JULY 2025

THE STATE OF WORKING CONNECTICUT

Increasing the Labor Force and Job Growth by Making Wages Fairer

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CONNECTICUT VOICES FOR CHILDREN

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INTRODUCTION

Connecticut's job growth has lagged the national recovery since the pandemic-induced recession, continuing a decades-long trend. A major reason is the state's slower labor force growth, which reflects changes in both the size of the working-age population and the labor force participation rate of that population. Among prime-age individuals (25 to 54 years old), the working-age population and the labor force participation rate both declined, reducing the size of the state's labor force from 2019 to 2024. Among women, the working-age population grew but a decline in the labor force participation rate more than offset the population growth, further reducing the size of the state's labor force. These trends have made it harder for employers to fill open jobs, weakening the state's overall economic recovery and limiting its ability to reduce long-term debt while also providing necessary support for families and children.

This year's *State of Working Connecticut* report focuses on increasing the state's labor force and job growth by making wages fairer—defined as increasing wage growth, reducing wage inequality, and narrowing gender, racial, and ethnic wage gaps. Fairer wages, combined with greater work flexibility, improve the financial return to work and make it easier to balance paid employment with caregiving responsibilities. This is especially important for prime-age individuals and women, who are more likely to manage caregiving and weigh the financial and time tradeoffs between paid work and unpaid care. The resulting increase in the labor force and job growth is also especially important for Connecticut because it would make it easier for the state to pay down its more than $70 billion in long-term debt while also expanding critical public investments in families and children.

To develop the case for increasing Connecticut's labor force and job growth by making wages fairer, the report proceeds in three sections.

The first section provides an overview of labor force and job growth in the U.S. and Connecticut and proceeds in two parts. The key findings include:

Total Labor Force and Job Growth

- From February 2020 through January 2025, Connecticut's total labor force grew by 1.2 percent compared to 3.8 percent in the U.S., a gap equivalent to nearly 50,000 fewer potential workers than if the state had kept pace with the nation, and a major contributor to its slower job growth.
- From February 2020 through January 2025, Connecticut's total job growth was 1.1 percent compared to 4.4 percent in the U.S., a gap equivalent to nearly 57,000 fewer jobs than if the state had kept pace with the nation.
- Connecticut's slower labor force and job growth in recovering from the pandemic-induced recession continue a decades-long trend of slower labor force and job growth compared to the nation.

Working-Age Population and Labor Force Growth by Key Demographics

- From 2019 to 2024, the number of prime-age individuals (25 to 54 years old) in Connecticut's labor force decreased by 1 percent compared to an increase of 3.2 percent in the U.S., a gap equivalent to 49,400 fewer potential workers than if the state had kept pace with the nation.

- From 2019 to 2024, the number of women in Connecticut's labor force decreased by 0.1 percent compared to an increase of 3 percent in the U.S., a gap equivalent to 28,400 fewer potential workers than if the state had kept pace with the nation.

The second section provides an overview of wages in the U.S. and Connecticut and proceeds in three parts. The key findings include:

Wage Growth

- From 2019 to 2024—the full recovery from the pandemic-induced recession—most workers in Connecticut experienced real wage growth, though generally less than in the U.S., helping to improve their overall standard of living during this period, but not making the state more affordable compared to most other states.
- From 2021 to 2024—the more recent phase of the recovery from the pandemic-induced recession marked by historic inflation—most workers in the U.S. experienced real wage growth, while most workers in Connecticut experienced a decline in real wages, lowering their standard of living during this period and making it harder to afford living in the state compared to most other states.

Wage Inequality

- In 2024, Connecticut had greater levels of wage inequality compared to the U.S., contributing to higher local prices for essential services and making it harder for low- and middle-wage workers to afford living in the state compared to most other states.

Wage Premiums and Gaps

- Many workers in Connecticut benefit from substantial wage premiums based on education, experience, usual hours worked, union coverage, and job sector, industry, and occupation, making it easier for those workers to afford living in the state compared to other workers.
- Many workers in Connecticut experience substantial gender, racial, and ethnic wage gaps, reflecting disparities in key wage factors—such as education, usual hours worked, and occupation—as well as disparities that persist among similarly situated workers, making it harder for affected workers to afford living in the state compared to other workers.

The third section provides policy options to make wages fairer and increase the labor force and job growth in Connecticut, addressing the major problems reviewed in the previous two sections: slower labor force and job growth, slower wage growth, greater wage inequality, and substantial wage gaps. The policy options and key findings include:

Indexing the Connecticut Personal Income Tax to Inflation

- Federal and state taxes place a higher burden on wages compared to many other sources of income.
- Without inflation indexing, low- and middle-wage workers in particular pay a higher percentage of their income in the Connecticut personal income tax each year, adding to the already higher tax burden on wages and offsetting the benefits of new policies that provide support to workers.
- Indexing the Connecticut personal income tax to inflation would make wages fairer—by increasing wage growth, reducing wage inequality, and narrowing wage gaps—which would also help increase the labor force and job growth.

Hiring More Tax Auditors at the Connecticut Department of Revenue Services

- Hiring more tax auditors at the Connecticut Department of Revenue Services would reduce the underreporting of non-wage income and could pay for indexing the Connecticut personal income tax to inflation without requiring any increase in tax rates.

Limiting the Use of Noncompete Agreements

- Despite limited or no legitimate justification in many jobs, current federal and state laws allow many low- and middle-wage workers in Connecticut to be subject to noncompete agreements, restricting their ability to negotiate higher wages, change jobs, or start their own businesses.
- Limiting the use of noncompete agreements would improve work flexibility and make wages fairer—by increasing wage growth, reducing wage inequality, and narrowing wage gaps—which would also help increase the labor force and job growth.

Increasing the Salary Threshold for Overtime Pay Protections

- Current federal and state laws allow many salaried workers in Connecticut to be classified as exempt from overtime pay, even when they earn low or middle wages.
- Increasing the salary threshold for overtime pay protections would improve work flexibility and make wages fairer—by increasing wage growth, reducing wage inequality, and narrowing wage gaps—which would also help increase the labor force and job growth.

Establishing Predictable Scheduling Protections for Hourly Workers

- Current federal and state laws allow many hourly workers in Connecticut to be subject to unpredictable work schedules, limiting their ability to provide for their families and improve their financial situation.
- Establishing predictable scheduling protections would improve work flexibility and make wages fairer—by increasing wage growth, reducing wage inequality, and narrowing wage gaps—which would also help increase the labor force and job growth.

LABOR FORCE AND JOB GROWTH IN THE U.S. AND CONNECTICUT

This section provides an overview of labor force and job growth in the U.S. and Connecticut and proceeds in two parts: total labor force and job growth, and working-age population and labor force growth by key demographics.

Total Labor Force and Job Growth

The U.S. Bureau of Labor Statistics (BLS) measures the size of the labor force and the number of jobs, or nonfarm employment, each month. The labor force includes people age 16 and older who are either working or actively looking for work, and increasing the size of the labor force is essential to help employers fill open positions and support continued job creation. Jobs are also essential because wages and salaries are the primary source of income for most families, especially low- and middle-income families. Additionally, job growth strengthens the state's finances by expanding the tax base, which is necessary for Connecticut to pay down its more than $70 billion in long-term debt while also providing greater public investments and tax reforms that benefit low- and middle-income families.

From February 2020 through January 2025, Connecticut's total labor force grew by 1.2 percent compared to 3.8 percent in the U.S., a gap equivalent to nearly 50,000 fewer potential workers than if the state had kept pace with the nation, and a major contributor to its slower job growth.

In the U.S., the labor force grew by 3.8 percent, an increase of 6.3 million potential workers, from February 2020, the start of the pandemic-induced recession, to January 2025. In contrast, Connecticut's labor force grew by only 1.2 percent during the same period, an increase of 23,950 potential workers. If Connecticut's labor force growth had kept pace with the U.S. since February 2020, the state would have had 49,800 additional potential workers in January 2025.[1]

The state's slower labor force growth reflects two factors. First, the working-age population—defined by the BLS as people age 16 and older, excluding active-duty military and those living in institutions such as prisons—grew more slowly in Connecticut than in the nation. From February 2020 to January 2025, the working-age population grew by 5 percent in the U.S. and only 3.2 percent in Connecticut. If Connecticut's working-age population growth had kept pace with the U.S. during this period, the state would have had 34,000 more potential workers in January 2025, holding the labor force participation rate constant.[2]

Second, the labor force participation rate—the percentage of the working-age population who are either working or actively looking for work—recovered more slowly in Connecticut than in the nation. In the U.S., the labor force participation rate declined from 63.3 percent in February 2020 to a low of 60.1 percent in April 2020, and then increased to 62.6 percent in January 2025, just 0.7 percentage points below the pre-pandemic level. In comparison, Connecticut's labor force participation rate fell from 66.3 percent in February 2020 to a low of 61.8 percent in May 2021, and then recovered to 65 percent in January 2025, which is 1.3 percentage points below the pre-pandemic level. If Connecticut's labor force participation rate had recovered to within 0.7 percentage points of its pre-pandemic level—in line with the U.S.—the state would have had 18,100 more potential workers in January 2025, holding the working-age population constant.[3]

Overall, Connecticut's slower labor force growth—driven by both slower growth in the working-age population and a slower recovery in the labor force participation rate—has been a major contributor to the state's slower job growth. This labor supply constraint is evident in the gap between job openings and available workers. In January 2025, there were 1.1 job openings per unemployed person in the U.S., compared to 1.4 in Connecticut, where the 91,000 job openings far exceeded the less than 64,000 unemployed residents.[4] This labor supply constraint is also evident in the slower pace of job growth in Connecticut in recovering from the pandemic-induced recession and earlier recessions.

