THE STATE OF WORKING CONNECTICUT

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SEPTEMBER 2023
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INTRODUCTION

The purpose of Connecticut Voices for Children’s (CT Voices’) annual State of Working Connecticut report is to provide an overview of Connecticut’s economy, especially its labor market, to dive deeper into the status of certain workers, and to provide policy options to support Connecticut’s economy and workers. To that end, the report proceeds in three sections reviewed below.

The first section provides an overview of Connecticut’s economy and it proceeds in three parts: (1) an overview of employment growth, which is important because hourly wages and annual salaries from jobs are the primary source of income for most families; (2) an overview of personal income growth, which is important because it is the primary economic indicator impacting allowable growth in budget appropriations under Connecticut’s spending cap; and (3) an overview of gross domestic product (GDP) growth, which is important because Connecticut has a high level of long-term obligations and when GDP grows, the tax base increases, making it easier for the state to generate the revenue it needs to service long-term obligations while also increasing spending on critical public investments and providing tax cuts for low- and middle-income families to make the tax system fairer. The key findings are summarized below.

Employment Growth

• Using the pandemic-induced recession as a baseline, Connecticut’s nonfarm employment growth through June 2023 is 3.1 percentage points lower than the growth rate for the U.S. as a whole. If Connecticut’s nonfarm employment growth had mirrored the growth rate for the U.S. over this period, the state would have nearly 53,000 additional jobs.

• Using the Great Recession as a baseline, Connecticut’s nonfarm employment growth through June 2023 is 14.4 percentage points lower than the growth rate for the U.S. as a whole. If Connecticut’s nonfarm employment growth had mirrored the growth rate for the U.S. over this period, the state would have about 246,000 additional jobs.

Personal Income Growth

• Using the pandemic-induced recession as a baseline, Connecticut’s total personal income growth through the fourth quarter of 2022 is 4.2 percentage points lower than the growth rate for the U.S. as a whole, and the state’s compound annual growth rate is 1.3 percentage points lower. If Connecticut’s personal income growth had mirrored the growth rate for the U.S. over this period, the state’s budget could include on average nearly $200 million per year in additional spending on critical public investments.

• Using the Great Recession as a baseline, Connecticut’s total personal income growth through the fourth quarter of 2022 is 30.2 percentage points lower than the growth rate for the U.S. as a whole, and the state’s compound annual growth rate is 1.3 percentage points lower. If Connecticut’s personal income growth had mirrored the growth rate for the U.S. over this period, the state’s budget could include on average at least several hundreds of millions of dollars more, and potentially billions of dollars more, each year on critical public investments.
Gross Domestic Product Growth

- Using the pandemic-induced recession as a baseline, Connecticut’s nominal GDP growth through the fourth quarter of 2022 is 7.5 percentage points lower than the growth rate for the U.S. as a whole. If Connecticut’s GDP growth had mirrored the growth rate for the U.S. over this period, the state’s GDP would be nearly $22 billion larger, which would provide more than a billion dollars in additional revenue without raising tax rates and could be used to pay the state’s high-level of long-term obligations while also both increasing spending on critical public investments and providing tax cuts for low- and middle-income families to make the tax system fairer.

- Using the Great Recession as a baseline, Connecticut’s nominal GDP growth through the fourth quarter of 2022 is 37.9 percentage points lower than the growth rate for the U.S. as a whole. If Connecticut’s GDP growth had mirrored the growth rate for the U.S. over this period, the state’s GDP would be nearly $89 billion larger, which would provide billions of dollars in additional revenue without raising tax rates and could be used to pay the state’s high-level of long-term obligations while also both increasing spending on critical public investments and providing tax cuts for low- and middle-income families to make the tax system fairer.

The second section provides an overview of wages in Connecticut for different groups of workers and it proceeds in three parts: (1) an overview of wage growth; (2) an overview of wage inequality; and (3) an overview of wage gaps. The key findings are summarized below.

Wage Growth

- From 2019 through 2022, which covers most of the recovery from the pandemic-induced recession, wage growth in Connecticut for low-wage workers exceeded wage growth for middle-wage workers, and wage growth for both low- and middle-wage workers was greater on average in Connecticut than in the U.S. as a whole. Moreover, in both the U.S. and Connecticut, wage growth for low- and middle-wage workers generally exceeded inflation, which helped to raise the standard of living for low- and middle-wage workers, especially low-wage workers.

- From 2021 through 2022, which covers only the more recent recovery from the pandemic-induced recession, wage growth in Connecticut for low-wage workers generally exceeded wage growth for middle-wage workers, and wage growth for low-wage workers, but not middle-wage workers, was greater on average in Connecticut than in the U.S. as a whole. However, in both the U.S. and Connecticut, wage growth for low- and middle-wage workers was generally lower than inflation, which partially offset the gains in 2020 and 2021 in the standard of living for low- and middle-wage workers.

Wage Inequality

- Higher real wage growth for low-wage workers compared to middle-wage workers partially reduces Connecticut’s high level of wage inequality. However, the primary source of wage inequality in Connecticut is the difference in wages for high-wage workers compared to low- and middle-wage workers, and data limitations prevent an analysis of that dynamic in 2022.

- Public sector jobs, which are highly unionized, are essential for reducing Connecticut’s high level of wage inequality.
Wage Gaps

- The gender wage gap, racial wage gap, and ethnic wage gap are all substantial and increase at higher wage percentiles, connecting all three wage gaps to wage inequality.

The third section provides policy options to support Connecticut’s economy and workers and the policy options are presented in four broad categories: housing, justice, employment, and taxation. The policy options are summarized below.

