and D.C. increased from 8.5 percent to 17.6 percent; and in Connecticut the pre-tax income share for the top one percent increased from 10.1 percent to 27.3 percent, which is the third highest level of income inequality, behind only New York and Florida.19
Figure 3. Ranking of Pre-Tax Income Inequality by State, 2018

Figure 4. The Rise of Pre-Tax Income Inequality at the State Level

*See reference 15 for data source.

*See reference 19 for data source.
A Substantial Racial Income Gap in the U.S. and an Even Greater Gap in Connecticut

Along with the broader rise in income inequality, it is possible to examine the racial income gap in the U.S. and Connecticut using data from the U.S. Census Bureau and the Connecticut Department of Revenue Services. As measured here, the racial income gap is the difference in pre-tax income among households grouped by race or ethnicity.

There are three key, relevant findings:

The decades-long rise in income inequality in the U.S. includes a substantial racial income gap. As Table 1 shows, in 2018—the most recent year available—the median white household in the U.S. had a pre-tax income of $63,917, whereas the median Black household had a pre-tax income of $40,155 and the median Hispanic household had a pre-tax income of $49,225. Put differently, the median Black household has a pre-tax income equal to only 63 percent of that for the median white household—which has the top income—and the median Hispanic household had a pre-tax income equal to only 77 percent.

The racial income gap in Connecticut is even greater than in the U.S. as a whole. As Table 2 shows, in 2018—the most recent year available—the median white household in Connecticut had a pre-tax income of $82,950, whereas the median Black household had a pre-tax income of $47,856 and the median Hispanic household had a pre-tax income of $45,730. Put differently, the median Black household has a pre-tax income equal to only 58 percent of that for the median white household—which has the top income—and the median Hispanic household had a pre-tax income equal to only 55 percent.

The racial income gap exacerbates income inequality for households of color. As Table 3 shows, the average pre-tax income for the top one percent of tax filers in Connecticut is 41 times greater than that for median household in the state due to rising income inequality. Even worse, the average pre-tax income for the top one percent of tax filers in Connecticut is 65 times greater than that for the median Black household and 68 times greater than that for the median Hispanic household due to the combination of rising income inequality and the racial income gap. Put differently, it would take 41 years for the median household in Connecticut to make what the top one percent of tax filers in the state make on average in a single year, and it would take the median Black household 65 years and the median Hispanic household 68 years.
Table 1. Pre-Tax Racial Income Gap in the U.S., 2018

<table>
<thead>
<tr>
<th>Group</th>
<th>Pre-Tax Income</th>
<th>Relative to Top Median Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Household</td>
<td>$60,293</td>
<td>94%</td>
</tr>
<tr>
<td>Median White Household</td>
<td>$63,917</td>
<td>100%</td>
</tr>
<tr>
<td>Median Black Household</td>
<td>$40,155</td>
<td>63%</td>
</tr>
<tr>
<td>Median Hispanic Household</td>
<td>$49,225</td>
<td>77%</td>
</tr>
</tbody>
</table>

*See reference 20 for data source.

Table 2. Pre-Tax Racial Income Gap in Connecticut, 2018

<table>
<thead>
<tr>
<th>Group</th>
<th>Pre-Tax Income</th>
<th>Relative to Top Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Household</td>
<td>$76,106</td>
<td>92%</td>
</tr>
<tr>
<td>Median White Household</td>
<td>$82,950</td>
<td>100%</td>
</tr>
<tr>
<td>Median Black Household</td>
<td>$47,856</td>
<td>58%</td>
</tr>
<tr>
<td>Median Hispanic Household</td>
<td>$45,730</td>
<td>55%</td>
</tr>
</tbody>
</table>

*See reference 21 for data source.

Table 3. Pre-Tax Income Inequality by Race in Connecticut, 2018

<table>
<thead>
<tr>
<th>Group</th>
<th>Pre-Tax Income</th>
<th>Inequality Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 1% of Tax Filers (Avg.)</td>
<td>$3,092,389</td>
<td>-</td>
</tr>
<tr>
<td>Median Household</td>
<td>$76,106</td>
<td>41x</td>
</tr>
<tr>
<td>Median Black Household</td>
<td>$47,856</td>
<td>65x</td>
</tr>
<tr>
<td>Median Hispanic Household</td>
<td>$45,730</td>
<td>68x</td>
</tr>
</tbody>
</table>

*See reference 22 for data source.
Rising Wealth Inequality in the U.S.

Whereas income is the flow of money coming in over a given period of time, wealth is the total stock of assets, which includes money as well as property, stocks, bonds, and other kinds of capital. The two financial resources are closely connected. As one economist explains, “Income and wealth reinforce each other: from the one side, higher incomes can be saved into stocks of wealth; from the other, having substantial wealth makes it possible to invest in ways that yield higher incomes.”

Operating as the counterpart to the Piketty et al. study of income inequality, two economists—Emmanuel Saez and Gabriel Zucman—have developed a prominent dataset that traces the historical distribution of wealth in the U.S. using tax return data from the IRS. The distribution for three groups is of particular interest: (1) the bottom 90 percent of tax filers, referred to here as the combined working and middle class or lower- and middle-income groups; (2) the top 10 percent of tax filers, referred to here as the upper class or upper-income group; and (3) the top 1 percent of tax filers, referred to here as the wealthiest. For reference, the three wealth groups analyzed here are not identical to the previous income groups because wealth is even more concentrated at the top than income.

There are two key, relevant and related findings:

The wealth share for the top one percent of tax filers in the U.S. now considerably exceeds that for the entire combined working and middle class. As Figure 5 shows, in 2016—the most recent year available—the wealth share for the top one percent of tax filers is 38.9 percent, which is considerably larger than the wealth share of 25.5 percent for the combined working and middle class, a group 90 times larger in population.

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. However, the wealth share for the combined working and middle class used to exceed that for the top one percent of tax filers, which demonstrates that it is possible to have a more equitable distribution of wealth. As Figure 6 shows, between 1945 and 1978, the wealth share for the top one percent of tax filers decreased from 32.7 percent to 22.7 percent. Then, between 1978 and 2016, the wealth share for the top one percent increased from 22.7 percent to 38.9 percent, whereas the wealth share for the combined working and middle class decreased from 34.2 percent to 25.5 percent.
Figure 5. Wealth Distribution in the U.S., 2016

*See reference 25 for data source.

Figure 6. The Rise of Wealth Inequality in the U.S.

*See reference 26 for data source.
Even Greater Rising Wealth Inequality in Connecticut

Moving from the national level to the state level, the combination of data from two sources shows the rise of wealth inequality in Connecticut. First, Prosperity Now, a non-profit organization, analyzes data from the U.S. Census Bureau in order to provide several measures of savings and assets by state. Second, the Connecticut Department of Revenue Services provides a limited annual overview of estate tax data. For reference, the available data on wealth inequality at the state level are not as detailed as the data on income inequality at the state level, meaning the analysis requires making certain inferences.

There are two key, relevant and related findings:

Wealth inequality is even greater in Connecticut than in the U.S. as a whole. As Table 4 shows, in 2016—the most recent year available—the median household net worth was $92,110 in the U.S. and $115,400 in Connecticut, and the percentage of households with zero or negative net worth was 15.7 percent in the U.S. and 21.1 percent in Connecticut. This combination of greater wealth for the median household and a higher zero net worth rate indicates that wealth inequality in Connecticut is greater than the near-unprecedented level of wealth inequality in the U.S. as a whole. Additionally, based on the strong relationship between income and wealth and the data showing that Connecticut has the third highest level of income inequality in the country, it is reasonable to infer that wealth inequality is greater in Connecticut than in the U.S. as a whole.

The average net worth for the top one percent of taxed estates in Connecticut is 357 times greater than the net worth for the median household in the state. An analysis of data from the DRS reveals that the top one percent of taxed estates in Connecticut are worth on average at least $41,183,109 in 2016—the most recent year data are available for all of the components. In contrast, data from the Census Bureau—and analyzed by Prosperity Now—show that the median household in Connecticut had a net worth of $115,400 in 2016.