From February 2020 through January 2025, Connecticut's total job growth was 1.1 percent compared to 4.4 percent in the U.S., a gap equivalent to nearly 57,000 fewer jobs than if the state had kept pace with the nation.

Figure 1 shows the change in jobs, or nonfarm employment, in the U.S. and Connecticut from February 2020, the start of the pandemic-induced recession, through January 2025.[5] In the U.S., employment decreased by 14.4 percent from February 2020 to April 2020, a loss of 21.9 million jobs. The U.S. then fully recovered its lost jobs by June 2022, and it has generated total job growth of 4.4 percent through January 2025.

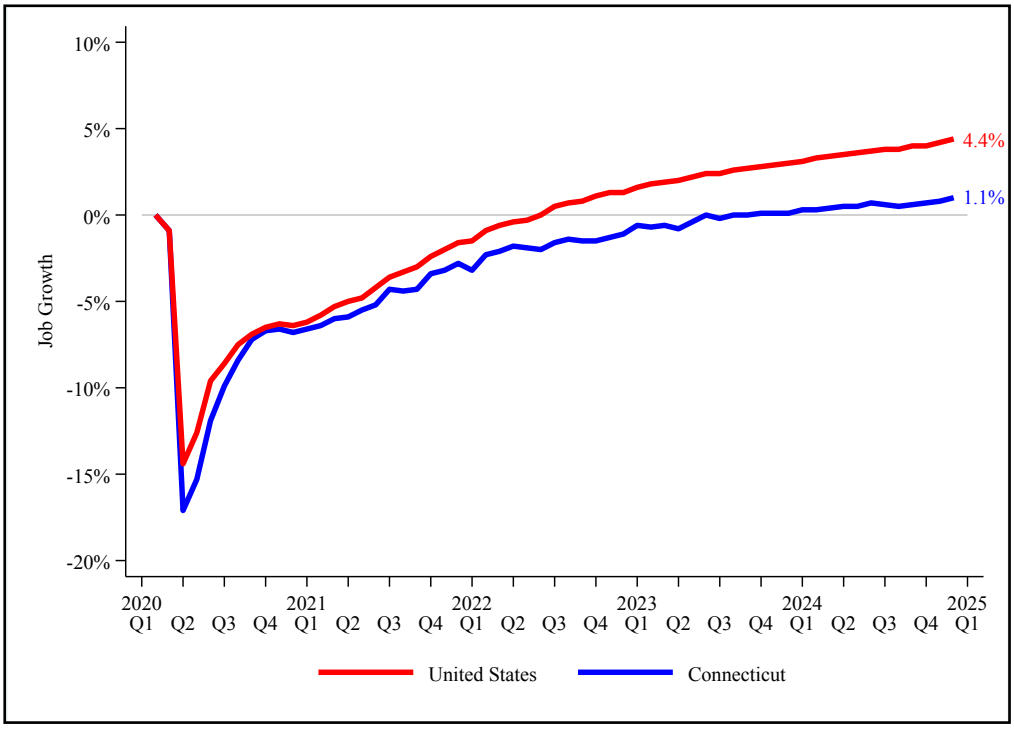
In contrast, Connecticut experienced a steeper initial decline in employment of 17.1 percent from February 2020 to April 2020, a loss of 291,100 jobs. The state then did not fully and sustainably recover its lost jobs until September 2023—more than a year after the U.S.—and it has generated total job growth of only 1.1 percent through January 2025. If Connecticut's job growth had kept pace with the U.S. during this period, the state would have added 56,800 more jobs.

Connecticut's slower labor force and job growth in recovering from the pandemic-induced recession continue a decades-long trend of slower labor force and job growth compared to the nation.

To further highlight the extent of Connecticut's slower labor force and job growth, **Table 1** shows both actual and potential growth in recovering from past recessions, using the U.S. growth rate to estimate the state's potential.[6] For example, from the start of the 1990 recession to January 2025, the U.S. labor force grew by 35.8 percent and job growth totaled 44.8 percent.

In contrast, Connecticut's labor force grew by only 7.3 percent over the same period and job growth totaled only 5.4 percent. If Connecticut's growth had kept pace with the U.S., the state would have had 521,000 more potential workers and 641,700 more jobs in January 2025, generating billions of dollars in additional tax revenue and strengthening the state's ability to pay down its substantial debt while also expanding critical public support.

Figure 1. Job Growth in Recovering from the Pandemic-Induced Recession through January 2025



Source: BLS and author's calculations.

Table 1. Actual and Potential Labor Force and Job Growth in Recovering from Recessions, in Thousands

Location	Start of Recession							
	July 1990		March 2001		December 2007		February 2020	
	Labor Force	Jobs	Labor Force	Jobs	Labor Force	Jobs	Labor Force	Jobs
U.S.								
Start of Recession	125,732	109,815	143,924	132,751	153,918	138,395	164,467	152,292
January 2025	170,744	159,053	170,744	159,053	170,744	159,053	170,744	159,053
Growth	35.8%	44.8%	18.6%	19.8%	10.9%	14.9%	3.8%	4.4%
Connecticut								
Start of Recession	1,824.9	1,628.9	1,756.2	1,690.2	1,888.9	1,712.5	1,933.3	1,699.0
January 2025	1,957.3	1,717.6	1,957.3	1,717.6	1,957.3	1,717.6	1,957.3	1,717.6
Growth	7.3%	5.4%	11.4%	1.6%	3.6%	0.3%	1.2%	1.1%
Connecticut Using U.S. Growth Rate								
Potential in January 2025	2,478.2	2,359.3	2,083.5	2,025.1	2,095.3	1,968.1	2,007.1	1,774.4
Difference from Actual	521.0	641.7	126.2	307.5	138.1	250.5	49.8	56.8

Source: BLS and author's calculations.

Working-Age Population and Labor Force Growth by Key Demographics

To better understand some of the major factors contributing to Connecticut's slower labor force growth and job growth, **Table 2** shows the growth in the working-age population and labor force in the U.S. and Connecticut by key demographics using data from 2019 and 2024.[7] Unlike the earlier analysis of total labor force growth from February 2020 to January 2025, this section uses annual data—specifically, 2019, the year before the pandemic-induced recession, and 2024, the most recent full year available—which allows for demographic breakdowns at the state level.

From 2019 to 2024, the number of prime-age individuals (25 to 54 years old) in Connecticut's labor force decreased by 1 percent compared to an increase of 3.2 percent in the U.S., a gap equivalent to 49,400 fewer potential workers than if the state had kept pace with the nation.

A major factor contributing to Connecticut's slower labor force growth compared to the U.S. is the substantial gap in the growth of prime-age individuals (25 to 54 years old). From 2019 to 2024, the prime-age labor force in the U.S. increased by 3.2 percent, driven by a 1.9 percent increase in the population of prime-age individuals and a 1.1 percentage point increase in their labor force participation rate.

In contrast, Connecticut's prime-age labor force decreased by 1 percent, or 11,800 people, during the same period. This resulted from a decrease of 0.7 percent, or 9,700 people, in the population of prime-age individuals, combined with a 0.3 percentage point decrease in their labor force participation rate. If Connecticut's prime-age labor force growth had kept pace with the U.S. during this period, the state would have had 49,400 more potential workers in 2024.

While labor force growth for other age groups—younger individuals (16 to 24 years old) and older individuals (55 years old and over)—was higher in Connecticut than the U.S., those gains were insufficient to offset the substantial gap in the growth of the prime-age labor force, which accounts for about 60 percent of the state's total labor force.

Among younger individuals, the labor force increased by 3.3 percent in the U.S. and by 6.1 percent in Connecticut. The state's higher growth rate was driven by an 8 percent increase in the younger population that was partially offset by a 0.9 percentage point decrease in their labor force participation rate.

Among older individuals, the labor force increased by 1.4 percent in the U.S. and by 1.6 percent in Connecticut. The state's higher growth was driven by a 5.4 percent increase in the older population that was largely offset by a 1.6 percentage point decrease in their labor force participation rate.

From 2019 to 2024, the number of women in Connecticut's labor force decreased by 0.1 percent compared to an increase of 3 percent in the U.S., a gap equivalent to 28,400 fewer potential workers than if the state had kept pace with the nation.

Another major factor contributing to Connecticut's slower labor force growth compared to the U.S. is the substantial gap in the growth of women in the labor force. From 2019 to 2024, the number of women in the U.S. labor force increased by 3 percent, driven by a 2.8 percent increase in the working-age population of women and a 0.1 percentage point increase in their labor force participation rate.

In contrast, the number of women in Connecticut's labor force decreased by 0.1 percent, or 700 women, during the same period. This resulted from an increase of 2.3 percent, or 34,600 women, in the working-age population that was more than offset by a 1.4 percentage point decrease in their labor force participation rate. If Connecticut's labor force growth among women had kept pace with the U.S. during this period, the state would have had 28,400 more potential workers in 2024.