Policy Options

- Make housing more affordable, especially by increasing the supply of housing. Making housing more affordable will make it easier both for existing workers to stay in the state and for potential workers to move to the state, which will increase the labor force and job growth and that in turn will increase personal income growth and GDP growth. At the same time, it will help to offset in part the negative impact of wage inequality and wage gaps by reducing the percentage of income that workers spend on housing. Among the many housing policy options to support Connecticut’s economy and workers presented in CT Voices’ recent research, four are highlighted here:
  - Use “sticks” and “carrots” to incentivize municipalities to promote affordable housing development.
  - Create more incentives to encourage the construction of mixed-income housing close to public transportation.
  - Increase investment in the remediation of blighted properties and put them back into productive use to benefit the communities where they are located.
  - Expand the jurisdiction of public housing authorities.

- Provide increased support and reduce barriers to work for residents with involvement in the criminal legal system. Providing increased support and reducing barriers to work for residents with involvement in the criminal legal system will strengthen and increase the state’s labor force and job growth and that in turn will increase personal income growth and GDP growth. At the same time, it will help to reduce wage inequality and wage gaps by increasing the skills of these workers and the job opportunities available, which in turn will increase their potential earnings. Among the many justice policy options to support Connecticut’s economy and workers presented in CT Voices’ recent research, four are highlighted here:
  - Require correctional facilities to begin career planning and preparation before individuals reenter their communities and also expand work release programs.
  - Limit occupational exclusionary policies to those where exclusions are necessary for job duties and requirements.
  - Ensure that eligible individuals have a driver’s license in hand upon leaving carceral facilities and also repeal policies that suspend or revoke a driver’s license for reasons unrelated to driving incidents.
  - Reinvest savings from reducing carceral facilities into reentry and prevention services.
• Strengthen the early care and education (ECE) system and labor market more generally. Strengthening the ECE system and labor market more generally will increase the size of the state’s labor force and job growth and that in turn will increase personal income growth and GDP growth. At the same time, it will help to reduce wage inequality and wage gaps, first, by increasing the pay of ECE workers—who are generally low-wage workers and disproportionately women and workers of color—and, second, by increasing the percentage of workers in unions, which tend to have a fairer wage distribution. It will also help to offset in part the negative impact of wage inequality and wage gaps by reducing the percentage of income that low- and middle-wage workers pay for ECE. Among the many ECE and broader labor market policy options to support Connecticut’s economy and workers presented in CT Voices’ recent research, four options are highlighted here:

  o Increase compensation for ECE workers while also capping co-pays to ensure that no family pays more than seven percent of their income on ECE.
  o Provide sufficient funding to fill public sector jobs.
  o Require employers to provide a fair work week schedule.
  o Limit the ability of employers to use noncompete agreements.

• Make the tax system fairer. Making the tax system fairer will increase the post-tax income of low- and middle-wage workers, which will increase consumer spending and in turn GDP growth. At the same time, it will reduce post-tax income inequality and income gaps, offsetting in part the negative impact of wage inequality and wage gaps. Among the many tax policy options presented in CT Voices’ recent research, four are highlighted here:

  o Eliminate or reduce Connecticut’s tax gap to generate revenue.
  o Eliminate or reduce high cost, high growth tax expenditures to generate revenue.
  o Use the additional revenue to create a fully refundable Connecticut child tax credit.
  o Use the additional revenue to improve the Connecticut property tax credit.
OVERVIEW OF CONNECTICUT’S ECONOMY

This section provides an overview of Connecticut’s economy and it proceeds in three parts. The first part provides an overview of employment, or job, growth. The second part provides an overview of personal income growth. The third part provides an overview of gross domestic product growth.

Employment Growth

Each month, the U.S. Bureau of Labor Statistics (BLS) provides a measure of growth in nonfarm employment, or jobs. Jobs are important for Connecticut because hourly wages and annual salaries from jobs are the primary source of income for most families. Jobs are also important because—as addressed in the next two parts of this section—job growth is a major component of personal income growth and gross domestic product growth, both of which impact the state’s ability to make critical public investments as well as to establish a fairer tax system to funds those public investments. The impact on the budget in turn impacts the state’s ability to help raise the standard of living for low- and middle-income families, especially families living in poverty.

Two key, related findings concerning nonfarm employment, or job, growth are reviewed below.

Using the pandemic-induced recession as a baseline, Connecticut’s nonfarm employment growth through June 2023 is 3.1 percentage points lower than the growth rate for the U.S. as a whole. If Connecticut’s nonfarm employment growth had mirrored the growth rate for the U.S. over this period, the state would have nearly 53,000 additional jobs. Figure 1 shows the change in nonfarm employment in the U.S. and Connecticut since the pandemic-induced recession. In the U.S., employment decreased by 14.4 percent, or 21.9 million jobs, from February 2020 to April 2020. The U.S. then recovered its job shortfall by June 2022, and, through June 2023, the number of jobs has grown by 2.5 percent since February 2020. In comparison, Connecticut initially faced a steeper decline in employment, with a reduction of 17 percent, or 289,100 jobs, from February 2020 to April 2020. Moreover, through June 2023, employment in Connecticut is still down 0.6 percent since February 2020, resulting in a job growth gap of 3.1 percentage points compared to the U.S. If Connecticut had matched the growth rate for the U.S. since February 2020, the state would have an estimated 1.740 million jobs, which is 52,700 more jobs compared to the current total of 1.687 million jobs.

Connecticut’s slower job recovery is due in part to the decline in state and local government jobs, the sector over which state policymakers have the most direct control. Specifically, in the U.S. through June 2023, public sector employment overall (federal, state, and local) is down 0.7 percent since February 2020 and state and local government employment is down 1.1 percent. In comparison, public sector employment overall in Connecticut through June 2023 is down 2.2 percent since February 2020 and state and local government employment is down 2.5 percent, meaning Connecticut has lost a higher percentage of public sector jobs compared to the U.S.

