

THE STATE OF **WORKING** CONNECTICUT

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CONNECTICUT'S EMPLOYMENT SITUATION

Connecticut's job recovery from the pandemic-induced recession lags the job recovery for the U.S. as a whole, and the job growth gap between the U.S. and Connecticut is on track to expand. Employment in the U.S. decreased by 14.4 percent (22 million jobs) during the pandemic-induced recession from February 2020 to April 2020, and the job shortfall was closed in July 2022. In comparison, employment in Connecticut decreased by 17 percent (289,400 jobs) during the pandemic-induced recession, the job shortfall stands at 2.4 percent (40,200 jobs) as of July 2022, and the job shortfall is on track to close in June 2023, nearly a year after the recovery for the U.S. as a whole. Moreover, by June 2023, the job growth gap between the U.S. and Connecticut since the start of the pandemic-induced recession is projected to stand at 3.3 percentage points compared to the current gap of 2.4 percentage points, meaning the job growth gap is on track to expand.

Connecticut's slower job recovery is due in part to the decline in state and local government jobs, the sector over which policymakers have the most direct control. As of July 2022, the overall job shortfall in Connecticut is 2.4 percent, though it ranges from 2.1 percent for private sector jobs to 3.8 percent for public sector jobs—or, more specifically, 3.1 percent of local government jobs and 6 percent for state government jobs.

Connecticut's slower job recovery is due in part to both its diminished, inequitable labor force participation rate, and its above average, inequitable unemployment rate. In the U.S., the labor force participation rate was 62.1 percent in July 2022, down from 63.4 percent in February 2020, a 1.3 percentage point reduction. In comparison, the labor force participation rate in Connecticut was 64.5 percent in July 2022, down from 66.9 percent in February 2020, a 2.4 percentage point reduction. Put in terms of the number of workers, Connecticut's labor force in

July 2022 was about 51,600 workers smaller than at the start of the pandemic, which is larger than the current shortfall of 40,200 jobs. Additionally, in the U.S., the unemployment rate was 3.5 percent in July 2022, the same as in February 2020. In comparison, the unemployment rate in Connecticut was 3.7 percent in July 2022, up from 3.4 percent in February 2020, a 0.3 percentage point increase.

Connecticut's slower job recovery is contributing to a slower economic recovery more broadly, which limits the growth in the state's tax base and in turn the revenue available to establish a permanent, fair tax system and make sustained, critical investments, both of which would raise the standard of living for low- and middle-wage workers. From the fourth quarter of 2019 through the first quarter of 2022 (the most recent period data are available), real (inflation-adjusted) economic output increased by 2.7 percent in the U.S. but decreased by 0.4 percent in Connecticut. Additionally, from the fourth quarter of 2019 through the first quarter of 2022, nominal (non-inflation-adjusted) personal income increased by 14 percent in the U.S. but increased by only 10.3 percent in Connecticut. Compared to the U.S., Connecticut's slower job recovery is contributing to a slower economic recovery, measured using either output or income.



CONNECTICUT'S WAGE GROWTH, INEQUALITY, AND GAPS

In a break from the dominant trend over the past four decades, the real hourly wage in Connecticut has recently grown more for low- and middle-wage workers than for high-wage workers. In Connecticut, at the 10th percentile, real growth in the hourly wage was 5.7 percent a year on average over the past two years and 3.8 percent over the past year; at the 50th percentile, real growth in the hourly wage was 4 percent a year on average over the past two years and 0.7 percent over the past year; and at the 90th percentile, real growth in the hourly wage was 1.1 percent a year on average over the past two years and -3.9 percent over the past year.

The recent greater real wage growth for low- and middle-wage workers in Connecticut is due in large part to the increase in the minimum wage and the tightening of the labor market. The increase in the minimum wage from \$11 to \$12 in 2020 generated nominal (non-inflation-adjusted) wage growth of 9.1 percent and real (inflation-adjusted) wage growth of 8 percent, and the increase from \$12 to \$13 in 2021 generated nominal wage growth 8.3 percent and real wage growth of 3.2 percent. In addition to generating wage growth for the lowest-wage workers, increasing the minimum wage generates wage growth for workers earning above the minimum wage.

The recent greater real wage growth for low- and middle-wage workers in Connecticut is essential for reducing the state's high level of wage inequality and in turn income and wealth inequality. In 2021, workers in Connecticut made \$13.00 per hour at the 10th percentile, \$24.79 at the 50th percentile, and \$62.50 at the 90th percentile. Put in terms of wage inequality, workers at the 90th percentile made 4.8 times more per hour than workers at the 10th percentile and 2.5 times more than workers at the 50th percentile. Importantly, however, the recent greater real wage growth for low- and middle-wage is helping to offset the state's high level of wage inequality and in turn income and wealth inequality.