Labor force growth among men also lagged behind the U.S., though the gap was smaller. From 2019 to 2024, the number of men in the U.S. labor force increased by 2.6 percent, driven by a 4.5 percent increase in the working-age population that was partially offset by a 1.2 percentage point decrease in their labor force participation rate.

In Connecticut, the number of men in the labor force increased by 1.2 percent, or 11,600 men, during the same period. This resulted from an increase of 3.6 percent, or 50,200 men, in the working-age population that was partially offset by a 1.6 percentage point decrease in their labor force participation rate. If Connecticut's labor force growth among men had kept pace with the U.S. during this period, the state would have had 14,800 more potential workers in 2024.

Overall, Connecticut's labor force growth depends on whether people choose to live and raise families in the state, and whether those who live here choose, or are able, to participate in the labor force. The decrease in the labor force among prime-age individuals—who are most likely to be raising families—reflects a decrease in both the working-age population and the labor force participation rate of that population. The decrease in the labor force among women—who are disproportionately responsible for caregiving—reflects an increase in the working-age population but a more than offsetting decrease in the labor force participation rate of that population. These trends strongly indicate that factors such as caregiving responsibilities, unaffordable or inaccessible housing and child care, and lack of work flexibility are significantly slowing the state's labor force growth.

To reverse these trends and, in turn, support stronger job growth and broader economic growth, Connecticut must become a more affordable and accommodating place for families to live and work. This requires addressing major expenses such as housing and child care, which have been the focus of other reports. It also requires increasing wages and improving work flexibility to strengthen the financial return to work and make it easier to balance paid employment with caregiving—the central focus of this report, beginning with the overview of wages in the next section.

Table 2. Working-Age Population and Labor Force Growth by Key Demographics

Working-Age Population, in Thousands

Location / Demographic Group	2019 Level	2019 Rate	2024 Level	2024 Rate	Growth in Level Number	Growth in Level Percent	Growth in Rate
U.S. Working-Age Population	**259,175.0**	**-**	**268,571.4**	**-**	**9,396.4**	**3.6%**	**-**
Men	125,351.7	-	130,939.9	-	5,588.3	4.5%	-
Women	133,823.3	-	137,631.5	-	3,808.2	2.8%	-
White alone, Non-Hispanic	162,168.8	-	161,889.4	-	-279.4	-0.2%	-
Black, Non-Hispanic	32,579.4	-	34,740.9	-	2,161.5	6.6%	-
Asian, Non-Hispanic	17,771.2	-	19,802.8	-	2,031.5	11.4%	-
Other Races, Non-Hispanic	3,148.4	-	3,217.4	-	69.0	2.2%	-
Hispanic, Any Race	43,507.2	-	48,921.0	-	5,413.8	12.4%	-
16 to 24 Years Old	37,747.9	-	38,972.4	-	1,224.5	3.2%	-
25 to 54 Years Old	126,269.0	-	128,633.2	-	2,364.1	1.9%	-
55 Years Old and Over	95,158.0	-	100,965.9	-	5,807.9	6.1%	-
Less than High School	33,815.3	-	31,780.6	-	-2,034.7	-6.0%	-
High School	72,157.7	-	75,208.4	-	3,050.7	4.2%	-
Some College	69,577.8	-	67,776.0	-	-1,801.8	-2.6%	-
Bachelor's Degree	53,554.8	-	58,972.1	-	5,417.3	10.1%	-
Advanced Degree	30,069.4	-	34,834.3	-	4,765.0	15.8%	-
Connecticut's Working-Age Population	**2,914.1**	**-**	**2,998.9**	**-**	**84.8**	**2.9%**	**-**
Men	1,404.6	-	1,454.7	-	50.2	3.6%	-
Women	1,509.5	-	1,544.2	-	34.6	2.3%	-
White alone, Non-Hispanic	2,010.0	-	1,996.2	-	-13.8	-0.7%	-
Black, Non-Hispanic	299.3	-	359.6	-	60.3	20.2%	-
Asian, Non-Hispanic	153.0	-	148.4	-	-4.6	-3.0%	-
Other Races, Non-Hispanic	14.2	-	14.1	-	-0.1	-0.5%	-
Hispanic, Any Race	437.7	-	480.6	-	42.9	9.8%	-
16 to 24 Years Old	406.1	-	438.6	-	32.6	8.0%	-
25 to 54 Years Old	1,365.0	-	1,355.3	-	-9.7	-0.7%	-
55 Years Old and Over	1,143.0	-	1,205.0	-	62.0	5.4%	-
Less than High School	338.0	-	296.0	-	-42.0	-12.4%	-
High School	795.6	-	836.1	-	40.5	5.1%	-
Some College	650.6	-	684.3	-	33.6	5.2%	-
Bachelor's Degree	641.1	-	667.3	-	26.2	4.1%	-
Advanced Degree	488.8	-	515.2	-	26.5	5.4%	-

Table 2 Continued.

Labor Force, in Thousands

Location Demographic Group	2019 Level	 Rate	2024 Level	 Rate	Growth in Level Number	 Percent	Growth in Rate
U.S. Labor Force	**163,538.7**	**63.1%**	**168,106.2**	**62.6%**	**4,567.5**	**2.8%**	**-0.5 pp**
Men	86,686.0	69.2%	88,975.6	68.0%	2,289.5	2.6%	-1.2 pp
Women	76,852.7	57.4%	79,130.6	57.5%	2,278.0	3.0%	0.1 pp
White alone, Non-Hispanic	100,785.6	62.1%	98,590.4	60.9%	-2,195.2	-2.2%	-1.2 pp
Black, Non-Hispanic	20,411.2	62.6%	21,852.5	62.9%	1,441.2	7.1%	0.3 pp
Asian, Non-Hispanic	11,440.4	64.4%	12,891.4	65.1%	1,451.0	12.7%	0.7 pp
Other Races, Non-Hispanic	1,847.7	58.7%	1,881.4	58.5%	33.7	1.8%	-0.2 pp
Hispanic, Any Race	29,053.7	66.8%	32,890.5	67.2%	3,836.8	13.2%	0.4 pp
16 to 24 Years Old	21,092.3	55.9%	21,778.1	55.9%	685.9	3.3%	0 pp
25 to 54 Years Old	104,171.1	82.5%	107,508.3	83.6%	3,337.2	3.2%	1.1 pp
55 Years Old and Over	38,275.3	40.2%	38,819.8	38.4%	544.5	1.4%	-1.8 pp
Less than High School	13,573.3	40.1%	13,067.7	41.1%	-505.6	-3.7%	1.0 pp
High School	42,930.6	59.5%	44,082.8	58.6%	1,152.2	2.7%	-0.9 pp
Some College	45,087.8	64.8%	42,489.1	62.7%	-2,598.7	-5.8%	-2.1 pp
Bachelor's Degree	39,505.7	73.8%	43,030.9	73.0%	3,525.2	8.9%	-0.8 pp
Advanced Degree	22,441.4	74.6%	25,435.7	73.0%	2,994.3	13.3%	-1.6 pp
Connecticut's Labor Force	**1,933.5**	**66.3%**	**1,944.4**	**64.8%**	**10.9**	**0.6%**	**-1.5 pp**
Men	1,000.5	71.2%	1,012.1	69.6%	11.6	1.2%	-1.6 pp
Women	933.0	61.8%	932.3	60.4%	-0.7	-0.1%	-1.4 pp
White alone, Non-Hispanic	1,321.4	65.7%	1,262.8	63.3%	-58.6	-4.4%	-2.4 pp
Black, Non-Hispanic	208.1	69.5%	230.9	64.2%	22.9	11.0%	-5.3 pp
Asian, Non-Hispanic	108.4	70.8%	109.3	73.7%	0.9	0.9%	2.9 pp
Other Races, Non-Hispanic	8.9	62.9%	8.2	58.2%	-0.7	-7.9%	-4.7 pp
Hispanic, Any Race	286.7	65.5%	333.1	69.3%	46.4	16.2%	3.8 pp
16 to 24 Years Old	228.0	56.1%	241.9	55.2%	14.0	6.1%	-0.9 pp
25 to 54 Years Old	1,173.5	86.0%	1,161.7	85.7%	-11.8	-1.0%	-0.3 pp
55 Years Old and Over	532.0	46.5%	540.8	44.9%	8.8	1.6%	-1.6 pp
Less than High School	134.9	39.9%	117.0	39.5%	-17.9	-13.2%	-0.4 pp
High School	498.7	62.7%	492.6	58.9%	-6.1	-1.2%	-3.8 pp
Some College	432.5	66.5%	452.6	66.1%	20.1	4.6%	-0.4 pp
Bachelor's Degree	489.9	76.4%	498.8	74.7%	8.9	1.8%	-1.7 pp
Advanced Degree	377.5	77.2%	383.4	74.4%	5.9	1.6%	-2.8 pp

Sources: BLS, EPI's extracts of the CPS, and author's calculations. Data are not seasonally adjusted.

WAGES IN THE U.S. AND CONNECTICUT

This section provides an overview of wages in the U.S. and Connecticut and proceeds in three parts: wage growth, wage inequality, and wage premiums and gaps.