Using the Great Recession as a baseline, Connecticut’s nonfarm employment growth through June 2023 is 14.4 percentage points lower than the growth rate for the U.S. as a whole. If Connecticut’s nonfarm employment growth had mirrored the growth rate for the U.S. over this period, the state would have about 246,000 additional jobs. Figure 2 shows the change in nonfarm employment growth in the U.S. and Connecticut since the Great Recession. This is important historical context because it shows that Connecticut’s slower
job recovery from the pandemic-induced recession builds upon a slower job recovery from the Great Recession. Specifically, in the U.S., employment decreased by 6.3 percent, or 8.7 million jobs, from December 2007 to February 2010. The U.S. then recovered its job shortfall in May 2014, and, through June 2023, the number of jobs has increased by 12.9 percent since December 2007. In comparison, Connecticut faced a steeper decline in employment, with a reduction of 6.5 percent, or 110,700 jobs, from December 2007 to February 2010. Moreover, Connecticut never fully recovered its lost jobs before the start of the pandemic-induced recession, and, through June 2023, the state’s job growth is down 1.5 percent, or 25,300 jobs, since December 2007, resulting in a job growth gap of 14.4 percentage points compared to the U.S. If Connecticut had matched the growth rate for the U.S. since December 2007, the state would have an estimated 1.933 million jobs, which is 246,200 more jobs compared to the current total of 1.687 million jobs.

Here too, Connecticut’s slower job recovery is due in part to the decline in state and local government jobs. Specifically, in the U.S. through June 2023, public sector employment overall (federal, state, and local) is up 1.5 percent since December 2007 and state and local government employment is up 0.9 percent. In comparison, public sector employment overall in Connecticut is down 10 percent since December 2007 and state and local government employment is down 10.5 percent, or 24,900 jobs, meaning Connecticut has lost a higher percentage of public sector jobs compared to the U.S.\(^4\)

For additional context on the importance of the decline in public sector jobs, consider two examples. First, the objective of the Audit Division in the Connecticut Department of Revenue Services (DRS) is “to determine the accuracy of tax reporting through comprehensive field and office audits of targeted accounts in order to collect tax revenue due, and to induce compliance among all taxpayers.” In fiscal year 2022—the latest year a breakdown is publicly available—there were 197 filled, full-time positions and 48 vacant positions.\(^5\) In comparison, in fiscal year 2008—the last fiscal year partially predating the Great Recession—there were 297 filled, full-time positions and two vacancies.\(^6\) This reduction of 100 filled positions since the Great Recession is important because the DRS estimates that each auditor generates $2 million a year in revenue, meaning the state is losing $200 million a year that could be used to fund critical public investments and establish a fairer tax system.\(^7\)

Second, the objective of the Wage and Workplace Standards Division in the Connecticut Department of Labor (DOL) is to ensure that “Connecticut employees receive all the wages to which they are entitled without the need for litigation and to enforce labor statutes that safeguard and protect the rights of workers.” However, there were only 31 filled, full-time positions in fiscal year 2023, down from 42 filled, full-time positions in fiscal year 2008.\(^8\) This 26 percent reduction in the number of filled, full-time positions is important because the DOL has a months-long backlog for investigations into wage theft, which disproportionately harms low-wage workers and increases wage inequality.\(^9\)
Figure 1. Employment Growth Since the Pandemic-Induced Recession

![Employment Growth Since the Pandemic-Induced Recession](image1)

*Data from the U.S. Bureau of Labor Statistics and author’s calculations.

Figure 2. Employment Growth Since the Great Recession

![Employment Growth Since the Great Recession](image2)

*Data from the U.S. Bureau of Labor Statistics and author’s calculations.
Personal Income Growth

For each quarter of the year, the U.S. Bureau of Economic Analysis (BEA) provides a measure of growth in personal income, which includes wages and salaries, Social Security and other government benefits, dividends and interest, business ownership, and other sources of income. In 2022, wages and salaries from jobs plus employer supplements to wages and salaries accounted for 54 percent of total personal income in Connecticut and 62 percent of total personal income in the U.S., meaning job growth substantially impacts personal income growth. Moreover, personal income growth is especially important for Connecticut because, as addressed below, it is the primary economic indicator impacting allowable growth in budget appropriations under the state’s spending cap.

Two key, related findings concerning Connecticut’s personal income growth are reviewed below.

Using the pandemic-induced recession as a baseline, Connecticut’s total personal income growth through the fourth quarter of 2022 is 4.2 percentage points lower than the growth rate for the U.S. as a whole, and the state’s compound annual growth rate is 1.3 percentage points lower. If Connecticut’s personal income growth had mirrored the growth rate for the U.S. over this period, the state’s budget could include on average nearly $200 million per year in additional spending on critical public investments. Figure 3 shows the growth in personal income in the U.S. and Connecticut from the fourth quarter of 2019, the last quarter predating the pandemic-induced recession, through the fourth quarter of 2022. Over this period, personal income growth totaled 18.1 percent in the U.S. compared to 13.9 percent in Connecticut, resulting in a total growth gap of -4.2 percentage points for the state. Relatedly, from 2019 through 2022, the compound annual growth rate was 5.5 percent in U.S. compared to 4.2 percent in Connecticut, resulting in an annual compound growth rate gap of -1.3 percentage points for the state. For reference, the total growth rate is measured as the total percentage change in personal income over a specified period, whereas the compound annual growth rate accounts for the impact of compounding and is measured as the annual percentage change in personal income if personal income had grown at the same rate every year over a specified period.