Public sector jobs, which are highly unionized, are essential for reducing Connecticut's high level of wage inequality. In the public sector, workers made \$15 per hour at the 10th percentile of the wage distribution, \$31.25 at the 50th percentile, and \$50.55 at the 90th percentile. Put in terms of wage inequality—the 90/10 ratio and the 90/50 ratio—public sector workers at the 90th percentile made 3.4 times more per hour than public sector workers at the 10th percentile and 1.6 times more than public sector workers at the 50th percentile. In comparison, workers in the private sector made \$13 per hour at the 10th percentile, \$24 at the 50th percentile, and \$64.90 at the 90th percentile. Put in terms of wage inequality, private sector workers at the 90th percentile made 5 times more per hour than private sector workers at the 10th percentile and 2.7 times more than private sector workers at the 50th percentile. The lower level of wage inequality for public sector workers compared to private sector workers based on both the 90/10 ratio (3.4 times compared to 5 times) and the 90/50 ratio (1.6 times compared to 2.7 times) demonstrates that public sector jobs are essential for reducing Connecticut's high level of wage inequality and in turn income and wealth inequality. This is due in large part to the difference in union coverage, which ranged from 69 percent of public sector workers to 9 percent of private sector workers.

The gender wage gap is substantial and increases at higher wage percentiles, connecting the gender wage gap to wage inequality. The gender wage gap also remains substantial even when controlling for the key factors of experience, education, union coverage, and more. The unadjusted gender wage gap by percentile in Connecticut in 2021 is measured as the amount that women earned for each dollar that men earned at the same wage percentile, and it ranged from \$0.90 at the 10th percentile to \$0.73 at the 90th percentile. The unadjusted average gender wage gap was \$0.81 and it is measured as the amount that women earned on average for each dollar that men earned. The adjusted gender wage gap was \$0.84 and it

is measured as the amount that women earned on average for each dollar that men earned when using multivariate regression to control for differences in experience, education, union coverage, race and ethnicity, hours worked, and labor market sector, industry, and occupation.

The Black-white wage gap is substantial and increases at higher wage percentiles, connecting the racial wage gap to wage inequality. The Black-white wage gap also remains substantial even when controlling for the key factors of experience, education, union coverage, and more. The unadjusted Black-white wage gap by percentile in Connecticut in 2021 is measured as the amount that Black workers earned for each dollar that white workers earned, and it ranged from \$0.89 at the 10th percentile to \$0.67 at the 90th percentile. The unadjusted average Black-white wage gap was \$0.75 and it is measured as the amount that Black workers earned on average for each dollar that white workers earned. The adjusted average Black-white wage gap was \$0.88 and it is measured as the amount that Black workers earned on average for each dollar that white workers earned when using multivariate regression to control for differences in experience, education, union coverage, gender, hours worked, and labor market sector, industry, and occupation.

The Hispanic or Latino/a/x-white wage gap is substantial and increases at higher wage percentiles, connecting the ethnic wage gap to wage inequality. The Hispanic or Latino/a/x-white wage gap also remains substantial even when controlling for the key factors of experience, education, union coverage, and more. The unadjusted Hispanic or Latino/a/x-white wage gap by percentile in Connecticut in 2021 is measured as the amount that Hispanic or Latino/a/x workers earned for each dollar that white workers earned, and it ranged from \$0.86 at the 10th percentile to \$0.63 at the 90th percentile. The unadjusted average Hispanic or Latino/a/x-white wage gap was \$0.67 and it is measured as the amount that Hispanic or Latino/a/x workers earned on average for each dollar that white workers earned. The adjusted average Hispanic or Latino/a/x-white wage gap was \$0.93 and it is measured as the amount that Hispanic or Latino/a/x workers earned on average for each dollar that white workers earned when using multivariate regression to control for differences in experience, education, union coverage, gender, hours worked, and labor market sector, industry, and occupation.

POLICY RECOMMENDATIONS

Strengthen the minimum wage. Three options include: inflation index Connecticut's income tax to prevent a built-in annual tax increase on minimum-wage workers; maintain the scheduled annual increase in the minimum wage even if a recession occurs; and increase the minimum wage to a living wage.

Strengthen the labor market and economy. Two options include: make child care more accessible and affordable; and make Connecticut's tax system fairer.

Strengthen worker power, especially for workers without union coverage. Two options include: require employers to provide a fair work week schedule for low-wage workers; and limit the ability of employers to use noncompete agreements for low-wage workers.

Strengthen worker power through increased union coverage. One option includes: fill public sector jobs.