Wage Growth

The Current Population Survey (CPS), conducted jointly by the U.S. Census Bureau and the U.S. Bureau of Labor Statistics, provides wage data for hourly and salaried workers. To allow for a standardized comparison, weekly earnings for salaried workers are converted to an hourly wage, making hourly wages the key measure used here for the value assigned to a worker's labor across all types of workers.

This first part of the wage analysis focuses on the growth in real, or inflation-adjusted, hourly wages, which is essential to make it more affordable for living and raising a family in the state, especially for low- and middle-wage workers. Before reviewing the findings, three methodological issues need to be addressed.

First, the analysis only goes up to the 90th percentile—the wage at or below which the bottom 90 percent of workers earn per hour—because older CPS data are top-coded. This means wages above a certain threshold are capped, preventing accurate estimates at higher wage levels.[8]

Second, to reduce volatility and provide more reliable estimates, the analysis uses average growth for grouped percentiles rather than individual percentiles. The groups include the 10th to 30th percentiles (low-wage workers), the 40th to 60th percentiles (low-middle-wage workers), and the 70th to 90th percentiles (upper-middle-wage workers). As with income, hourly wages rise sharply at the top of the distribution, particularly above the 90th percentile. Therefore, although a worker at the 90th percentile is near the top of the distribution and earned $67.31 per hour in Connecticut in 2024—about $140,000 annually for full-time work—that level is still consistent with a middle-income standard of living for raising a family in the state. Additionally, this broad categorization of low- and middle-wage workers includes the vast majority of prime-age workers (89 percent) and women (91 percent), the two demographic groups largely responsible for the state's slower labor force growth.

Third, the choice of baseline year for examining wage growth in the recovery from the pandemic-induced recession is critical because there are two distinct wage growth dynamics during this period. From 2019 to

2024—incorporating the full recovery to date—real wages grew substantially for most workers. However, most of the growth occurred in 2020 and 2021, the first two years of the recovery. Beginning in 2022, year-over-year inflation climbed to 9.1 percent, the highest level since the early 1980s, and remained above 3 percent through much of 2024. During this more recent phase of the recovery—marked by historic inflation—real wages declined for most workers in Connecticut. To show these distinct wage growth dynamics, the analysis examines both time periods.

From 2019 to 2024—the full recovery from the pandemic-induced recession—most workers in Connecticut experienced real wage growth, though generally less than in the U.S., helping to improve their overall standard of living during this period, but not making the state more affordable compared to most other states.

Figure 2 shows the average growth in real hourly wages by percentile group in the U.S. and Connecticut from 2019, before the pandemic-induced recession, to 2024, the most recent year available.[9] For low-wage workers, real growth averaged 11.6 percent in the U.S. and 11.7 percent in Connecticut. Although this substantial real wage growth helped improve the overall standard of living for low-wage workers, the nearly identical growth rates indicate that—holding other factors constant—Connecticut did not become noticeably more affordable compared to most other states.

For low-middle-wage workers, real growth averaged 5.7 percent in the U.S. and 5.3 percent in Connecticut. This modest real wage growth helped improve the overall standard of living for low-middle-wage workers, though the slower growth rate in Connecticut indicates that—holding other factors constant—it became even harder to afford living in the state compared to most other states.

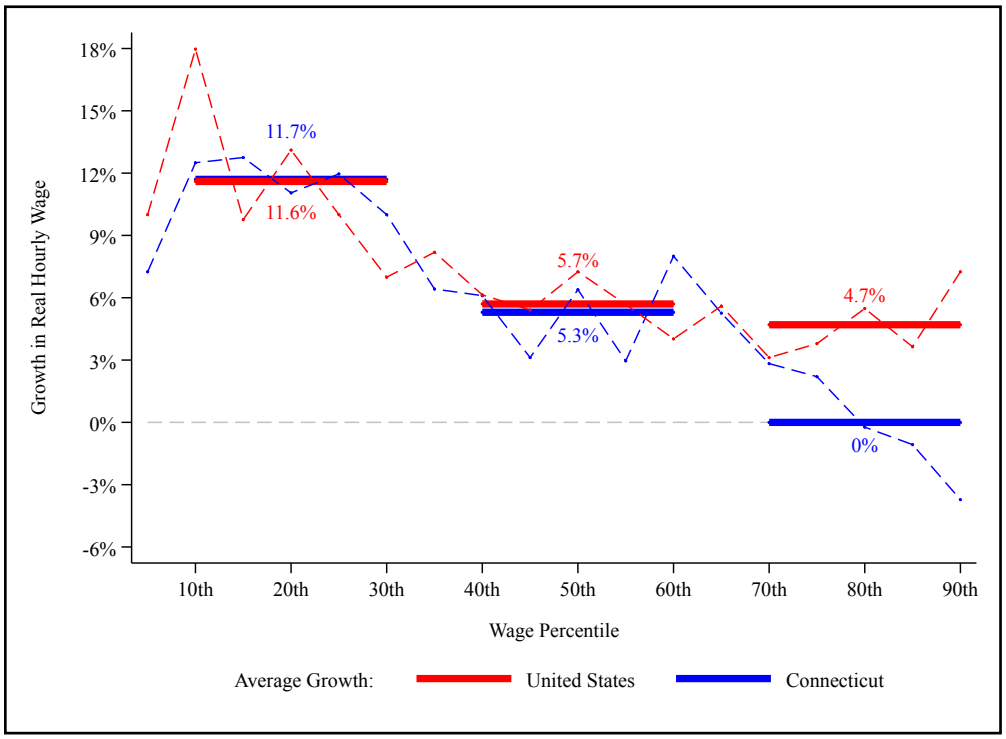
For upper-middle-wage workers, real growth averaged 4.7 percent in the U.S. and 0 percent in Connecticut. This complete stagnation in real wages in Connecticut and the substantial gap compared to the U.S. indicate that—holding other factors constant—the overall standard of living for Connecticut's upper-middle-wage workers did not increase, and it became even harder to afford living in the state compared to most other states.

From 2021 to 2024—the more recent phase of the recovery from the pandemic-induced recession marked by historic inflation—most workers in the U.S. experienced real wage growth, while most workers in Connecticut experienced a decline in real wages, lowering their standard of living during this period and making it harder to afford living in the state compared to most other states.

Figure 3 shows the average growth in real hourly wages by percentile group in the U.S. and Connecticut from 2021, the start of the historic rise in inflation, to 2024, the most recent year available.[10] For low-wage workers, real growth averaged 4.3 percent in the U.S. and 2 percent in Connecticut. Although this modest real wage growth in Connecticut helped improve the overall standard of living for low-wage workers, the slower growth compared to the U.S. indicates that—holding other factors constant—it became even harder to afford living in the state compared to most other states.

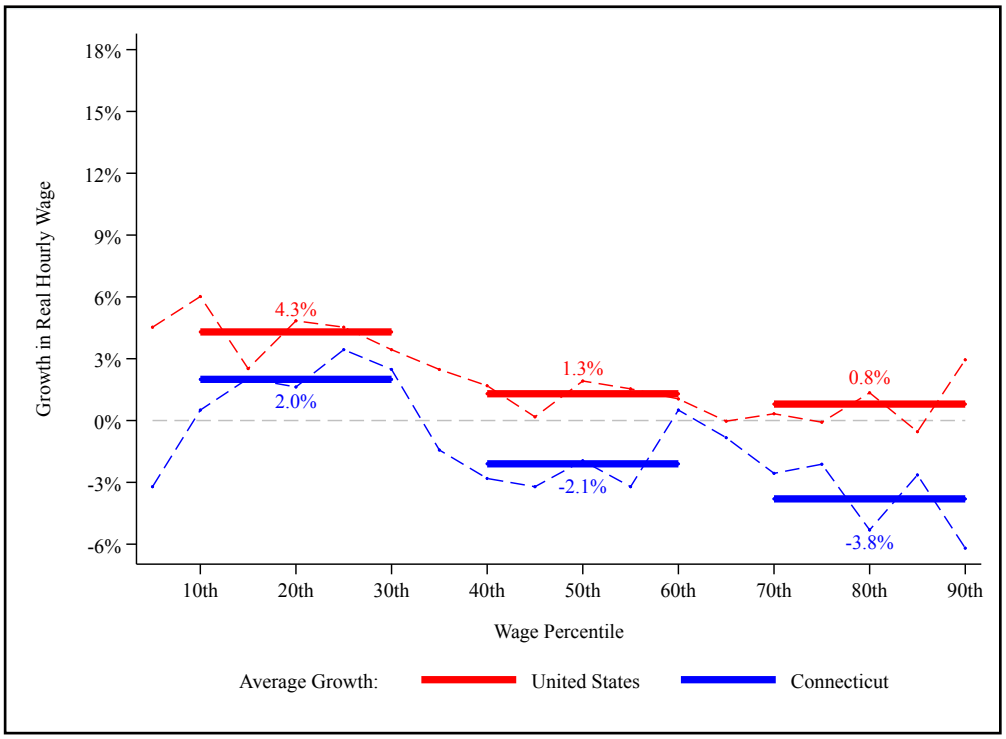
For low-middle-wage workers, real growth averaged 1.3 percent in the U.S. and -2.1 percent in Connecticut. Similarly, for upper-middle-wage workers, real growth averaged 0.8 percent in the U.S. and -3.8 percent in Connecticut. This decline in real wages in Connecticut and the substantial gap compared to the U.S. indicate that—holding other factors constant—the overall standard of living for Connecticut's middle-wage workers declined, and it became even harder to afford living in the state compared to most other states.