The slower growth in personal income is especially important for Connecticut because the state’s spending cap limits the growth in budget appropriations to the level in the preceding year plus a percentage increase based on the greater of two economic indicators: (1) the “increase in personal income,” measured as “the compound annual growth rate of personal income in the state over the preceding five calendar years”; or (2) the “increase in inflation,” measured as “the increase in the consumer price index for all urban consumers, all items, less food and energy, during the preceding calendar year.” In general, the increase in personal income is greater than the increase in inflation, making personal income the more important economic indicator. For example, from 2007 to 2022, the compound annual growth rate in personal income over the preceding five years was higher than the annual increase in inflation more than 90 percent of the time for the U.S. and nearly 70 percent of the time for Connecticut.

To understand more fully the impact of Connecticut’s slower personal income growth since the pandemic-induced recession, consider the following example. As noted, Connecticut’s compound annual growth rate for personal income was 1.3 percentage points lower than the rate for the U.S. since the pandemic-induced recession. Applied to Connecticut’s average annual capped expenditures for fiscal years 2020 through 2023—the last two full budget cycles—an additional 1.3 percentage point increase in the spending cap would have allowed the state to spend on average an additional $196 million per year on public investments.
Using the Great Recession as a baseline, Connecticut’s total personal income growth through the fourth quarter of 2022 is 30.2 percentage points lower than the growth rate for the U.S. as a whole, and the state’s compound annual growth rate is 1.3 percentage points lower. If Connecticut’s personal income growth had mirrored the growth rate for the U.S. over this period, the state’s budget could include on average at least several hundreds of millions of dollars more, and potentially billions of dollars more, each year on critical public investments. Figure 4 shows the growth in personal income in the U.S. and Connecticut from the fourth quarter of 2007, the start of the Great Recession, through the fourth quarter of 2022.16 This is important historical context because it shows that Connecticut’s slower personal income growth since the pandemic-induced recession builds upon the state’s slower personal income growth since the Great Recession. Specifically, over this period, personal income growth totaled 82.3 percent in the U.S. compared to 52.1 percent in Connecticut, resulting in a total growth gap of -30.2 percentage points for the state. Relatedly, from 2007 through 2022, the compound annual growth rate was 4.1 percent in U.S. compared to 2.8 percent in Connecticut, resulting in an annual compound growth rate gap of -1.3 percentage points for the state.17

Again, the slower growth in personal income is especially important for Connecticut because it limits the state’s ability to make critical public investments. As noted earlier, applied to Connecticut’s average annual capped expenditures for fiscal years 2020 through 2023, an additional 1.3 percentage point increase in the spending cap would have allowed the state to spend on average an additional $196 million per year on public investments. That example, however, does not account for compounding over an extended period and therefore understates the impact of slower personal income growth. Consider another example. If a state had a $10 billion budget with an annual growth rate of 4.1 percent (the compound annual growth rate in the U.S. from 2007 through 2022), the budget would total $18.27 billion after 15 years. In comparison, if a state had an annual growth rate of 2.8 percent (the compound annual growth rate in Connecticut from 2007 through 2022), the budget would total $15.13 billion after 15 years. As a result, after 15 years, a state with an annual compound growth rate of 4.1 percent would have an annual budget that is $3.14 billion, or 20.7 percent, greater than a state with a 2.8 percent growth rate. While this simple example does not include all the complexities of Connecticut’s budgeting process, it shows why the state’s current $22 billion budget could include on average at least several hundreds of millions of dollars more, and potentially billions of dollars more, each year on critical public investments if the state’s personal income growth had mirrored the growth rate for the U.S. since the Great Recession.
**Figure 3.** Personal Income Growth Since the Pandemic-Induced Recession

*Data from the U.S. Bureau of Economic Analysis and author’s calculations.*

**Figure 4.** Personal Income Growth Since the Great Recession

*Data from the U.S. Bureau of Economic Analysis and author’s calculations.*
Gross Domestic Product Growth

For each quarter of the year, the U.S. Bureau of Economic Analysis provides a measure of growth in gross domestic product (GDP), which is the value of the final goods and services produced and is calculated by adding the following components: personal consumption expenditures, gross domestic private investment, government consumption expenditures and gross investment, and net exports of goods and services. In 2022, personal consumption expenditures—or, in more common terms, consumer spending—accounted for 68 percent of GDP. This means that job growth and personal income growth—which, as addressed earlier, are directly tied to growth in wages and salaries—both substantially impact GDP growth because growth in wages and salaries is a major driver of consumer spending growth. Moreover, GDP growth is especially important for Connecticut because, as addressed below, the state has a high level of long-term obligations and when GDP grows, the tax base increases, making it easier for the state to generate the revenue it needs to service long-term obligations while also both increasing spending on critical public investments and providing tax cuts for low- and middle-income families to establish a fairer tax system.

Two key, related findings concerning Connecticut’s GDP growth are reviewed below.

Using the pandemic-induced recession as a baseline, Connecticut’s nominal GDP growth through the fourth quarter of 2022 is 7.5 percentage points lower than the growth rate for the U.S. as a whole. If Connecticut’s GDP growth had mirrored the growth rate for the U.S. over this period, the state’s GDP would be nearly $22 billion larger, which would provide more than a billion dollars in additional revenue without raising tax rates and could be used to pay the state’s high-level of long-term obligations while also both increasing spending on critical public investments and providing tax cuts for low- and middle-income families to make the tax system fairer. Figure 5 shows the nominal and real (i.e., inflation-adjusted) GDP growth in the U.S. and Connecticut from the fourth quarter of 2019, the last quarter predating the pandemic-induced recession, through the fourth quarter of 2022. Nominal GDP growth totaled 20.4 percent in the U.S. compared to 12.9 percent in Connecticut, resulting in a growth gap of -7.5 percentage points for the state. Moreover, real GDP growth totaled 5.0 percent in the U.S. compared to 0.4 percent for Connecticut, resulting in a growth gap of -4.6 percentage points. If Connecticut’s nominal GDP growth had matched the growth rate for the U.S. over this period, the state’s GDP would be $350 billion, which is $21.8 billion larger than its actual GDP.