Table 4. Net Worth in the U.S. and Connecticut, 2016

<table>
<thead>
<tr>
<th>Group</th>
<th>Median Household Net Worth</th>
<th>Households with Zero Net Worth</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>$92,110</td>
<td>15.7%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>$115,400</td>
<td>21.1%</td>
</tr>
</tbody>
</table>

*See reference 27 for data source.*
A Substantial Racial Wealth Gap in the U.S. and an Even Greater Gap in Connecticut

Along with the broader rise in wealth inequality, it is possible to examine the racial wealth gap in the U.S. and Connecticut using data from the Federal Reserve’s Survey of Consumer Finances and the Prosperity Now scorecard. As measured here, the racial wealth gap is the difference in either the level of median family wealth or the zero net worth rate among households grouped by race or ethnicity. For reference, the available data on the racial wealth gap at the state level are not as detailed as the data at the national level, meaning the analysis requires making certain inferences. Moreover, the analysis maintains the units and terms that the original data sources employ, meaning part of the analysis uses the family unit, whereas another part uses the household unit; and part of the analysis uses the term Hispanic, whereas another part uses the term Latino.

There are three key, relevant and related findings:

The decades-long rise in wealth inequality in the U.S. includes a substantial racial wealth gap. As Table 5 shows, in 2016—the most recent year available—the median white family in the U.S. had a net worth of $171,000, whereas the median Black family had a net worth of $17,600 and the median Hispanic family had a net worth of $20,700. Put differently, the median Black family had a net worth equal to only 10 percent of that for the median white family—which has the top net worth—and the median Hispanic family had a net worth equal to only 12 percent.31

The racial wealth gap in Connecticut is even greater than in the U.S. as a whole. As Table 6 shows using a different, less detailed source of data to compare the U.S. and Connecticut, in 2016—the most recent year available—12.7 percent of white households in the U.S. had zero or negative net worth, whereas 28.7 percent of Black households and 20.2 percent of Latino households had zero or negative net worth. Put differently, the zero net worth rate for Black and Latino households in the U.S. was 2.3 times and 1.6 times greater, respectively, than that for white households. In comparison, 10.3 percent of white households in Connecticut had zero or negative net worth, whereas 34.6 percent of Black households and 51.4 percent of Latino households had zero or negative net worth. Put differently, the zero net worth rate for Black and Latino households in Connecticut was 3.4 times and 5 times greater, respectively, than that for white households.32

The racial wealth gap exacerbates wealth inequality for households of color. As Table 7 shows, in 2016, the average net worth for the top one percent of taxed estates in Connecticut is 357 times greater than the net worth for the median household. Moreover, as demonstrated, households of color tend to have a much lower net worth than white households. This indicates that the net worth for the top one percent of taxed estates in Connecticut is more than 357 times greater than the median net worth for households of color due to a combination of rising wealth inequality and the racial wealth gap, though a more precise estimate is not available.33
### Table 5. Racial Wealth Gap in the U.S., 2016

<table>
<thead>
<tr>
<th>Group</th>
<th>Wealth</th>
<th>Relative to Top Median Net Worth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Family</td>
<td>$97,300</td>
<td>57%</td>
</tr>
<tr>
<td>Median White Family</td>
<td>$171,000</td>
<td>100%</td>
</tr>
<tr>
<td>Median Black Family</td>
<td>$17,600</td>
<td>10%</td>
</tr>
<tr>
<td>Median Hispanic Family</td>
<td>$20,700</td>
<td>12%</td>
</tr>
</tbody>
</table>

*See reference 31 for data source.

### Table 6. Racial Wealth Gap in the U.S. and Connecticut, 2016

<table>
<thead>
<tr>
<th>Group</th>
<th>U.S.</th>
<th>Connecticut</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Zero Net Worth Rate</td>
<td>Relative to Lowest Rate</td>
</tr>
<tr>
<td>All Households</td>
<td>15.7%</td>
<td>1.2x</td>
</tr>
<tr>
<td>White Households</td>
<td>12.7%</td>
<td>1.0x</td>
</tr>
<tr>
<td>Black Households</td>
<td>28.7%</td>
<td>2.3x</td>
</tr>
<tr>
<td>Latino Households</td>
<td>20.2%</td>
<td>1.6x</td>
</tr>
</tbody>
</table>

*See reference 32 for data source.

### Table 7. Wealth Inequality by Race in Connecticut, 2018

<table>
<thead>
<tr>
<th>Group</th>
<th>Net Worth</th>
<th>Inequality Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 1% of Taxed Estates (Avg.)</td>
<td>$41,183,109</td>
<td>-</td>
</tr>
<tr>
<td>Median Household</td>
<td>$115,400</td>
<td>357x</td>
</tr>
<tr>
<td>Median Black Household</td>
<td>&lt; $115,400</td>
<td>&gt;357x</td>
</tr>
<tr>
<td>Median Hispanic Household</td>
<td>&lt; $115,400</td>
<td>&gt;357x</td>
</tr>
</tbody>
</table>

*See reference 33 for data source.
In addition to the distribution of income and wealth within the economy, it is possible to examine the overall growth of the economy using data from the U.S. Bureau of Economic Analysis. The leading indicator is the percentage change in real (inflation-adjusted) gross domestic product (GDP), which is the growth rate in the nation’s or state’s total income over a given period of time. A related leading indicator is the percentage change in real GDP per capita, which is the growth rate in total income adjusted for population size. Addressing the general difference in these two indicators, the Center on Budget and Policy Priorities explains, “Faster growth in [GDP] expands the overall size of the economy and strengthens fiscal conditions. Broadly shared growth in per capita GDP increases the typical American’s material standard of living.”

Moreover, the Congressional Research Services makes clear the importance of analyzing these indicators in conjunction with the preceding indicators, explaining, “In general, as GDP grows, individuals’ incomes increase, as does the production of goods and services. So as economic activity increases, individuals not only have access to more goods and services, but they also have more income to purchase those goods and services. However, GDP growth does not give any indication of how income growth is distributed within the economy.” For reference, the most accurate economic growth data at the state level are only available beginning in 1997, whereas the data at the national level are available for the entire historical analysis.

There are two key, relevant and related findings:

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. As Figure 7 shows, real GDP growth in the U.S. has declined from an average of more than 4 percent during the 1950s and 1960s to between 3 and 4 percent during 1970s, 1980s, and 1990s and to slower than 3 percent during the 2000s and 2010s. Moreover, when controlling for population size, Figure 8 shows that real GDP growth in the U.S. has declined from an average of 2.5 percent or higher during the 1950s and 1960s to between 2 and 2.2 percent during the 1970s, 1980s, and 1990s and to 1.6 percent or slower during the 2000s and 2010s. Together with the preceding analysis of income and wealth, the analysis in this section shows that the top one percent are taking a growing, disproportionate share of the gains from an increasingly slow-growing national economy.

Economic growth has slowed even more in Connecticut than in the U.S. as a whole since the Great Recession of 2007–09. As Figure 7 shows, real GDP growth in Connecticut has declined from an average of 2.1 percent during the 2000s to 0.05 percent during the 2010s, making it the third slowest state. Moreover, when controlling for population size—which has decreased in Connecticut—Figure 8 shows that real GDP growth has declined from an average of 1.6 percent during the 2000s to 0.05 percent during the 2010s, making it the seventh slowest state. Together with the preceding analysis of income and wealth, the analysis in this section shows that the top one percent are taking a growing and even greater disproportionate share of the gains from Connecticut’s especially slow-growing economy.
**Figure 7.** Real GDP Growth in the U.S. and Connecticut

*See reference 36 and 38 for data source.*

**Figure 8.** Real GDP Growth Per Capita in the U.S. and Connecticut

*See reference 37 and 39 for data source.*
ECONOMIC INJUSTICE IN THE LABOR MARKET

To review the state of Connecticut’s workers and to demonstrate that injustice in the labor market is a key cause of the broader economic injustice detailed in the preceding section, this section of the report provides an overview of six key labor market indicators at both the national level and the state level: wage inequality, the racial wage gap, jobs (or nonfarm payroll), the racial unemployment rate gap, the productivity-pay gap, and worker power.

The following is a condensed list of the key findings:

- 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.
Rising Wage Inequality

The first key labor market indicator is hourly wage levels and growth rates at different percentiles of the wage distribution—specifically, the 10th, 50th (median), and 90th percentiles. Making clear the significance of this indicator, the Congressional Research Services explains, “Wage earnings are the largest source of income for many workers”—accounting for about 70 percent of total compensation for the average worker—and therefore “wage gains are a primary lever for raising living standards.”