Figure 2. Growth in Inflation-Adjusted Hourly Wage, 2019–2024



Sources: EPI's extracts of the CPS, BLS, and author's calculations.

Figure 3. Growth in Inflation-Adjusted Hourly Wage, 2021–2024



Sources: EPI's extracts of the CPS, BLS, and author's calculations.

Wage Inequality

This second part of the wage analysis focuses on wage inequality, measured using ratios and absolute differences in hourly wages at key points in the distribution—specifically, the 10th percentile (low-wage workers), 50th percentile (middle-wage workers), and 95th percentile (high-wage workers). High levels of wage inequality are a problem because the increased purchasing power of high-wage workers can inflate the cost of locally provided services, making it harder for low- and middle-wage workers to afford essential living expenses.

Before reviewing the findings, it is necessary to note that recent changes to CPS top-coding allow for reliable estimates of hourly wages at the 95th percentile in 2024. This is important because, as with income, wages rise sharply at the top of the distribution. Including high-wage workers is therefore essential for a more complete and accurate assessment of wage inequality.

In 2024, Connecticut had greater levels of wage inequality compared to the U.S., contributing to higher local prices for essential services and making it harder for low- and middle-wage workers to afford living in the state compared to most other states.

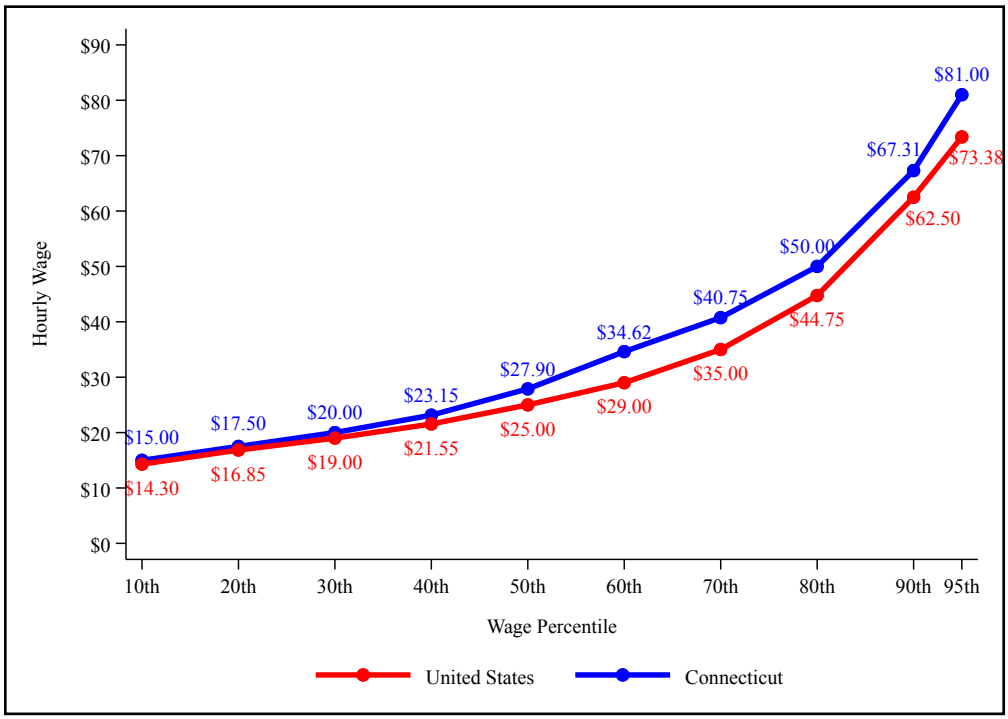
Figure 4 shows the hourly wage by percentile in the U.S. and Connecticut in 2024, and **Table 3** shows measures of wage inequality using key percentiles.[11]

Inequality Between Low- and High-Wage Workers. In the U.S., workers at the 95th percentile earned $73.38 per hour, which is 5.1 times the hourly wage of $14.30 at the 10th percentile and an absolute difference of $59.08. In Connecticut, workers at the 95th percentile earned $81.00 per hour, which is 5.4 times the hourly wage of $15.00 at the 10th percentile and an absolute difference of $66.00.

Inequality Between Middle- and High-Wage Workers. In the U.S., workers at the 95th percentile earned 2.9 times the hourly wage of $25.00 at the 50th percentile and an absolute difference of $48.38. In Connecticut, workers at the 95th percentile earned 2.9 times the hourly wage of $27.90 at the 50th percentile and an absolute difference of $53.10.

Overall, low- and middle-wage workers in Connecticut earned more per hour than their national counterparts, but high-wage workers in the state earned even more, resulting in greater wage inequality. Specifically, inequality between low- and high-wage workers was greater in Connecticut than in the U.S. based on both the ratio and absolute difference, and inequality between middle- and high-wage workers was greater in Connecticut based on the absolute difference. Holding other factors constant, Connecticut's greater wage inequality, largely driven by higher wages at the top of the distribution, inflates local prices for essential services, such as housing and child care, making it harder for low- and middle-wage workers to afford living and raising a family in the state. For example, a worker at the 10th percentile of the wage distribution would need to work full-time for 12.1 years in Connecticut, compared to 11.7 years in the U.S., to earn the equivalent of the purchase price of a home at the 50th percentile of the housing market in each location.[12]

Figure 4. Hourly Wage by Percentile in the U.S. and Connecticut, 2024



Source: EPI's extracts of the CPS and author's calculations.

Table 3. Wage Inequality in the U.S. and Connecticut, 2024

Hourly Wage Percentile Wage Inequality Measure	U.S.	Connecticut
Hourly Wage		
10th Percentile	$14.30	$15.00
50th Percentile	$25.00	$27.90
95th Percentile	$73.38	$81.00
95-10 Wage Inequality		
Ratio	5.1	5.4
Absolute Difference	$59.08	$66.00
95-50 Wage Inequality		
Ratio	2.9	2.9
Absolute Difference	$48.38	$53.10
Average Wage Inequality		
Ratio	4.0	4.2
Absolute Difference	$53.73	$59.55

Source: EPI's extracts of the CPS and author's calculations.

Wage Premiums and Gaps

This third part of the wage analysis focuses on wage premiums and gaps. The wage premium analysis examines factors such as education, experience, and usual hours worked that contribute to higher hourly wages for certain workers. The wage gap analysis examines differences by gender, race, and ethnicity that result in lower hourly wages for certain workers.

Many workers in Connecticut benefit from substantial wage premiums based on education, experience, usual hours worked, union coverage, and job sector, industry, and occupation, making it easier for those workers to afford living in the state compared to other workers.

Table 4 shows the median, or 50th percentile, hourly wage by key wage premium factors in the U.S. and Connecticut in 2024.[13] These factors include education, experience, usual hours worked, union coverage, job sector, industry, and occupation.

Education Premium. Workers with higher levels of education tend to earn more because education is associated with greater skills, qualifications, and access to higher-paying jobs. For example, in Connecticut, the median hourly wage was $38.00 for a worker with a bachelor's degree compared to $21.25 for a worker with only a high school diploma.

Experience Premium. Older workers tend to earn higher wages because their accumulated experience over time typically leads to greater skills and productivity. However, wage growth may plateau or even decline in later stages of a career, particularly in physically demanding jobs, positions with limited advancement, or when age discrimination affects hiring and promotions. For example, in Connecticut, the median hourly wage was $30.00 for workers in their 30s, it increased to $36.00 for workers in their 40s, and it then decreased to $34.57 for workers in their 50s.

Usual Hours Worked Premium. Full-time workers generally earn higher hourly wages than part-time workers, in part because full-time work is more common in jobs that require greater responsibilities and skills. For example, in Connecticut, the median hourly wage was $31.82 for workers who worked 35 or more hours per week (the BLS definition of full-time), compared to $17.50 for those who worked fewer hours. Also, among full-time workers, those who usually work more than 40 hours per week often earn even higher hourly wages, especially in professional occupations where wages increase with workload or availability. For example, in Connecticut, the median hourly wage increased to $34.60 for workers who usually worked more than 40 hours per week.

Union Coverage Premium. Workers represented by a union, either as members or covered by a union contract, tend to earn higher wages because unions negotiate for better pay. For example, in Connecticut, the median hourly wage was $35.00 for a worker covered by a union compared to $26.00 for a worker not covered by a union.

Job Sector Premium. Workers in the public sector often earn higher wages at the low and middle parts of the wage distribution compared to private sector workers. This is largely due to standardized wage scales that promote wage equity and the higher likelihood of unionization, particularly in Connecticut. For example, in Connecticut, the median hourly wage was $35.00 in the public sector compared to $26.95 in the private sector. However, at the top end of the wage distribution, public sector workers tend to earn lower wages

than their private sector counterparts. For example, at the 95th percentile in Connecticut, the hourly wage was $68.32 in the public sector compared to $84.00 in the private sector.