The slower growth in GDP is especially important for Connecticut because the state has a high level of long-term obligations that includes bonded indebtedness, unfunded state employee and teachers’ pensions, and unfunded state employee and teachers’ other post-employment benefits (OPEBs). Specifically, in the 2022 fiscal accountability report, the Connecticut Office of Policy and Management (OPM) estimated that the state’s long-term obligations totaled $88.3 billion. Based on Connecticut’s actual GDP of $328 billion as of the end of 2022, $88.3 billion in long-term obligation is equal to 26.9 percent of GDP. However, $88.3 billion in long-term obligation would be equal to 25.2 percent of GDP if the state’s GDP had grown at the same rate as the U.S. since the pandemic-induced recession.

Consider another example to further understand the impact of Connecticut’s slower GDP growth. In fiscal year 2022, Connecticut’s General Fund realized $21.5 billion in net tax revenue, which is equal to 6.5 percent of the state’s GDP of $328 billion. However, as noted, Connecticut’s GDP would have been $350 billion in 2022 if the state’s growth had tracked the growth rate for the U.S. In that case, Connecticut’s General Fund would have realized $22.8 billion in net tax revenue when remaining equal to 6.5 percent of
GDP, meaning, without raising tax rates, Connecticut would have generated an estimated $1.3 billion in additional revenue that year that could have been used to pay the state’s high-level of long-term obligations while also both increasing spending on critical public investments and providing tax cuts for low- and middle-income families to make the tax system fairer.

Using the Great Recession as a baseline, Connecticut’s nominal GDP growth through the fourth quarter of 2022 is 37.9 percentage points lower than the growth rate for the U.S. as a whole. If Connecticut’s GDP growth had mirrored the growth rate for the U.S. over this period, the state’s GDP would be nearly $89 billion larger, which would provide billions of dollars in additional revenue without raising tax rates and could be used to pay the state’s high-level of long-term obligations while also both increasing spending on critical public investments and providing tax cuts for low- and middle-income families to make the tax system fairer. Figure 6 shows the nominal and real GDP growth in the U.S. and Connecticut from the fourth quarter of 2007, the start of the Great Recession, through the fourth quarter of 2022. This is essential historical context because it shows that Connecticut’s slower GDP growth since the pandemic-induced recession builds upon the state’s slower GDP growth since the Great Recession. Specifically, nominal GDP growth totaled 77.6 percent in the U.S. compared to 39.7 percent in Connecticut, resulting in a growth gap of -37.9 percentage points for the state. Moreover, real GDP growth totaled 28 percent in the U.S. compared to -1.7 percent for Connecticut, resulting in a growth gap of -29.7 percentage points. If Connecticut’s nominal GDP growth had matched the growth rate for the U.S. over this period, the state’s GDP would be $417 billion, which is $89 billion larger than its actual GDP.

Again, the slower growth in GDP is especially important for Connecticut because of the state’s high level of long-term obligations. As noted, the state’s $88.3 billion in long-term obligation is equal to 26.9 percent of GDP. However, $88.3 billion in long-term obligation would be equal to 21.2 percent of GDP if Connecticut’s GDP had grown at the same rate as the U.S. since the Great Recession.

Consider another example to further understand the impact of Connecticut’s slower GDP growth. As noted, in fiscal year 2022, Connecticut’s General Fund realized $21.5 billion in net tax revenue, which is equal to 6.5 percent of the state’s GDP of $328 billion. However, as also noted, Connecticut’s GDP would have been $417 billion in 2022 if the state’s growth had tracked the growth rate for the U.S. since the Great Recession. In that case, Connecticut’s General Fund would have realized $27.1 billion in net tax revenue when remaining equal to 6.5 percent of GDP, meaning, without raising tax rates, Connecticut would have generated an estimated $5.6 billion in additional revenue in that year alone that could have been used to pay the state’s high-level of long-term obligations while also both increasing spending on critical public investments and providing tax cuts for low- and middle-income families to make the tax system fairer.
**Figure 5.** GDP Growth Since the Pandemic-Induced Recession

*Data from the U.S. Bureau of Economic Analysis and author’s calculations.*

**Figure 6.** GDP Growth Since the Great Recession

*Data from the U.S. Bureau of Economic Analysis and author’s calculations.*
This section provides an overview of wages in Connecticut for different groups of workers and it proceeds in three parts. The first part provides an overview of wage growth. The second part provides an overview of wage inequality. The third part provides an overview of wage gaps.

Wage Growth

Conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics (BLS), the Current Population Survey (CPS) provides data that can be used to show the variation in wage growth for workers at different levels of the wage distribution. This data includes workers earning an hourly wage as well as workers earning a salary, which can be transformed into an hourly wage based on the number of hours worked. The standard approach for analyzing the variation in wage growth across the wage distribution using CPS data is to compare the growth rate at multiple wage percentiles, generally ranging from the 10th percentile to the 90th percentile. For reference, the 10th percentile of the wage distribution includes workers that earn as much or more than the bottom 10 percent of workers, and the 90th percentile includes workers that earn as much or more than the bottom 90 percent of workers. The analysis here for the U.S. follows the standard approach. Importantly, however, the analysis here for Connecticut is limited at the top to workers at the 80th percentile because a higher percentage of the wage data for Connecticut is top-coded, which involves capping reported wages above a certain level to a single common value to preserve the confidentiality of survey respondents. This means that it is not possible to provide reliable estimates of wage growth for high-wage workers in Connecticut and therefore, unfortunately, the scope of the analysis is limited to low- and middle-wage workers.

Several key findings concerning wage growth in Connecticut are reviewed below.