For reference, the Economic Policy Institute (EPI) provides annual estimates of wages at different percentiles for the U.S. and Connecticut using data from the U.S. Bureau of Labor Statistics, and the most recent estimates are for 2019. Moreover, because available wage data are “top-coded”—meaning reported earnings above a given value are replaced with a top-code value—this analysis does not examine wages above the 90th percentile, which understates the rise of wage inequality.

There are two key, relevant and related findings:

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. As Figures 9 and 10 show, the real (inflation-adjusted) hourly wage for workers in the U.S. at the 10th percentile of the wage distribution has only increased from $9.75 in 1979 to $10.07 in 2019, a total growth rate of 3.3 percent. Likewise, the real hourly wage for workers at the 50th percentile has only increased from $16.79 to $19.33, a total growth rate of 15.1 percent. In contrast, the real hourly wage for workers at the 90th percentile has increased from $33.32 to $48.08, a total growth rate of 44.3 percent. This means that the wage growth gap between workers at the 10th and 90th percentiles since 1979 is 41 percentage points and the gap between workers at the 50th and 90th percentiles is 29.2 percentage points.

Moreover, as the largest source of income for the typical worker, this rise in wage inequality is a key cause of both rising income inequality and rising wealth inequality because, as noted, “higher incomes can be saved into stocks of wealth.” Research also shows that rising economic inequality is slowing economic growth.

Wage inequality is even greater in Connecticut than in the U.S. as a whole. As Figures 9 and 10 show, the real hourly wage for workers in Connecticut at the 10th percentile of the wage distribution has only increased from $9.91 in 1979 to $10.70 in 2019, a total growth rate of 8 percent over four decades. Likewise, the real hourly wage for workers at the 50th percentile has only increased from $17.47 to $21.70, a total growth rate of 24.2 percent; and in fact, over the last two decades, the real hourly wage has slightly decreased from $21.73 in 2000 to $21.70 in 2019. In contrast, the real hourly wage for workers at the 90th percentile has increased from $35.30 in 1979 to $57.67 in 2019, a total growth rate of 63.4 percent. This means that the wage growth gap between workers at the 10th and 90th percentiles since 1979 is 55.4 percentage points and the gap between workers at the 50th and 90th percentiles is 39.2 percentage points, both of which are greater than the gaps in the U.S. and are a key cause of rising income inequality, rising wealth inequality, and slowing economic growth.
Figure 9. Real Hourly Wage Level by Percentile in the U.S. and Connecticut

Figure 10. Real Hourly Wage Growth by Percentile in the U.S. and Connecticut

*See reference 42 for data source.
A Substantial Racial Wage Gap

The second key labor market indicator is the racial wage gap, measured as the difference in the real hourly wage by race or ethnicity at different percentiles of the wage distribution. For reference, EPI provides annual estimates of racial wage gaps at different percentiles for the U.S. and Connecticut using data from the U.S. Bureau of Labor Statistics. Moreover, due to data limitations, the following analysis only covers the 50th percentile (the median worker) at the state level, whereas the analysis at the national level includes all three percentiles examined for the previous indicator—specifically, the 10th, 50th, and 90th percentiles.

There are two key, relevant and related findings:

Due in large part 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. As Table 8 shows for the U.S. in 2019: At the 10th percentile, the white worker had an hourly wage of $10.56, whereas the Black worker had an hourly wage $9.61 and the Hispanic worker had an hourly wage of $9.94, meaning for each dollar earned by the white worker, the Black worker earned $0.91 and the median Hispanic worker earned $0.94. At the 50th percentile, the white worker had an hourly wage of $21.32, whereas the Black worker had an hourly wage $16.12 and the Hispanic worker had an hourly wage of $15.89, meaning for each dollar earned by the white worker, the Black worker earned $0.76 and the Hispanic worker earned $0.75. And at the 90th percentile, the white worker had an hourly wage of $52.04, whereas the Black worker had an hourly wage $36.03 and the Hispanic worker had an hourly wage of $34.93, meaning for each dollar earned by the white worker, the Black worker earned $0.69 and the Hispanic worker earned $0.67. Because wages are, as noted, the largest source of income for most workers and in turn “can be saved into stocks of wealth,” the racial wage gap is a key cause of the racial income and wealth gaps. Moreover, research shows that “[w]hile there are multiple causes” for the racial wage gap, “discrimination has consistently played a major role.” Also notable, the “black-white wage gap is smallest at the bottom of the wage distribution, where the minimum wage serves as a wage floor,” which demonstrates that it is possible to use public policy to combat racial discrimination in the labor market.

The racial wage gap in Connecticut is even greater than in the U.S. as a whole. As Table 9 shows for Connecticut in 2019: At the 50th percentile, the white worker had an hourly wage of $24.90, whereas the Black worker had an hourly wage of $14.85 and the Hispanic worker had an hourly wage of $15.67, meaning for each dollar earned by the white worker, the Black worker earned $0.60 and the Hispanic worker earned $0.63. This racial wage gap in Connecticut is greater than not only the racial wage gap in the U.S. for workers at the 50th percentile but also the racial wage gap in the U.S. for workers at the 90th percentile, which indicates that racial discrimination in Connecticut’s labor market is greater than in the U.S. as a whole and is a key cause of the racial income and wealth gaps in the state.
Table 8. Racial Wage Gap in the U.S., 2019

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Hourly Wage</th>
<th>Relative to Top Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Worker</td>
<td>$10.07</td>
<td>95%</td>
</tr>
<tr>
<td>White Worker</td>
<td>$10.56</td>
<td>100%</td>
</tr>
<tr>
<td>Black Worker</td>
<td>$9.61</td>
<td>91%</td>
</tr>
<tr>
<td>Hispanic Worker</td>
<td>$9.94</td>
<td>94%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Hourly Wage</th>
<th>Relative to Top Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Worker</td>
<td>$19.33</td>
<td>91%</td>
</tr>
<tr>
<td>White Worker</td>
<td>$21.32</td>
<td>100%</td>
</tr>
<tr>
<td>Black Worker</td>
<td>$16.12</td>
<td>76%</td>
</tr>
<tr>
<td>Hispanic Worker</td>
<td>$15.89</td>
<td>75%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Hourly Wage</th>
<th>Relative to Top Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Worker</td>
<td>$48.08</td>
<td>92%</td>
</tr>
<tr>
<td>White Worker</td>
<td>$52.04</td>
<td>100%</td>
</tr>
<tr>
<td>Black Worker</td>
<td>$36.03</td>
<td>69%</td>
</tr>
<tr>
<td>Hispanic Worker</td>
<td>$34.93</td>
<td>67%</td>
</tr>
</tbody>
</table>

*See reference 46 for data source.

Table 9. Racial Wage Gap in Connecticut, 2019

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Hourly Wage</th>
<th>Relative to Top Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Worker</td>
<td>$21.70</td>
<td>87%</td>
</tr>
<tr>
<td>White Worker</td>
<td>$24.90</td>
<td>100%</td>
</tr>
<tr>
<td>Black Worker</td>
<td>$14.85</td>
<td>60%</td>
</tr>
<tr>
<td>Hispanic Worker</td>
<td>$15.67</td>
<td>63%</td>
</tr>
</tbody>
</table>

*See reference 49 for data source.
A Historic Loss of Jobs

The third key labor market indicator is jobs or, specifically, nonfarm payroll, measured as the total number of workers in the economy excluding proprietors, private household employees, unpaid volunteers, farm employees, and the unincorporated self-employed. As the Federal Reserve explains, “[nonfarm payroll data] have proven to be an important indicator of economic conditions because they move closely in line with the overall economy and are published monthly on a timely basis.” For reference, overall monthly nonfarm payroll data at the state level are available from the Connecticut Department of Labor dating back to 1982, data by sector are available dating back to 1990, and monthly data for the U.S. are available from the U.S. Bureau of Labor Statistics for the entire analysis.

There are two key, relevant and related findings:

The coronavirus recession caused a historic loss of jobs in the U.S. that will likely exacerbate the decades-long rise in wage inequality. As Figure 11 shows, total nonfarm payroll in the U.S. fell from 152.5 million in February 2020 to a low of 130.3 million in April, a loss of 22.2 million jobs over only two months, which is the largest on record; and, as of August, total nonfarm payroll stands at 140.9 million, a loss of 11.5 million jobs since February, meaning in the span of six months the coronavirus recession eliminated the overall job creation in the U.S. since early 2015. For a more detailed breakdown, as of August, private sector payroll stands at 119 million and public sector payroll stands at 21.9 million. This will likely exacerbate wage inequality because research shows that a weak job market (as indicated by substantial job losses or a high unemployment rate) tends to “dampen wage growth more for workers at the bottom of the wage ladder than at the middle, and more at the middle than at the top.” Moreover, the coronavirus recession in particular has disproportionately harmed low-wage workers, as they are less likely to be able to work from home and so are more likely to have lost their job—and even those who kept their jobs as “essential workers” face greater health risks, have suffered cutbacks in hours, and are disproportionately people of color.