Industry Premium. Wages vary substantially across industries depending on skill requirements, profitability, and other labor market factors. For example, in Connecticut, the median hourly wage was $45.45 in financial activities compared to $17.00 in leisure and hospitality.

Occupation Premium. Even within the same industry, jobs requiring greater responsibility and specialized skills tend to pay more than jobs requiring fewer qualifications. Although this analysis of wage premiums does not include median wages by occupation due to the large number of distinct job categories, the statistical analysis of wage gaps that follows accounts for differences in occupations.

Many workers in Connecticut experience substantial gender, racial, and ethnic wage gaps, reflecting disparities in key wage factors—such as education, usual hours worked, and occupation—as well as disparities that persist among similarly situated workers, making it harder for affected workers to afford living in the state compared to other workers.

Table 5 shows the median hourly wage gap per dollar by demographic group and adjustment for wage premium factors.[14] Rather than using a single year of data, as was the case for the wage premium analysis, this analysis of wage gaps uses the three most recent years of data to increase the sample size and improve the reliability of the estimates.

The wage gap measures include both unadjusted and adjusted estimates. Unadjusted wage gaps are the full observed differences in hourly wages across groups, without accounting for differences in wage premium factors. Adjusted wage gaps control for differences in wage premium factors, allowing for comparisons among similarly situated workers. However, many of the wage premium factors are themselves shaped by longstanding differences in access and opportunity. Examining both unadjusted and adjusted wage gaps therefore provides a more complete picture of wage disparities.

Gender Wage Gap. The gender wage gap is measured as the difference in the amount working women earn for each dollar that working men earn. Without adjusting for wage premium factors, the median working woman earned $0.15 less per dollar in the U.S. and $0.17 less in Connecticut.

Racial Wage Gap. The racial wage gap is measured as the difference in the amount Black, non-Hispanic workers earn for each dollar that white alone, non-Hispanic workers earn. Without adjusting for wage premium factors, the median Black worker earned $0.22 less per dollar in the U.S. and $0.23 less in Connecticut.

Ethnic Wage Gap. The ethnic wage gap is measured as the difference in the amount Hispanic workers of any race earn for each dollar that white alone, non-Hispanic workers earn. Without adjusting for wage premium factors, the median Hispanic worker earned $0.24 less per dollar in the U.S. and $0.33 less per dollar in Connecticut.

In all three cases, the unadjusted wage gap is substantial and larger in Connecticut than in the U.S., making it more difficult for women, Black workers, and Hispanic workers to afford living in the state. Additionally, as discussed in the previous section, one of the major factors contributing to Connecticut's slower labor force growth compared to the U.S. was the substantial gap in the growth of women in the labor force. The remaining focus of this analysis therefore is on the gender wage gap.

After adjusting for all key wage premium factors, the gender wage gap narrowed from women earning $0.15 less per dollar to $0.13 less per dollar in the U.S. and from women earning $0.17 less per dollar to $0.12 less per dollar in Connecticut. This 30 percent reduction in Connecticut's gender wage gap indicates that a substantial portion of the gap is based on measurable differences in key wage premium factors.

In both the U.S. and Connecticut, the number of usual hours worked is the primary wage premium factor contributing to the gender wage gap. As noted, full-time workers tend to earn higher hourly wages than part-time workers, and among full-time workers, those who usually work more than 40 hours per week generally earn even more. In Connecticut, the median number of hours worked per week was 40 for both men and women, but the average was 41 hours for men and 37 hours for women, revealing a meaningful difference in time availability. This gap partly reflects that women are more likely to reduce their hours due to caregiving responsibilities. Controlling for usual hours worked alone narrows the gender wage gap from women earning $0.15 less per dollar to $0.08 less per dollar in the U.S. and from women earning $0.17 less per dollar to $0.05 less per dollar in Connecticut.

To narrow the gender wage gap and increase the number of women in the labor force, Connecticut could implement policies that make wages fairer and improve work flexibility—particularly with respect to usual hours worked, including both the total number of hours and their predictability. These policies would also help narrow racial and ethnic wage gaps, and they are the focus of the next section.

Table 4. Median Hourly Wage by Key Wage Premium Factor, 2024

Wage Premium Factor	U.S.	Connecticut
Education		
Less than High School	$16.30	$17.00
High School	$20.00	$21.25
Some College	$22.00	$22.50
Bachelor's Degree	$33.75	$38.00
Advanced Degree - Master's, Doctrate, Professional	$44.00	$48.00
Age		
16 to 19 years old	$15.00	$15.50
20 to 29 years old	$20.00	$20.55
30 to 39 years old	$27.00	$30.00
40 to 49 years old	$28.85	$36.00
50 to 59 years old	$28.85	$34.57
60 years old and above	$25.00	$29.00
Usual Hours Worked Per Week		
Less than 35 hours	$17.00	$17.50
35 hours or more	$26.84	$31.82
More than 40 hours	$29.00	$34.60
Union Coverage		
Not Covered by a Union	$24.05	$26.00
Covered by a Union	$30.00	$35.00
Public Sector	$28.85	$35.00
Local Government	$27.47	$36.00
State Government	$28.00	$34.62
Federal Government	$34.00	*
Private Sector	$24.05	$26.95
Mining	$29.50	*
Construction	$25.00	$25.00
Manufacturing	$27.00	$34.60
Trade, Transportation, and Utilities	$20.50	$21.25
Information	$38.00	*
Financial Activities	$33.00	$45.45
Professional and Business Services	$32.07	$34.60
Education and Health Services	$25.20	$26.80
Leisure and Hospitality	$16.50	$17.00
Other Services	$21.50	$22.00

Source: EPI's extracts of the CPS and author's calculations. *Sample size is too small to provide estimate.

Table 5. Median Hourly Wage Gap Per Dollar
by Demographic Group and Key Wage Factor Adjustment, 2022–2024

Wage Gap Demographic and Adjustments	U.S.	Connecticut
Gender Wage Gap Per Dollar		
Unadjusted	$0.15	$0.17
Adjusted: All Controls	$0.13	$0.12
Race and Ethnicity	$0.14	$0.14
Education	$0.18	$0.16
Experience	$0.13	$0.12
Usual Hours Worked	$0.08	$0.05
Union Coverage	$0.15	$0.14
Job Sector, Industry, Occupation	$0.15	$0.15
Racial Wage Gap Per Dollar		
Unadjusted	$0.22	$0.23
Adjusted: All Controls	$0.09	$0.13
Gender	$0.20	$0.26
Education	$0.13	$0.16
Experience	$0.18	$0.22
Usual Hours Worked	$0.20	$0.23
Union Coverage	$0.20	$0.27
Job Sector, Industry, Occupation	$0.11	$0.16
Ethnic Wage Gap Per Dollar		
Unadjusted	$0.24	$0.33
Adjusted: All Controls	$0.05	$0.06
Gender	$0.25	$0.31
Education	$0.06	$0.09
Experience	$0.19	$0.25
Usual Hours Worked	$0.21	$0.25
Union Coverage	$0.24	$0.31
Job Sector, Industry, Occupation	$0.09	$0.11

Source: EPI's extracts of the CPS and author's calculations.

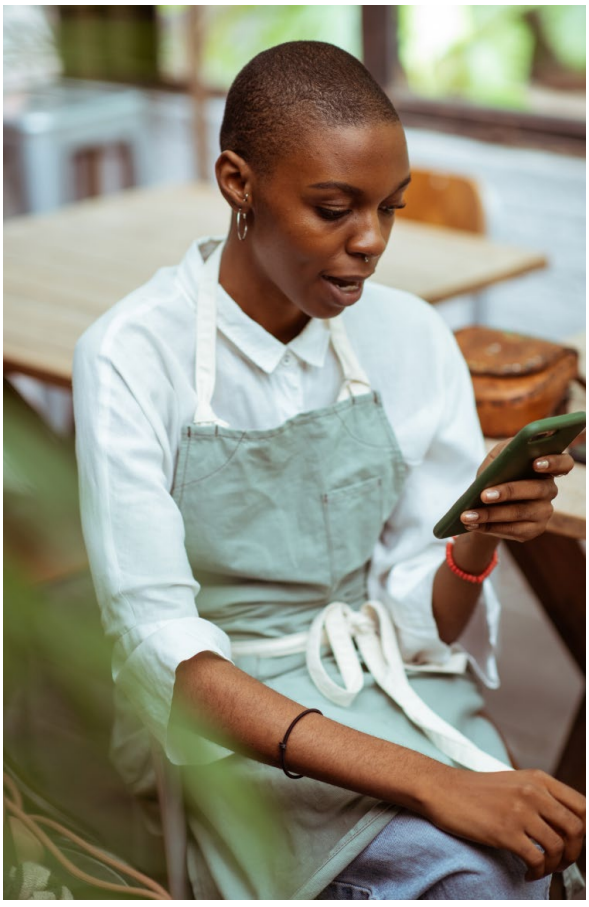
POLICY OPTIONS TO MAKE WAGES FAIRER AND INCREASE THE LABOR FORCE AND JOB GROWTH

Making wages fairer—by increasing wage growth, reducing wage inequality, and narrowing wage gaps—would help address Connecticut's major wage problems and would also help increase the labor force and job growth. Specifically, fairer wages, combined with greater work flexibility, would improve the financial return to work and make it easier to balance paid employment with caregiving responsibilities. This is especially important for prime-age individuals and women, who are more likely to manage caregiving and weigh the financial and time tradeoffs between paid work and unpaid care. The resulting increase in the labor force and job growth is also especially important for Connecticut because it would make it easier for the state to pay down its more than $70 billion in long-term debt while also expanding critical public investments in families and children.