From 2019 through 2022, which covers most of the recovery from the pandemic-induced recession, wage growth in Connecticut for low-wage workers exceeded wage growth for middle-wage workers, and wage growth for both low- and middle-wage workers was greater on average in Connecticut than in the U.S. as a whole. Moreover, in both the U.S. and Connecticut, wage growth for low- and middle-wage workers generally exceeded inflation, which helped to raise the standard of living for low- and middle-wage workers, especially low-wage workers. Figure 7 shows the real (i.e., inflation-adjusted) growth in the hourly wage by percentile in the U.S. and Connecticut from 2019 through 2022. Two key, related findings here are that over the past three years, wage growth in Connecticut for low-wage workers exceeded wage growth for middle-wage workers, and wage growth for both low- and middle-wage workers was greater on average in Connecticut than in the U.S. as a whole. Specifically, low-wage workers—measured here as the average of the 10th, 20th, 30th, and 40th percentiles—had average wage growth of 4.4 percent in the U.S. and 8.8 percent in Connecticut. Middle-wage workers—measured here as the average of the 50th, 60th, 70th, and 80th percentiles—had average wage growth of 0.9 percent in the U.S. and 3.3 percent in Connecticut. The greater wage growth in Connecticut, especially for low-wage workers, was due in part to the increase in the state’s minimum wage. In 2019, Connecticut passed a law raising the minimum wage in steps: to $11 in October 2019, to $12 in September 2020, to $13 in August 2021, to $14 in July 2022, to $15 in June 2023, and starting in 2024 the minimum wage will increase based on the annual percentage change in the employment cost index for wages and salaries for all civilian workers. Another key, related finding here is that over the past three years in Connecticut, wage growth for both low- and middle-wage workers exceeded inflation. Specifically, low-wage workers experienced real wage growth that ranged from 13.3 percent for workers at the 10th percentile to 5.8 percent for workers at the 40th percentile, and wage growth
averaged 8.8 percent for the group. Middle-wage workers experienced real wage growth that ranged from 5 percent for workers at the 50th percentile to 0.7 percent for workers at the 80th percentile, and wage growth averaged 3.3 percent for the group. This real wage growth helps to raise the standard of living for low- and middle-wage workers, especially low-wage workers, relative to before the pandemic-induced recession.

From 2021 through 2022, which covers only the more recent recovery from the pandemic-induced recession, wage growth in Connecticut for low-wage workers generally exceeded wage growth for middle-wage workers, and wage growth for low-wage workers, but not middle-wage workers, was greater on average in Connecticut than in the U.S. as a whole. However, in both the U.S. and Connecticut, wage growth for low- and middle-wage workers was generally lower than inflation, which partially offset the gains in 2020 and 2021 in the standard of living for low- and middle-wage workers. Figure 8 shows the real (i.e., inflation-adjusted) growth in the hourly wage by percentile in the U.S. and Connecticut from 2021 through 2022.28 This provides an overview of wage growth dynamics last year, whereas the preceding analysis provided an overview of wage growth dynamics over the past three years, which covers most of the recovery from the pandemic-induced recession. Two key, related findings here are that last year, wage growth in Connecticut for low-wage workers generally exceeded wage growth for middle-wage workers, and wage growth for low-wage workers, but not middle-wage workers, was greater on average in Connecticut than in the U.S. Specifically, low wage workers—measured here as the average of the 10th, 20th, 30th, and 40th percentiles—had average wage growth of -1.7 percent in the U.S. and -0.1 percent in Connecticut. Middle-wage workers—measured here as the average of the 50th, 60th, 70th, and 80th percentiles—had average wage growth of -2.4 percent in the U.S. and -2.6 percent in Connecticut. Again, the greater wage growth in Connecticut for low-wage workers was due in part to the increase in the state’s minimum wage. Another key, related finding here is that last year in Connecticut, wage growth for both low- and middle-wage workers was generally lower than inflation. Specifically, low-wage workers experienced real wage growth that ranged from 2.6 percent for workers at the 30th percentile to -2.7 percent for workers at the 40th percentile, and wage growth averaged -0.1 percent for the group. Middle-wage workers experienced real wage growth that ranged from -2.1 percent for workers at the 60th and 70th percentiles to -3.4 percent for workers at the 80th percentile, and wage growth averaged -2.6 percent for the group. This negative real wage growth on average last year partially offset the gains made in the standard of living for low- and middle-wage workers during the first two years of the recovery from the pandemic-induced recession.
Figure 7. Growth in Real Hourly Wage, 2019–2022

*Data from EPI’s extracts of the Current Population Survey and author’s calculations.

Figure 8. Growth in Real Hourly Wage, 2021–2022

*Data from EPI’s extracts of the Current Population Survey and author’s calculations.
Wage Inequality

In addition to analyzing wage growth, the CPS wage data can be used to analyze wage inequality, which refers to the disparity in wages for workers at different percentiles of the wage distribution. The standard approach is to analyze both the ratio of wages for workers at the 90th percentile and 10th percentile and the ratio of wages for workers at the 90th percentile and 50th percentile. However, as addressed earlier, the high percentage of wage top-coding for Connecticut means that it is not possible to provide reliable estimates for high-wage workers in the state and therefore, unfortunately, the analysis here is limited to low- and middle-wage workers and includes 80-10 and 80-50 wage ratios.

Several key findings concerning wage inequality in Connecticut are reviewed below.