The coronavirus recession caused an even greater loss of jobs in Connecticut relative to the size of the state’s labor market. As Figure 12 shows, total nonfarm payroll in Connecticut fell from 1,699,500 in February 2020 to a low of 1,408,200 in April, a loss of 291,300 jobs over only two months, which is the largest on record; and, as of July, total nonfarm payroll stands at 1,540,400, a loss of 159,100 jobs since February, meaning in the span of five months the coronavirus recession eliminated the overall job creation in Connecticut since 1994. For a more detailed breakdown, as of July, private sector payroll stands at 1,324,800, driven in large part by a reduction in low-wage workers in leisure and hospitality services; and public sector payroll stands at 215,600. This historic loss of jobs will likely exacerbate the decades-long rise in wage inequality in Connecticut that was already greater than the considerable rise in wage inequality in the U.S.
**Figure 11. Jobs in the U.S.**

*See reference 51 for data source.*

**Figure 12. Jobs in Connecticut**

*See reference 54 for data source.*
A Substantial and Increasing Racial Unemployment Rate Gap

The fourth key labor market indicator is the racial unemployment rate gap. The unemployment rate is measured as the share of workers in the labor force who do not currently have a job but are actively looking for work, and the racial gap is measured as the difference in the unemployment rate by race or ethnicity. For reference, at the state level, monthly unemployment rate data are available from the Connecticut Department of Labor dating back to 1982, and data by race and ethnicity—which EPI calculates—are available on an annual basis, though some years are missing due to an insufficient sample size. At the national level, monthly unemployment rate data are available from the U.S. Bureau of Labor Statistics for the entire analysis, and full data by race and ethnicity date back to 1972.

There are two key, relevant and related findings:

The coronavirus recession increased the racial unemployment rate gap in the U.S., which was largely due to racial discrimination in the first place and will likely exacerbate the racial wage gap. As Figure 13 and Table 10 show, the overall unemployment rate in the U.S. increased from 3.5 percent in February 2020 to a peak of 14.7 percent in April, the highest rate on record dating back to 1948; and, as of August, the unemployment rate stands at 8.2 percent. Moreover, the Black unemployment rate increased from 5.8 percent in February to a peak of 16.8 percent in May; and, as of August, it stands at 13 percent, which is 5.7 percentage points higher than the white unemployment rate and 2.9 percentage points higher than that gap was in 2019, meaning the racial unemployment rate gap increased during the coronavirus recession.55 Also important, research shows that “[h]iring discrimination is one of the primary structural barriers” to closing the racial unemployment gap, “as many employers exhibit and act upon biases against African Americans or other demographic groups.”56 This means that the pre-coronavirus recession racial unemployment rate gap largely existed due to racial discrimination and its increase during the coronavirus recession will likely exacerbate the racial wage gap because, as noted, a weak job market (as indicated by high unemployment) harms wage growth, especially for low- and middle-wage workers.

The coronavirus recession likely increased the racial unemployment rate gap in Connecticut, which was already greater than that in the U.S. As Figure 14 shows, the unemployment rate in Connecticut increased from 3.8 percent in February 2020 to an unofficial peak of 19 percent in May and an official peak of 10.2 percent in July, the highest rate on record. Importantly, the CT DOL explains that the official “unemployment rate continues to be underestimated due to challenges encountered in the collection of data” and the “Office of Research estimates the unemployment rate to be in the range of 15% for the Mid-July period.”57 Moreover, as Table 11 shows, in 2019, the Black unemployment rate averaged 4.5 percentage points higher than the white unemployment rate, which is greater than the racial gap in the U.S. that year.58 This suggests that the current Black unemployment rate in the state is higher than the overall rate and—based on the analysis at the national level—the racial gap likely increased.
Figure 13. Unemployment Rate in the U.S.

*See note 55 for data source.

Table 10. Racial Unemployment Rate Gap in the U.S.

<table>
<thead>
<tr>
<th>Group</th>
<th>Unemployment Rate 2019 Average</th>
<th>Difference from Lowest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Workers</td>
<td>3.7%</td>
<td>+0.4</td>
</tr>
<tr>
<td>White Workers</td>
<td>3.3%</td>
<td>+0.0</td>
</tr>
<tr>
<td>Black Workers</td>
<td>6.1%</td>
<td>+2.8</td>
</tr>
<tr>
<td>Hispanic Workers</td>
<td>4.3%</td>
<td>+1.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group</th>
<th>Unemployment Rate August 2020</th>
<th>Difference from Lowest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Workers</td>
<td>8.4%</td>
<td>+1.1</td>
</tr>
<tr>
<td>White Workers</td>
<td>7.3%</td>
<td>+0.0</td>
</tr>
<tr>
<td>Black Workers</td>
<td>13.0%</td>
<td>+5.7</td>
</tr>
<tr>
<td>Hispanic Workers</td>
<td>10.5%</td>
<td>+3.2</td>
</tr>
</tbody>
</table>

*See note 55 for data source.
**Figure 14.** Unemployment Rate in Connecticut

*See reference 57 for data source.*

**Table 11.** Racial Unemployment Rate Gap in Connecticut

<table>
<thead>
<tr>
<th>Group</th>
<th>Unemployment Rate 2019 Average</th>
<th>Difference from Lowest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Workers</td>
<td>3.8%</td>
<td>+0.8</td>
</tr>
<tr>
<td>White Workers</td>
<td>3.0%</td>
<td>+0.0</td>
</tr>
<tr>
<td>Black Workers</td>
<td>7.5%</td>
<td>+4.5</td>
</tr>
<tr>
<td>Hispanic Workers</td>
<td>5.5%</td>
<td>+2.5</td>
</tr>
</tbody>
</table>

*See note 58 for data source.*
The Rising Productivity-Pay Gap

The fifth key labor market indicator is the productivity-pay gap, which measures the gap between the actual growth in pay for the typical worker and the potential growth in pay as the amount of output (or income) generated in an average hour of work increases. There are two primary approaches to measure this gap. First, using data from the U.S. Bureau of Labor Statistics and the U.S. Bureau of Economic Analysis, EPI estimates at the national level since the late 1940s the gap between the average pay of production and nonsupervisory workers and net productivity, which is how much workers produce per hour—or, more specifically, the growth in output of goods and services minus depreciation per hour worked. Second, due to data limitations, EPI estimates at the state level (and the national level in order to provide a baseline) the gap since the 1970s between the median pay of all workers and gross productivity, which is the growth in output of goods and services per hour worked without accounting for depreciation.

For reference, EPI explains, “We choose production and nonsupervisory workers” for the first approach because “it is a large portion of the workforce—typically around 80 percent of the private-sector payroll enrollment” and “it is the only measure of pay reflecting that of typical workers that is available back to the early postwar period. Having a consistent historical series back to 1948 is important for examining how the relationship between hourly pay of typical workers and average productivity has changed over nearly seven decades.” For the second approach, which only covers the more recent period, “we examine the divergence between productivity and median compensation—compensation earned by the worker in the exact middle of the wage distribution.” The growth rates for the two pay (or compensation) variables track closely since the 1970s, which “gives us confidence that our use of the production/nonsupervisory worker series for the early postwar period adequately captures the trend of the pay of a typical worker.” Additionally, the pay measure for both approaches includes all employer-provided benefits along with wages, meaning the productivity-pay gap is not due to an increase in non-wage benefits.