This section provides five policy options.

Indexing the Connecticut Personal Income Tax to Inflation

Indexing the Connecticut personal income tax (CT PIT) to inflation means annually adjusting the core components—the personal exemption, tax brackets, and personal credit—to keep pace with the rising cost of living. As prices increase, the wages of Connecticut workers tend to rise as well, sometimes outpacing inflation and other times merely keeping up with inflation. Without inflation indexing, even when workers' real, or inflation-adjusted, wages remain flat, they are gradually pushed into higher tax brackets and lose access to the personal exemption and personal tax credit. This results in a higher tax liability despite no real increase in their standard of living or ability to pay taxes. To address this problem, policymakers could inflation index the CT PIT. A more comprehensive overview of the case for doing so follows.



Federal and state taxes place a higher burden on wages compared to many other sources of income.

As addressed elsewhere, Connecticut has a regressive state and local tax system, meaning low- and middle-income families pay a higher percentage of their income in taxes than high-income and wealthy families.[15] For workers, there is the added problem that federal and state taxes place a higher burden on wages compared to many other income sources, such as capital gains and retirement benefits. As a result, workers in low- and middle-income families not only pay a higher share of their income in state and local taxes than wealthy families but also pay

a higher share in federal and state income and payroll taxes than non-working and retired families with similar incomes. To demonstrate, **Table 6** shows the combined federal and CT PIT and payroll tax liability by income source for an annual income of $58,000—approximately the full-time annualized salary based on Connecticut's median hourly wage.[16]

Wage Income. A resident earning $58,000 in income from wages pays $9,413 in the federal PIT and payroll tax and $2,509 in the CT PIT and payroll tax, for a total tax liability of $11,922, or 20.6 percent of their income.

Investment Income. A resident with $58,000 in income from long-term capital gains pays no federal PIT or payroll tax, and $2,219 in the CT PIT but nothing in the state payroll tax, for a total tax liability of only $2,219, or 3.8 percent of their income.

Retirement Income. A resident with $58,000 in income from Social Security benefits pays no federal PIT or payroll tax, and also pays no CT PIT or payroll tax.

Without inflation indexing, low- and middle-wage workers in particular pay a higher percentage of their income in the Connecticut personal income tax each year, adding to the already higher tax burden on wages and offsetting the benefits of new policies that provide support to workers.

The core components of the federal PIT—the standard deduction and tax brackets—are indexed to inflation to prevent workers from paying a higher percentage of their income in taxes when their income only keeps pace with the cost of living. Additionally, payroll taxes are based on a flat rate and applied to income below an inflation-adjusted threshold, meaning the percentage of income paid in taxes tends to remain stable each year, even as workers' wages increase to keep up with rising prices.

In contrast, with the CT PIT, workers, especially low- and middle-wage workers, tend to pay a higher percentage of their income in the tax each year due to the progressive phase-in and the lack of inflation indexing. To illustrate this process, **Figure 5** shows the effective tax rate—the percentage of income paid in the CT PIT—for single tax filers making up to $1 million a year.[17] The effective tax rate incorporates the combined impact of the personal exemption, tax brackets, and personal tax credit to provide a clear picture of how much of a worker's overall income goes to paying the CT PIT.

For a worker that is a single tax filer, the effective tax rate initially rises sharply from 0 percent for an income below $15,000, to 3.6 percent for an income of $50,000, and to 5.0 percent for an income of $100,000. The effective tax rate then increases more gradually to 5.6 percent for an income of $200,000, to 6.6 percent for an income of $300,000, and to 6.9 percent for an income of $400,000. Above that amount, the effective income tax rate is nearly flat, increasing only slightly to a maximum of 6.99 percent.

To further illustrate the impact on workers, **Figure 6** narrows the analysis to the progressive phase-in of the CT PIT and shows the effective tax rate for a low-wage worker earning $31,200 (annualized 10th percentile hourly wage), a middle-wage worker earning $58,000 (annualized 50th percentile), and a high-wage worker earning $168,500 (annualized 95th percentile).[18] Although the effective tax rates for the low-wage worker (1.55 percent) and the middle-wage worker (3.83 percent) are lower than the rate for the high-wage worker (5.55 percent), low- and middle-wage workers are positioned in the steepest part of the phase-in, meaning they are harmed the most by the lack of inflation indexing.

To measure the impact, **Table 7** shows the increase in the CT PIT liability for low-wage, middle-wage, high-wage, and very high-wage workers over the next 10 years if wages simply keep up with inflation—estimated at 2.27 percent per year, the average annual rate over the last two decades.[19]

Low-Wage Worker. For a low-wage worker earning $31,200 a year, the effective tax rate would rise from 1.55 percent to 2.96 percent, a tax increase of 1.41 percentage points, or $549 in the 10th year.

Middle-Wage Worker. For a middle-wage worker earning $58,000 a year, the effective tax rate would rise from 3.83 percent to 4.60 percent, a tax increase of 0.77 percentage points, or $566 in the 10th year.

High-Wage Worker. For a high-wage worker earning $168,500 a year, the effective tax would rise from 5.55 percent to 5.80 percent, an increase of only 0.25 percentage points, or $514 in the 10th year.

Very High-Wage Worker. For a very high-wage worker earning $400,000 a year, the effective tax rate would rise from 6.89 percent to 6.90 percent, a tax increase of only 0.01 percentage points, or $63 in the 10th year.

While all the above workers would experience annual tax increases—adding to the already higher tax burden on income from wages—low- and middle-wage workers would experience larger tax increases in dollar terms and substantially larger tax increases in terms of effective tax rates.

It is also important to highlight that these automatic annual tax increases offset, at least in part, the benefits

of new policies that provide support, making inflation indexing an essential tool for ensuring that other policies produce their intended outcomes. For example, Connecticut's minimum wage is indexed to inflation, which has helped to generate greater wage growth for low-wage workers. However, part of that gain is offset each year by the increasing effective tax rate for the CT PIT. Additionally, changes to the CT PIT that went into effect in 2024 provided a tax cut of $120 for a worker earning $31,200 (annualized 10th percentile) and $265 for a worker earning $58,000 (annualized 50th percentile wage). However, as detailed above, the increase in the effective tax rate over a 10-year period of average inflation would more than fully offset the value of those tax cuts.

Indexing the Connecticut personal income tax to inflation would make wages fairer—by increasing wage growth, reducing wage inequality, and narrowing wage gaps—which would also help increase the labor force and job growth.

In the previous section, the analyses of wage growth, wage inequality, and wage premiums and gaps all focused on pre-tax wages. Expanding the focus here to post-tax wages, indexing the CT PIT to inflation would make wages fairer, which would also help increase the labor force and job growth.

Wage Growth. Indexing the CT PIT to inflation would increase post-tax wage growth for the vast majority of workers by eliminating the annual increase in the effective tax rate on wage gains that merely keep pace with inflation. Specifically, workers earning below $540,000—the final tax recapture threshold for single tax filers—would benefit from inflation indexing, but low- and middle-wage workers would benefit the most due to the sharp progressive phase-in of the CT PIT.

Wage Inequality. Indexing the CT PIT to inflation would reduce wage inequality by primarily benefitting low- and middle-wage workers. For example, as reviewed above, over a 10-year period of average inflation, indexing the CT PIT would prevent a tax increase of 1.41 percentage points for a low-wage worker and 0.77 percentage points for a middle-wage worker, compared to 0.25 percentage points for a high-wage worker and 0.01 percentage points for a very high-wage worker.

Wage Gaps. Indexing the CT PIT to inflation would reduce gender and racial wage gaps for the same reason that it would reduce overall wage inequality. To demonstrate, **Table 8** shows the increase in the CT PIT liability for the annualized 50th percentile hourly wage by demographic group over the next 10 years if wages simply keep up with inflation—estimated at 2.27 percent per year, the average annual rate over the last two decades.[20]

For working men, the effective tax rate would rise from 4.16 percent to 4.70 percent over 10 years, an increase of 0.54 percentage points, or $422 in the 10th year. In comparison, for working women, the effective tax rate would rise from 3.67 percent to 4.44 percent, an increase of 0.77 percentage points, or $509 in the 10th year. By preventing these automatic tax increases, indexing the CT PIT to inflation would benefit both working men and women but would especially benefit women due to their lower median hourly wage and the progressive phase-in of the tax.

For white workers, the effective tax rate would rise from 4.16 percent to 4.70 percent over 10 years, an increase of 0.54 percentage points, or $422 in the 10th year. In comparison, for Black workers, the effective tax rate would rise from 3.65 percent to 4.42 percent, an increase of 0.77 percentage points, or $503 in the

10th year. By preventing these automatic tax increases, indexing the CT PIT to inflation would benefit both white and Black workers but would especially benefit Black workers due to their lower median hourly wage and the progressive phase-in of the tax.