Higher real wage growth for low-wage workers compared to middle-wage workers partially reduces Connecticut’s high level of wage inequality. However, the primary source of wage inequality in Connecticut is the difference in wages for high-wage workers compared to low- and middle-wage workers, and data limitations prevent an analysis of that dynamic in 2022. Figure 9 shows the high level of wage inequality in the U.S. and Connecticut in 2022. In particular, workers in Connecticut made $14.40 per hour at the 10th percentile, $26.25 at the 50th percentile, and $48.08 at the 80th percentile. Put in terms of wage inequality, workers at the 80th percentile made 3.3 times more per hour than workers at the 10th percentile and 1.8 times more than workers at the 50th percentile. The greater real wage growth for low-wage workers compared to middle-wage workers reviewed earlier helps to reduce wage inequality. However, as demonstrated in previous reports, the primary source of wage inequality in Connecticut is the difference in wages for high-wage workers compared to both low- and middle-wage workers, and the lack of reliable estimates of wage growth and wage levels for high-wage workers means that it is not possible to provide a more comprehensive examination of the impact of wage growth on wage inequality in Connecticut in 2022.

Public sector jobs, which are highly unionized, are essential for reducing Connecticut’s high level of wage inequality. Figure 10 shows the hourly wage in Connecticut in 2022 by percentile for both public sector workers and private sector workers. In the public sector, workers made $15 per hour at the 10th percentile of the wage distribution, $30 at the 50th percentile, and $45 at the 80th percentile. Put in terms of wage inequality, public sector workers at the 80th percentile made 3 times more per hour than workers at the 10th percentile and 1.5 times more than workers at the 50th percentile. In comparison, workers in the private sector made $14 per hour at the 10th percentile, $25.06 at the 50th percentile, and $50 at the 80th percentile. Put in terms of wage inequality, private sector workers at the 80th percentile made 3.6 times more per hour than workers at the 10th percentile and 2 times more than workers at the 50th percentile. The lower level of wage inequality for public sector workers compared to private sector workers based on both the 80-10 ratio (3.0 compared to 3.6) and the 80-50 ratio (1.5 compared to 2.0) demonstrates that public sector jobs are essential for reducing Connecticut’s high level of wage inequality. This is due in large part to the difference in union coverage, which included 61.1 percent of public sector workers compared to only 7.8 percent of private sector workers.
Figure 9. Hourly Wage by Percentile, 2022

*Data from EPI’s extracts of the Current Population Survey and author’s calculations.

Figure 10. Hourly Wage by Percentile in Public and Private Sectors, CT 2022

*Data from EPI’s extracts of the Current Population Survey and author’s calculations.
Wage Gaps

Lastly, in addition to analyzing wage growth and wage inequality, the CPS wage data can be used to analyze wage gaps, which here refers to the disparity in wages for workers based on gender, race, and ethnicity. As addressed earlier, the high percentage of wage top-coding for Connecticut means that it is not possible to provide reliable estimates for high-wage workers in the state and therefore, unfortunately, the analysis here is limited to low- and middle-wage workers for each demographic group.

Several key findings concerning wage gaps in Connecticut are reviewed below.

The gender wage gap is substantial and increases at higher wage percentiles, connecting the gender wage gap to wage inequality. Figure 11 shows the unadjusted gender wage gap by percentile in Connecticut in 2022. This is measured as the amount that women earned for each dollar that men earned at the same wage percentile and it ranged from $0.93 at the 10th percentile to $0.78 at the 80th percentile. The smaller gap for low-wage workers is due in part to the minimum wage, which sets a floor for all workers. The larger gap for middle-wage workers connects the gender wage gap to wage inequality, and research finds that the increase is due in part to the disproportionate responsibilities that women tend to take on for housework and child care compared to men, which in turn tends to decrease the relative ability of women to work long, inflexible hours often required in middle- and high-wage professions.

The racial wage gap is substantial and increases at higher wage percentiles, connecting the racial wage gap to wage inequality. Figure 12 shows the unadjusted Black-white wage gap by percentile in Connecticut in 2022. This is measured as the amount that Black workers earned for each dollar that white workers earned and it ranged from $0.80 at the 10th percentile to $0.65 at the 80th percentile. The smaller gap for low-wage workers is due in part to the minimum wage, which sets a floor for all workers. The larger gap for middle-wage workers connects the racial wage gap to wage inequality, and research finds that the increase is due in part to occupational segregation, with white workers disproportionately occupying the highest-wage jobs.

The ethnic wage gap is substantial and increases at higher wage percentiles, connecting the ethnic wage gap to wage inequality. Figure 13 shows the unadjusted wage gap by percentile in Connecticut in 2022 for Hispanic or Latino/a/x-workers compared to non-Hispanic or non-Latino/a/x workers. This is measured as the amount that Hispanic or Latino/a/x workers earned for each dollar that non-Hispanic or non-Latino/a/x workers earned and it ranged from $0.87 at the 10th percentile to $0.70 at the 80th percentile. The smaller gap for low-wage workers is due in part to the minimum wage, which sets a floor for all workers. The larger gap for middle-wage workers connects the ethnic wage gap to wage inequality and, similar to the racial wage gap, it is likely due in part to occupational segregation, with white, non-Hispanic or Latino/a/x workers disproportionately occupying the highest-wage jobs.
Figure 11. Gender Wage Gap by Percentile, Connecticut 2022

*Data from EPI’s extracts of the Current Population Survey and author’s calculations.

Figure 12. Racial Wage Gap by Percentile, Connecticut 2022

*Data from EPI’s extracts of the Current Population Survey and author’s calculations.
Figure 13. Ethnic Wage Gap by Percentile, Connecticut 2022

*Data from EPI’s extracts of the Current Population Survey and author’s calculations.
POLICY OPTIONS

This section provides policy options to support Connecticut’s economy and workers, and the policy options are presented in four broad categories: housing, justice, employment, and taxation.