There are three key, relevant and related findings:

The productivity-pay gap has been rising for several decades in the U.S., meaning the actual growth in pay for the typical worker has substantially diverged from the potential growth in pay. As research from EPI explains and as Figure 15 shows for the relationship between net productivity and average pay of production and nonsupervisory workers, “Most Americans believe that a rising tide should lift all boats—that as the economy expands, everybody should reap the rewards. And for two-and-a-half decades beginning in the late 1940s, this was how our economy worked. Over this period, the pay (wages and benefits) of typical workers rose in tandem with productivity (how much workers produce per hour). In other words, as the economy became more efficient and expanded, everyday Americans benefited correspondingly through better pay. But in the 1970s, this started to change.” Specifically, from 1948 through 1978, net productivity rose 108.3 percent and the hourly pay of typical workers rose 92.6 percent. In contrast, from 1979 through 2018—the most recent year data are available—net productivity rose 69.6 percent and the hourly pay of typical workers largely stagnated, increasing only 11.5 percent. “This means that although Americans are working more productively than ever, the fruits of their labors have primarily accrued to those at the top and to corporate profits, especially in recent years.”
The productivity-pay gap is even greater in Connecticut than in the U.S. as a whole. As Figure 16 shows for the relationship between gross productivity and median pay of all workers, from 1979 through 2016—the most recent year data are available—productivity rose 72.4 percent in the U.S. and hourly pay only rose 14.1 percent, a gap of 58.3 percentage points. Even worse, in Connecticut, productivity rose 108.6 percent and hourly pay only rose 25 percent, a gap of 83.6 percentage points. This means that although workers in Connecticut are more productive than workers in the U.S. as a whole, the gains of productivity in the state have gone to those at the top to an even greater degree than in the U.S. as a whole.61

The racial wage gap exacerbates the productivity-pay gap for the typical worker of color in both the U.S. and Connecticut. By design, the measure of pay that the productivity-pay gap analysis employs represents the typical worker, meaning the problem is even worse on average for workers of color due to the addition of the racial wage gap. As research from EPI explains—and as the earlier racial wage gap analysis together with the productivity-pay gap analysis shows—“Participants in the ongoing discussion about how to remedy centuries of economic inequality experienced by African Americans generally fall into one of two camps. One group calls for explicitly race-based or racially targeted solutions, while the other group supports race-neutral, or universal, progressive economic policies and programs.” Yet “progress on both fronts is necessary to undo the damage. Specifically, widening black-white wage gaps and growing overall wage inequality … imposed a dual penalty on black workers’ wage growth. Therefore, a dual strategy is necessary to put black workers’ wages back on a trajectory that lets them share in the fruits of overall economic growth while also closing persistent gaps with white workers.”62
Figure 15. Productivity-Pay Gap in the U.S.

1948-1978:
Productivity: 108.3%
Pay: 92.6%

1979-2018:
Productivity: 69.6%
Pay: 11.5%

*See reference 60 for data source.

Figure 16. Productivity-Pay Gap in the U.S. and Connecticut

*See reference 61 for data source.
The Decline of Worker Power

The sixth key labor market indicator is *worker power*, which arises primarily from unionization or the threat of unionization, from firms being run in the interests of workers as stakeholders, and from an economy at full employment, all of which strengthen the ability of workers to increase their pay to a higher level than would otherwise be possible. The opposite is *corporate power*, which comes in two primary forms. *Monopsony power* is when a company faces little competition from other companies in hiring workers and so is able to set wages at a lower level than would otherwise be possible in a competitive labor market. And *monopoly power* is when a company faces little competition from other companies in selling goods and services and so is able to set a higher price than would otherwise be possible in a competitive market.

Building upon the findings of the previous indicators, a consensus appears to be emerging that the decline of worker power—or, conversely, the rise of corporate power—is one of the key causes of the rise in wage inequality, which in turn is a key cause of the rise in income inequality, the rise in wealth inequality, and the slowdown in economic growth. For example, two economists at the Federal Reserve released a study in July 2020 showing that rising corporate power can account in large part for the decades-long rise in income and wealth inequality. Additionally, it is worth quoting at length a study released in May 2020 by two Harvard economists, Anna Stansbury and Larry Summers:

> The decline in worker power in the U.S. economy over recent decades was a result of three broad shifts. First, institutional changes: the policy environment has become less supportive of worker power by reducing the incidence of unionism and the credibility of the “threat effect” of unionism or other organized labor, and the real value of the minimum wage has fallen. Second, changes within firms: the increase in shareholder power and shareholder activism has led to pressures on companies to cut labor costs, resulting in wage reductions within firms and the “fissuring” of the workplace as companies increasingly outsource and subcontract labor. And third, changes in economic conditions: increased competition for labor from technology or from low-wage countries has increased the elasticity of demand for U.S. labor, or, in the parlance of bargaining theory, has improved employers’ outside option. In this paper, we emphasize the relative importance of the first two factors. While globalization and technological change surely did play some role in the decline in worker power, the cross-sector and cross-country evidence suggests that they are unlikely to have been the most important factors. …

> Overall, we conclude that the decline in worker power is one of the most important structural changes to have taken place in the U.S. economy in recent decades.

The most common measure of worker power is the level of union membership, which is supplemented here with an analysis of the union wage gap (or premium) in order to demonstrate the current substantial impact of union membership. For reference, annual data on union membership in the U.S. are available for the entire historical analysis using data from a combination of sources, data for Connecticut are available beginning in 1964, and EPI provides an estimate of the union wage gap at the national level and the state level in 2019.
Union membership has declined substantially over several decades in both the U.S. and Connecticut. As Figure 17 shows, union membership in the U.S. has fallen from 33.4 percent in 1945 to 10.4 percent in 2019, a 69 percent reduction over 7-plus decades. Likewise, union membership in Connecticut has fallen from 28.8 percent in 1964 to 14.6 percent in 2019, a 49 percent reduction over 5-plus decades. This decline is due largely to a concerted attack on unions by corporations rather than a decreasing desire of workers to join a union. As research from EPI explains,

“It is worth noting that the erosion of union coverage is not because workers don’t want unions anymore—survey data show that in fact, a higher share of nonunion workers today say they would vote for a union in their workplace than was the case 40 years ago. One key contributor to the decline of unions is fierce corporate opposition to union organizing. It is now standard, when workers seek to organize, for employers to hire union avoidance consultants to coordinate intense anti-union campaigns. We estimate that employers spend nearly $340 million per year hiring union avoidance advisers to help them prevent employees from organizing. And though the National Labor Relations Act makes it illegal for employers to intimidate, coerce, or fire workers in retaliation for participating in union-organizing campaigns, the penalties are grossly insufficient to provide a meaningful disincentive for such behavior. In more than two in five union elections, employers are charged with illegal behavior, and in at least one in five union elections, employers are charged with illegally firing workers who are involved in organizing.”

To be sure, the racist history of unions in particular and the racist history of the U.S. more generally have also played a role in the decline of unions, though that too has worked in part through a concerted attack by corporations. To provide one example of racial discrimination in the development and operations of labor unions, a leading scholar on the subject describes the Wagner Act of 1935, a bill that gave workers the right to form unions and bargain collectively. [It] included...

included provisions that enabled unions to exclude and discriminate against black workers. Black workers who attempted to join unions found that they were limited to jobs that paid less, provided less security, fewer benefits, and little representation from the union. Only in the 1970s did dramatic changes for black workers come about as unions, prodded by the federal government and besieged by litigation costs, joined with employers to implement affirmative action programs, apprenticeship training, and the integration of previously segregated job and seniority lines. … Although this is an impressive accomplishment matched by few other sectors of society, the prolonged battle to diversify unions has had significant fallout. Labor’s racial divisions have left many black workers wary and cynical about unions, and anti-union corporations have seized on this reputation in their campaigns to deny workers their right to organize. … Labor’s civil rights successes were also marred by a decline of union power and membership during the years when unions diversified. The increase in black union membership was accompanied by a significant decline in the size and influence of the labor movement.
Union workers in the U.S. are paid a substantially larger wage on average than nonunion workers, and the union wage gap is even greater in Connecticut. As Table 12 shows, in 2019, the median union worker in the U.S. had an hourly wage of $24.01, whereas the median nonunion worker had an hourly wage of $18.86, a gap of $5.15. Put in relation to each dollar earned by the median union worker in the U.S., the median nonunion worker earned only $0.79. Likewise, as Table 13 shows, in 2019, the median union worker in Connecticut had an hourly wage of $28.11, whereas the median nonunion worker had an hourly wage of $19.91, a gap of $8.20. Put in relation to each dollar earned by the median union worker in Connecticut, the median nonunion worker earned only $0.71.

In the U.S. and Connecticut, the decline in worker power—most evident in the decline of unions—is one of the key causes of both the productivity-pay gap and the racial wage gap. As shown, workers in a union are paid a much larger wage on average than nonunion workers but the share of workers in a union has declined over several decades. This has considerably weakened not only the ability of workers to collectively bargain but also the extension of union wage standards to nonunionized companies in the same industry, often referred to as a “union threat effect,” all of which has contributed to the rising productivity-pay gap. As research from EPI explains, “A key factor undermining pay growth for middle-wage workers over the last few decades has been the erosion of collective bargaining. When unions are able to set strong pay standards in particular occupations or industries through collective bargaining, the employers in those settings also raise the wages and benefits of nonunion workers toward the standards set through collective bargaining. Thus, the weakening of the collective bargaining system has had an adverse impact on the compensation of both union and nonunion workers.”

Moreover, due to the composition of unions and the ability of unions to counteract racial discrimination in pay, the decline of unions has contributed to the racial wage gap. As additional research from EPI explains, “black workers are more likely than white workers to be represented by a union, and black workers who are in unions get a larger boost to wages from being in a union than white workers do (i.e., the ‘union wage premium’ is larger for black workers than for white workers). … This means that the decline of unionization has played a significant role in the expansion of the black-white wage gap.”
Figure 17. Union Membership in the U.S. and Connecticut

*See reference 65 for data source.

Table 12. Union Wage Gap in the U.S., 2019

<table>
<thead>
<tr>
<th>50th Percentile</th>
<th>Hourly Wage</th>
<th>Relative to Top Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union Worker</td>
<td>$24.01</td>
<td>100%</td>
</tr>
<tr>
<td>Nonunion Worker</td>
<td>$18.86</td>
<td>79%</td>
</tr>
</tbody>
</table>

*See reference 68 for data source.

Table 13. Union Wage Gap in Connecticut, 2019

<table>
<thead>
<tr>
<th>50th Percentile</th>
<th>Hourly Wage</th>
<th>Relative to Top Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union Worker</td>
<td>$28.11</td>
<td>100%</td>
</tr>
<tr>
<td>Nonunion Worker</td>
<td>$19.91</td>
<td>71%</td>
</tr>
</tbody>
</table>

*See reference 69 for data source.
ADVANCING ECONOMIC JUSTICE

The analysis in the first section of this report showed 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.

The analysis in the second section then showed 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.

The third and final section of this report 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 the policies that CT Voices recommends to advance economic justice:

- 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.
The Need for a Sweeping, Antiracist Program

Based on the analysis in the first section, there are two primary ideas to highlight in working to advance economic justice. First, income and wealth inequality in general have increased to such high levels that a sweeping program is essential to address the problem, meaning no single policy approach will be sufficient. Second, the racial income and wealth gaps have increased to such high levels that an antiracist program is also essential. By an antiracist program, we mean a program that “actively seek[s] to dismantle the racism embedded in our social, economic, and political systems and structures, which results in persistent racial inequities.”

Incorporating both ideas, CT Voices is working to advance economic justice at the state level in the areas of fiscal policy, employment, housing, criminal justice, and more, all of which operate under the broader categories of family economic security and fiscal and economics. To understand more fully the need for a sweeping, antiracist program to advance economic justice, consider the following interaction of injustice in Connecticut’s tax system and injustice in Connecticut’s labor market.

Connecticut’s regressive tax system exacerbates economic injustice. A family’s (or household’s) effective tax rate is the total amount of taxes that it pays as a percentage of taxable income and variation in this key rate across income groups reveals three basic types of tax systems: A regressive tax system is one in which lower- and middle-income families pay a higher effective tax rate than upper-income families. A proportional tax system is one in which all families pay the same effective tax rate. And a progressive tax system is one in which upper-income families pay a higher effective tax rate than lower- and middle-income families.

Table 14. Connecticut’s Regressive Tax System

<table>
<thead>
<tr>
<th>Group</th>
<th>Pre-Tax Income</th>
<th>Pre-Tax Inequality</th>
<th>Effective Tax Rate</th>
<th>Post-Tax Income</th>
<th>Post-Tax Inequality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 1% of Tax Filers (Avg.)</td>
<td>$3,092,389</td>
<td>-</td>
<td>6.50%</td>
<td>$2,891,384</td>
<td>-</td>
</tr>
<tr>
<td>Median Household</td>
<td>$76,106</td>
<td>41x</td>
<td>13.66%</td>
<td>$65,710</td>
<td>x44</td>
</tr>
<tr>
<td>Median Black Household</td>
<td>$47,856</td>
<td>65x</td>
<td>14.72%</td>
<td>$40,812</td>
<td>x71</td>
</tr>
<tr>
<td>Median Hispanic Household</td>
<td>$45,730</td>
<td>68x</td>
<td>14.72%</td>
<td>$38,999</td>
<td>x74</td>
</tr>
</tbody>
</table>

*See reference 73 for data source.

The Connecticut Department of Revenue Services released a report in 2014—the most recent to date—that confirms that the state’s tax system is regressive. As Table 14 shows, in 2018, the median household in Connecticut had a pre-tax income of $76,106 compared to an average pre-tax income of $3,092,389 for top one percent of tax filers in the state, meaning before state and local taxes are applied the average income for the top one percent of tax filers is 41 times greater than that for median household. Moreover, because the effective state and local tax rate for the median household is 13.66 percent compared to 6.5 percent for the average tax filer in top one percent, the average income for the top one percent increases to 44 times greater than that for median household after state and local taxes are applied. Put simply, Connecticut’s regressive tax system exacerbates an already exceptionally high level of income inequality.
This dynamic is even worse for households of color. For example, the median Black household in Connecticut had a pre-tax income of $47,856, meaning before state and local taxes are applied the average income for the top one percent is 65 times greater than that for median Black household. Moreover, because the effective state and local tax rate for the median Black household is 14.72 percent, the average income for the top one percent increases to 71 times greater than that for median Black household after state and local taxes are applied.

Injustice in Connecticut’s labor market is a key cause of the pre-tax economic injustice that the state’s regressive tax system exacerbates. The combination of the above tax policy analysis and the labor market analysis in the preceding section shows the following two-step process at play: First, the decline of worker power (rather than a decline in productivity) and the continuation of racial discrimination in the labor market are contributing to rising wage inequality and the racial wage gap, which in turn are contributing to rising pre-tax income inequality and the racial pre-tax income gap. Second, as the pre-tax income level fails to increase for the typical worker and even more so for the typical worker of color, the effective tax rate remains high, which exacerbates post-tax income inequality and the post-tax racial income gap. This in turn exacerbates wealth inequality and the racial wealth gap because the post-tax income that “can be saved into stocks of wealth” is lower for the typical worker and even more so for the typical worker of color. Moreover, by increasing economic inequality all of these factors contribute to slowing economic growth.

A sweeping, antiracist program that includes labor market reform and tax reform will more effectively advance economic justice than reform in only one area or the other. Although labor market reform and tax reform are distinct policy reforms, they work towards the same end, advancing economic justice. Specifically, labor market reform is essential both to increase the pre-tax income of the typical worker and to eliminate the pre-tax racial income gap for the typical worker of color. Likewise, tax reform is essential both to increase the post-tax income of the typical worker and to eliminate the post-tax racial income gap for the typical worker of color, all of which in turn will increase the wealth of the typical worker, decrease the racial wealth gap for the typical worker of color, and increase economic growth. In other words, a sweeping, antiracist program that includes labor market reform and tax reform will produce a stronger economy with a more equitable distribution of income and wealth than an approach that includes only labor market reform or only tax reform. Therefore, rather than view the push for higher wages as an important but separate labor market reform and the push for a progressive tax system as an important but separate fiscal policy reform, CT Voices recommends viewing these as interconnected components of a sweeping, antiracist program.
Policy Recommendations to Advance Economic Justice

To reform Connecticut’s labor market, future work from CT Voices will examine non-macroeconomic policies, such as establishing sectoral bargaining, restoring overtime pay, eliminating coercive waivers, and more. However, the policy recommendations here primarily involve the use of monetary policy and fiscal policy to create and maintain full employment, which is essential to strengthen worker power and counter racial discrimination in the labor market. As research from EPI explains, “In an economy genuinely at full employment, unemployment is low enough to make employers constantly compete for workers. Because employers must offer wages that rise in line with economy-wide productivity, wages of most workers rise year after year. … The stakes in aggressively pushing unemployment lower are huge, and the benefits progressive. Workers of color and workers without four-year college degrees—who have substantially higher unemployment—gain the most when the economy approaches genuine full employment.”