Make housing more affordable, especially by increasing the supply of housing. Making housing more affordable will make it easier both for existing workers to stay in the state and for potential workers to move to the state, which will increase the labor force and job growth and that in turn will increase personal income growth and GDP growth. At the same time, it will help to offset in part the negative impact of wage inequality and wage gaps by reducing the percentage of income that workers spend on housing. Among the many housing policy options to support Connecticut’s economy and workers, four are highlighted here:

• Use both “sticks” and “carrots” to incentivize municipalities to promote affordable housing development.
• Create more incentives to encourage the construction of mixed-income housing in areas close to public transportation.
• Increase investment in the remediation of blighted properties and put them back into productive use to benefit the communities where they are located.
• Expand the jurisdiction of public housing authorities.

For more details and policy options, see the following reports: “Addressing Connecticut’s Eviction Crisis: Policy Options for Short-Term Reforms,” and “Addressing Connecticut’s Eviction Crisis: Policy Options for Medium and Long-Term Reforms.”

Provide increased support and reduce barriers to work for residents with involvement in the criminal legal system. Providing increased support and reducing barriers to work for residents with involvement in the criminal legal system will strengthen and increase the state’s labor force and job growth and that in turn will increase personal income growth and GDP growth. At the same time, it will help to reduce wage inequality and wage gaps by increasing the skills of these workers and the job opportunities available, which in turn will increase their potential earnings. Among the many justice policy options to support Connecticut’s economy and workers, four are highlighted here:

• Require correctional facilities to begin career planning and preparation before individuals reenter their communities and expand work release programs.
• Limit occupational exclusionary policies to those where exclusions are necessary for job duties and requirements.
• Ensure that eligible individuals have a driver’s license in hand upon leaving carceral facilities and policymakers could also repeal policies that suspend or revoke a driver’s license for reasons unrelated to driving incidents.
• Reinvest savings from reducing carceral facilities into reentry and prevention services.

For more details and policy options, see the following report: “Rolling Boulders Uphill: Rethinking Reentry Wage and Policy Barriers Will Benefit Connecticut’s Communities and Economy.”
Strengthen the early care and education (ECE) system and labor market more generally. Strengthening the ECE system and labor market more generally will increase the size of the state’s labor force and job growth and that in turn will increase personal income growth and GDP growth. At the same time, it will help to reduce wage inequality and wage gaps, first, by increasing the pay of ECE workers—who are generally low-wage workers and disproportionately women and workers of color—and, second, by increasing the percentage of workers in unions, which tend to have a fairer wage distribution. It will also help to offset in part the negative impact of wage inequality and wage gaps by reducing the percentage of income that low- and middle-wage workers pay for ECE. Among the many ECE and broader labor market policy options to support Connecticut’s economy and workers presented in CT Voices’ recent research, four are highlighted here:

- Increase compensation for ECE workers while also capping co-pays to ensure that no family pays more than seven percent of their income on ECE.
- Provide sufficient funding to fill public sector jobs.
- Require employers to provide a fair work week schedule for low-wage workers.
- Limit the ability of employers to use noncompete agreements for low-wage workers.

For more details and policy options, see the following reports: “The State of Early Childhood: Equity of Access for Immigrant and Refugee Families,” and “The State of Working Connecticut, 2022.”

Make the tax system fairer. Making the tax system fairer will increase the post-tax income of low- and middle-wage workers, which will increase consumer spending and in turn GDP growth. At the same time, it will reduce post-tax income inequality and income gaps, offsetting in part the negative impact of wage inequality and wage gaps. Among the many tax policy options to support Connecticut’s economy and workers presented in CT Voices’ recent research, four are highlighted here:

- Eliminate or reduce Connecticut’s tax gap.
- Eliminate or reduce high cost, high growth tax expenditures.
- Use the additional revenue to create a fully refundable Connecticut child tax credit.
- Use the additional revenue to improve the Connecticut property tax credit, especially in making it fully refundable and available to renters.

For more details and policy options, see the following report: “The Case and Policy Options for Improving Connecticut’s FY 2024 – FY 2025 Budget.”
CONCLUSION

The purpose of CT Voices’ annual State of Working Connecticut report is to provide an overview of Connecticut’s economy, especially its labor market, to dive deeper into the status of certain workers, and to provide policy options to support Connecticut’s economy and workers. To that end, the report proceeded in three sections. The first section provided an overview of Connecticut’s economy that proceeded in three parts: an overview of employment growth, an overview of personal income growth, and an overview of gross domestic product growth. The second section provided an overview of wages in Connecticut that proceeded in three parts: an overview of wage growth, an overview of wage inequality, and an overview of wage gaps. The third section provided policy options to support Connecticut’s economy and low- and middle-wage workers, and the policy options were presented in four broad categories: housing, justice, employment, and taxation.
CT Voices is a member of the Economic Analysis and Research Network (EARN), which is affiliated with the Economic Policy Institute (EPI), a nonpartisan public policy think tank that centers the needs of low- and middle-wage workers in economic policy discussions. As a member organization, CT Voices publishes a State of Working Connecticut report 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.
REFERENCES AND NOTES


14. U.S. Bureau of Economic Analysis, State Annual Personal Income Summary, SAINC1; U.S. Bureau of Labor Statistics, All Items Less Food and Energy in U.S. City Average, All Urban Consumers, Seasonally Adjusted, Series ID CUSR0000SA0L1E.


25. In 2022, 6.5 percent of the wage data is top-coded in the U.S. compared to 11.4 percent in Connecticut, making it not possible to accurately estimate the 90th percentile in Connecticut. Also, for reference, in 2021, 5.7 percent of the wage data is top-coded in the U.S. compared to 9.1 percent. On the top-code problem in general, see Elise Gould, Katherine deCourcy, and Zane Mokhiber, “Stagnant Top-Code Thresholds Threaten Data Reliability for the Highest Earners and Make Inequality Difficult to Accurately Measure,” Economic Policy Institute, April 2022.