To advance economic justice in the labor market by strengthening worker power and countering racial discrimination, CT Voices 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. As previous research from CT Voices explains, the Fed should not raise its primary short-term interest rate target before the economy reaches full employment—which, as recent history demonstrates, means an unemployment rate below at least 4 percent at the highest, and which, as this report shows, needs to take into consideration the substantial racial unemployment rate gap. Moreover, to maintain full employment as long as possible, the Fed should give equal or greater weight to its statutory mandate to promote “maximum employment” in conducting monetary policy rather than continue to prioritize “stable prices,” as it has done for the last four decades.

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. As previous research from CT Voices shows, the Fed’s ability over the last decade to boost the economy through the use of monetary policy has diminished considerably, making it even more essential for the federal government to work towards reaching full employment as quickly as possible through the use of an expansionary fiscal policy—specifically, an increase in spending to support lower- and middle-income families coupled with a decrease in their taxes. Moreover, to maintain full employment as long as possible once the economy recovers, the federal government should pay for the increase in spending on low- and middle-income families by raising taxes on the wealthy through options such as repealing parts of the Tax Cut and Jobs Act, imposing a wealth tax, and reforming capital gains taxation. This progressive approach to fiscal policy will work to gradually decrease the deficit and debt through greater economic growth.

The federal government should extend the increase in unemployment benefits under the CARES Act both to support a historic level of unemployed workers and to prevent further job losses. As previous research from CT Voices explains, the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed in March 2020 strengthened unemployment insurance (UI) in three key ways: it created through 2020 a federally funded program (Pandemic Unemployment Assistance) to increase the coverage of workers who traditionally were not eligible for unemployment benefits under state law; it created through 2020 a federally funded program (Pandemic Emergency Unemployment Compensation) to provide an additional 13 weeks of unemployment benefits coverage to any person
who has exhausted the number of weeks of benefits to which they are otherwise entitled under state law; and it created through July 2020 a federally funded program (Federal Pandemic Unemployment Compensation) to provide an increase in benefits of $600 per week for any worker on unemployment.

The federal government should immediately extend the last program in order to avoid another round of historic job losses. As research from EPI explains, “The spending made possible by the $600 was supporting 5.1 million jobs” in the U.S. and nearly 75,000 jobs in Connecticut. “Cutting that $600 means cutting those jobs.” Additionally, a recent study from several economists at Yale University found no evidence that the extra $600 per week in UI benefit had a work disincentive effect. As the study explains, “we find that workers facing larger expansions in UI benefits have returned to their previous jobs over time at similar rates as others. We find no evidence that more generous benefits disincentivized work either at the onset of the expansion or as firms looked to return to business over time.”

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. As previous research from CT Voices explains, although the Connecticut Constitution requires a balanced budget, it is possible to use the BRF to create a limited countercyclical fiscal policy that stimulates the state’s economy during a recession. Specifically, whereas the federal government can simply run a budget deficit with no pre-defined limit in order to stimulate the U.S. economy during a recession, the Connecticut government can use the BRF—which contains a pre-defined amount of money—to maintain its spending rather than cut spending as tax revenues decline due to the recession. This limited approach produces a balanced budget but also operates as an expansionary fiscal policy that will help the state to reach full employment more quickly. Following the use of the BRF, it is possible to further increase the expansionary impact of the state’s fiscal policy by increasing taxes on the wealthy in order, first, to maintain government spending and, second, to lower the disproportionate tax burden borne by lower- and middle-income families. The first step of this approach will operate as an expansionary fiscal policy because the economic boost of each dollar in government spending is greater than the economic drag of each dollar in taxes. And the second step of this approach will operate as an expansionary fiscal policy because the economic boost of each dollar in tax cuts for lower- and middle-income families is greater than the economic drag of each dollar in taxes on the wealthy.

The Connecticut government should speed up the implementation date of the state’s new minimum wage and consider increasing the minimum wage to a living wage. As previous research from CT Voices explains, “Connecticut lawmakers took necessary steps toward reducing the pay inequities plaguing essential workers when they passed a law raising the minimum wage to $15 per hour by 2023; however, our analysis shows that $15 an hour is not nearly enough for work that sustains the lives of Connecticut’s 3.56 million residents and allows non-essential workers to contribute to the state’s economy from home. … Increasing workers’ expendable funds is a well-researched way to jolt the economy in times of recession, and it is a smart macroeconomic policy. While businesses may initially feel a pinch as they adjust to pay for the increase in employee salary, federal research suggests that the boost to the economy of enacting higher wages tends to more than offset this pinch. Furthermore, businesses have received help from the federal government that frontline workers
have not. While the federal government can—and should—do much to help workers during the coronavirus and economic crisis, allowing businesses to pay workers less than the value of their work for too long has contributed to the current problems frontline workers face. Therefore, we must call in businesses to become a more permanent part of the solution. At Connecticut Voices for Children, we advocate that raising the minimum wage to $15 per hour is a necessary but not sufficient step to providing essential workers with the security they have earned and that they deserve. Instead, we believe that the Connecticut General Assembly should consider starting conversations about raising the minimum wage faster, now that hazard pay efforts have illuminated that many businesses can actually afford to pay their employees more. From there, the Connecticut General Assembly should create plans to ensure that workers are earning a living wage—at least enough to support the basic needs of a parent and a child in Connecticut. It is in the best interest of the state to ensure that businesses contribute to efforts to ensure that essential workers receive the compensation they deserve due to the great social value of their work.”81

Lastly, CT Voices 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. As CT Voices’ recent Issue Briefing Book explains, “We live in cities and towns and a country that has built white wealth on the backs of Black people. While we cannot erase history, we can repair the harm. That starts with a public acknowledgement of our racist past and a national apology. According to economist Fred McKinney, simple math shows a rising tide will not lift all boats—in fact, the racial wealth gap will get worse—which means that if there is any hope of attaining equality for all, the country needs to have a serious discussion about reparations. Harvard Law School professors Charles Ogletree and Randell Robinson believe reparations should focus on the healing, repair, and restoration of the victim, which ultimately means an emphasis on education and economic development. Connecticut Voices for Children agrees; whether it’s cold hard cash as McKinney argues or a job training and public works program as Ogletree and Robinson argue, it is time for the U.S. to reckon with its racist history and provide reparations to Black Americans. However, if we are indeed about ‘liberty and justice for all,’ it cannot end there. Our institutions need a dramatic overhaul if they are to work for all Americans.”82
CONCLUSION

This report showed that rising wage inequality due largely to a decline in worker power (rather than a decline in productivity) and a substantial racial wage gap due largely to racial discrimination have been the two defining features of Connecticut’s labor market for several decades. This report also showed that the coronavirus recession will likely exacerbate rising wage inequality and the racial wage gap and that Connecticut’s regressive tax system already further exacerbates both problems. To address these problems in particular and to advance economic justice more generally, CT Voices recommends implementing a sweeping, antiracist program at both the national level and the state level. There is no singular approach to advancing economic justice; this report proposes one program.
ACKNOWLEDGEMENTS

We are grateful to the numerous participants of our statewide community conversations these past few months. While there are too many individuals to name, thank you for lending us your time and talent, and for being a partner in our work to advance economic justice.

CT Voices is a member of the Economic Analysis and Research Network (EARN), which is affiliated with the Economic Policy Institute (EPI), a nonpartisan think tank that centers the needs of low- and middle-income workers in economic policy discussions. As a member organization, CT Voices reviews the state of low- and middle-income workers in Connecticut each year using data and research from EPI and EARN as well as other sources. We thank the staff of EPI and EARN for their support.

This report was funded by the Stoneman Family Foundation.
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3. Ibid.

4. Data on overall monthly unemployment rate: “State of Connecticut Unemployment Rate,” Connecticut Department of Labor (Accessed August 2020). Data on annual unemployment rate by race: “State of Working X Data Library: Labor Force,” Economic Analysis and Research Network (Accessed August 2020). Note that the official overall unemployment rate in Connecticut is 8.3 percent for April 2020, 9.6 percent for May, 10.1 percent for June, and 10.2 percent for July. However, the Connecticut Department of Labor estimates an actual unemployment rate of 17.5 percent in April 2020, 19 percent in May, 16.5 percent (the average of 16 percent to 17 percent range) in June, and 15 percent for July.


11. This conversation included Alexine Casanova from Integrated Refugee and Immigrant Services, Pareesa Charmchi Goodwin from Connecticut Oral Health Initiative, Melvin Medina from the American Civil Liberties Union of Connecticut, and Tom Swan from Connecticut Citizen’s Action Group. Abby Anderson, Simone Davis, and Iliana Pujols from Connecticut Juvenile Justice Alliance provided responses in writing. Moreover, to focus our thinking, two staff members from CT Voices independently completed simple inductive semantic theme analyses on transcripts from the conversation with community leaders and then compared the themes that emerged for the sake of determining accuracy in interpretation.
Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, “Distributional National Accounts: Methods and Estimates for the United States,” Quarterly Journal of Economics 133 (2018): 553-609. The income divisions used in this report are based on the Piketty et al. study, which emphasizes the development of the pre-tax income distribution for the bottom 50 percent, the middle 40 percent (which the authors define as the “middle class”), the top 10 percent, and the top 1 percent. For an overview of the various leading measures of income inequality, see Chad Stone, Danilo Trisi, Arloc Sherman, and Jennifer Beltran, “A Guide to Statistics on Historical Trends in Income Inequality,” Center on Budget and Policy Priorities (2020).

Ibid.


“Gini Index,” U.S. Census Bureau.

“2018 CT-1040 & CT-1040NR/PY Income Tax Data,” Connecticut Department of Revenue Services. The average income (CT AGI) for the top 1 percent is calculated as follows using the data for all filers: the average income for tax filers making $500,000 and more is $1,709,659 and constitutes the top 1.98 percent of tax filers; the average income for tax filers making over $1 million is $3,474,409 and constitutes the top 0.73 percent of tax filers; based on these data points, the average income for the top 1 percent of tax filers is estimated using linear interpolation.

“Median Income in the Past 12 Months (in 2018 Inflation-Adjusted Dollars): Table S1903 (2018: ACS 5-Year Estimates),” U.S. Census Bureau. The median household income in Connecticut using the 2018 1-year estimate is $76,348. The 5-year estimate is used in this analysis in order to maintain consistency with other CT Voices’ work that analyses income inequality in cities and towns throughout the state. For areas with populations of less than 65,000, there are only 5-year estimates. See “Understanding and Using ACS Single-Year and Multi-Year Estimates,” U.S. Census Bureau.


“Median Income in the Past 12 Months (in 2018 Inflation-Adjusted Dollars): Table S1903 (2018: ACS 5-Year Estimates),” U.S. Census Bureau. The median household income in Connecticut using the 2018 1-year estimate is $76,348, the median white household income is $83,337, the median Black household income is $50,113, and the median Hispanic household income is $42,456. The 5-year estimate is used in this analysis in order to maintain consistency with other CT Voices’ work that analyses income inequality in cities and towns throughout the state. For areas with populations of less than 65,000, there are only 5-year estimates. See “Understanding and Using ACS Single-Year and Multi-Year Estimates,” U.S. Census Bureau.

5-Year Estimates),” U.S. Census Bureau.


26 Ibid.


28 It is also notable that Connecticut is routinely ranked as one of the very top states for the number of millionaires and billionaires per capita, which indicates a high concentration of wealth at the top of the distribution. Christobal Young, The Myth of Millionaire Tax Flight: How Place Still Matters for the Rich (Stanford: Stanford University Press, 2018), 20 and 32; Robert Frank, “States With the Most Millionaires Per Capita,” CNBC (February 7, 2018); Nicholas Rondinone, “Connecticut Adds Two More Billionaires To The Forbes 400 List,” Hartford Courant (October 10, 2018).

29 The wealth estimate is calculated using data from “Fiscal Year 2016-2017 Annual Report,” Connecticut Department of Revenue Services. The DRS does not provide an estimate for the the average wealth of the top 1 percent of taxed estates. However, it does provide the number of taxed estates valued at more than $25 million as well as the total value of taxes due. Using that data, it’s possible to calculate an estimate for the top 2.9 percent of taxed estates in 2016, which is the $41.2 million estimate referenced here. Therefore, we know that the average value for the top 1 percent of taxed estates in 2016 is greater than this amount, though we don’t have a more precise estimate. And to be clear, in 2016, Connecticut only taxed estates worth more than $2 million, meaning the estimate here is for the top 1 percent of estates in this group, not all estates in Connecticut. As support for this estimate, Forbes reported that in the U.S. in 2017 the “top 1% of household net worth starts at $10,374,030.10.” See Jack Kelly, “The Number Of Millionaires Has Boomed—Here’s Where Your Net Worth Ranks Compared To Others,” Forbes (2019). Importantly, if net worth for the top 1 percent of households (or estates) in the U.S. starts at about $10.4 million that means the average level for the top 1 percent is substantially greater. For example, Forbes reports that for income (which has more detailed data) the cutoff is $515,371 to be in the top 1 percent; $2,374,937 for top 0.1 percent; $12,899,070 for the top 0.01 percent; and $63,430,119 for the top 0.001 percent, meaning the income level increases exponentially at the highest end of the distribution, which highly skews the average income level for the top 1 percent relative to the cutoff to be in the group. The same is the case for the distribution of wealth (because income and wealth are closely connected). Moreover, Connecticut is one of the wealthiest states in the country, meaning the net worth for the top 1 percent is likely significantly greater than in the U.S. as a whole, all of which suggests that using the $41.2 million estimate for the top 1 percent of taxed estates in Connecticut is useful and appropriate for highlighting wealth inequality in the state.


41 “Methodology for measuring wages and benefits,” *Economic Policy Institute* (2019). Regarding “top-coding,” EPI explains, “In order to preserve the confidentiality of respondents, the income variables in the public-use files of the CPS are top-coded, that is, values above a certain level are capped at a single common value. The reasoning is that since so few individuals, if any, have incomes above this “top-code,” reporting the exact income number could allow somebody to use that information (along with other information from the CPS, such as state of residence, age, ethnicity, etc.) to actually identify a specific survey respondent. For the survey years 1973–1985, the weekly wage is top-coded at $999.00; an extended top-code value of $1,923 is available in 1986–1997; the top-code value changes to $2,884.61 in 1998 and remains at that level. Particularly for the later years, this truncation of the wage distribution creates a downward bias in the mean wage.


43 Heather Boushey, *Unbound: How Inequality Constricts Our Economy and What We Can Do About It*


46 Ibid.


50 “Why does the Federal Reserve consider nonfarm payroll employment to be an important economic indicator?” *Federal Reserve Bank of San Francisco* (2004).

51 “All employees, thousands, total nonfarm, seasonally adjusted (CES0000000001),” “All employees, thousands, total private, seasonally adjusted (CES0500000001),” “All employees, thousands, government, seasonally adjusted (CES9000000001),” *U.S. Bureau of Labor Statistics* (Accessed August 2020).


57 Data on overall monthly unemployment rate: “State of Connecticut Unemployment Rate,” *Connecticut Department of Labor* (Accessed August 2020). Data on annual unemployment rate by race: “State of Working X Data Library: Labor Force,” *Economic Analysis and Research Network* (Accessed August 2020). Note that the official overall unemployment rate in Connecticut is 8.3 percent for April 2020, 9.6 percent for May, 10.1 percent for June, and 10.2 percent for July. However, the Connecticut Department of Labor estimates an actual unemployment rate of 17.5 percent in April 2020, 19 percent in May, 16.5 percent (the average of 16 percent to 17 percent range) in June, and 15 percent for July.


62 Valerie Wilson, “Black workers’ wages have been harmed by both widening racial wage gaps and the widening productivity-pay gap,” Economic Policy Institute (2016).


66 Heidi Shierholz, “The number of workers represented by a union held steady in 2019, while union membership fell,” Economic Policy Institute (2020).


69 Ibid.

70 David Cooper and Lawrence Mishel, “The erosion of collective bargaining has widened the gap between productivity and pay,” Economic Policy Institute (2015).

71 Heidi Shierholz, “Working people have been thwarted in their efforts to bargain for better wages by attacks on unions,” Economic Policy Institute (2019).


73 Data for calculating income for the top 1 percent of tax filers: “2018 CT-1040 & CT-1040NR/PY


77 Ibid


79 Heidi Shierholz, “UI Claims Remain Historically High and the President’s Sham Executive Memorandum is Doing Next to Nothing,” Economic Policy Institute (2020); Josh Bivens, “Cutting Off the $600 Boost to Unemployment Benefits Would Be Both Cruel and Bad Economics,” Economic Policy Institute (2020).