For Hispanic workers, indexing the CT PIT to inflation would not reduce the median ethnic wage gap during the time period covered here, but it would still provide substantial support, preventing an effective tax rate increase of 0.28 percentage points, or $150 in the 10th year for the median worker.

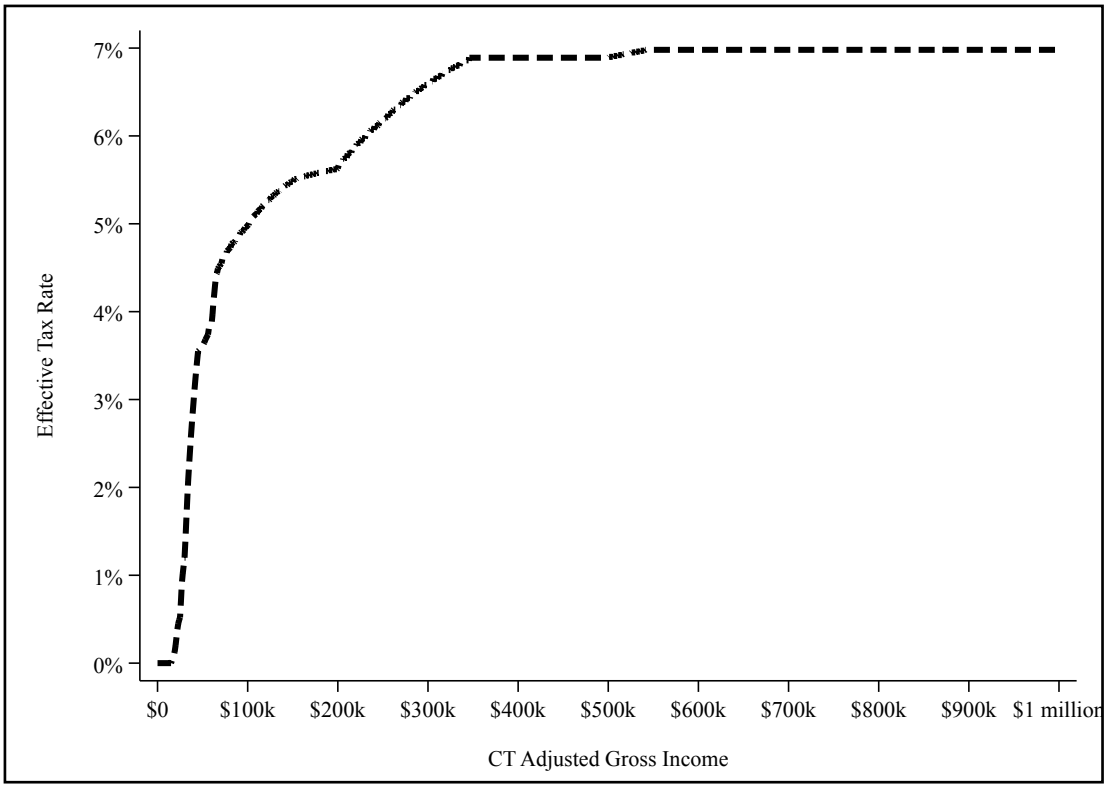
Labor Force and Job Growth. Indexing the CT PIT to inflation would help increase the labor force by making post-tax wages fairer, thereby improving the financial return to work and making it easier to balance paid employment with caregiving responsibilities, especially for women and prime-age adults, who are overwhelmingly low- and middle-wage workers. A larger labor force—driven by growth in the working-age population and the participation rate—would in turn help fill existing job openings and support broader job growth.

Table 6. Federal and Connecticut PIT and Payroll Tax Liability Based on Income Source, 2024

Income and Tax Liability	Wage Income	Investment Income	Retirement Income
Pre-Tax Income			
Money Income	$58,000	$58,000	$58,000
Federal Adjusted Gross Income	$58,000	$58,000	$2,000
Connecticut Adjusted Gross Income	$58,000	$58,000	$0
Federal Tax Liability			
Income Tax	$4,976	$0	$0
Payroll Tax	$4,437	$0	$0
Total: In Dollars	$9,413	$0	$0
Total: % of Money Income	16.2%	0.0%	0.0%
Connecticut Tax Liability			
Income Tax	$2,219	$2,219	$0
Payroll Tax	$290	$0	$0
Total: In Dollars	$2,509	$2,219	$0
Total: % of Money Income	4.3%	3.8%	0.0%
Total Tax Liability			
In Dollars	$11,922	$2,219	$0
% of Money Income	20.6%	3.8%	0%

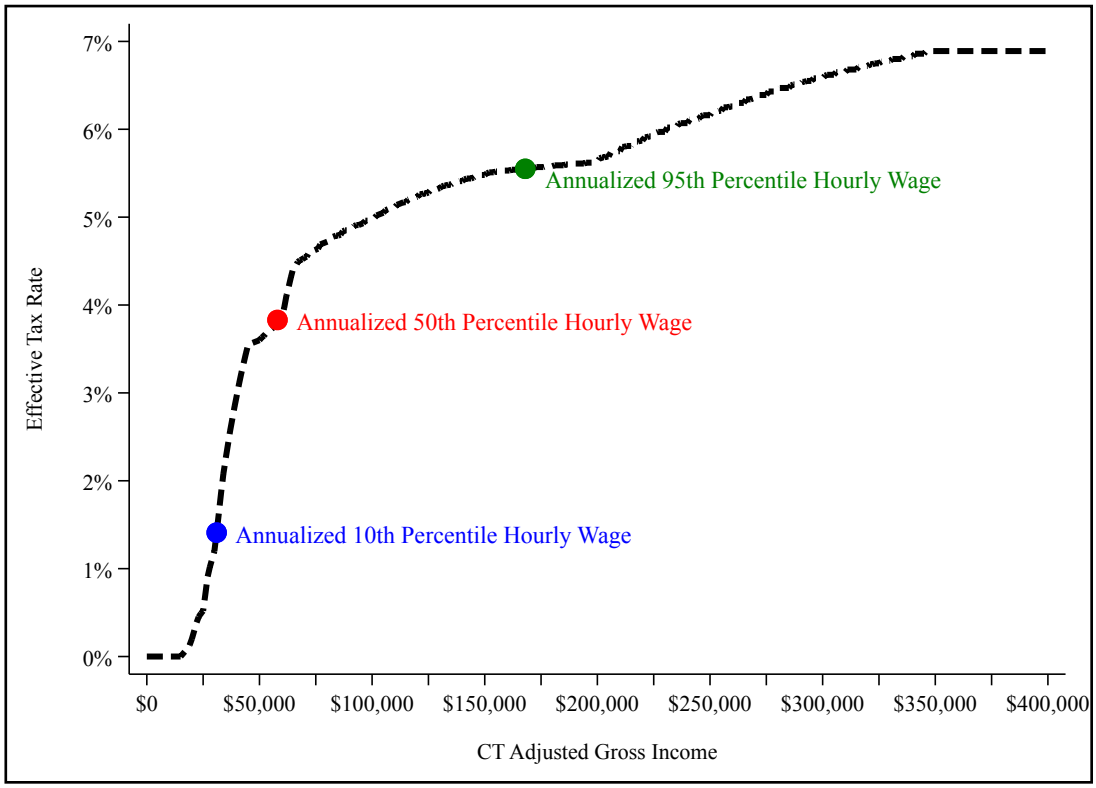
Sources: IRS, CT DRS, and author's calculations. Investment income is based on long-term capital gains. Retirement income is based on Social Security benefits. Tax liability is calculated for a single tax filer.

Figure 5. Effective Rate for the CT Personal Income Tax
for Single Tax Filers Making Up to $1 Million, Tax Year 2024



Source: CT DRS and author's calculations.

Figure 6. Effective Rate for the CT Personal Income Tax
For Single Tax Filers Making Up $400,000, Tax Year 2024



Source: CT DRS and author's calculations.

Table 7. Tax Increase by Wage Percentile
Based on Average Annual Inflation

Year	Average Annual Inflation Rate	Income		Inflation-Adjusted CT PIT		Current CT PIT		Tax Increase	
		Inflation-Adjusted	Nominal	Tax Liability	Effective Tax Rate	Tax Liability	Effective Tax Rate	In Dollars	Pct. Point
Low-Wage Workers: Annualized 10th Percentile Hourly Wage									
2024	-	$31,200	$31,200	$484	1.55%	$484	1.55%	$0	0.00 pp
2034	2.27%	$31,200	$39,051	$605	1.55%	$1,154	2.96%	$549	1.41 pp
Middle-Wage Workers: Annualized 50th Percentile Hourly Wage									
2024	-	$58,000	$58,000	$2,219	3.83%	$2,219	3.83%	$0	0.00 pp
2034	2.27%	$58,000	$72,596	$2,777	3.83%	$3,343	4.60%	$566	0.77 pp
High-Wage Workers: Annualized 95th Percentile Hourly Wage									
2024	-	$168,500	$168,500	$9,360	5.55%	$9,360	5.55%	$0	0.00 pp
2034	2.27%	$168,500	$210,903	$11,715	5.55%	$12,229	5.80%	$514	0.25 pp
Very High-Wage Workers									
2024	-	$400,000	$400,000	$27,550	6.89%	$27,550	6.89%	$0	0.00 pp
2034	2.27%	$400,000	$500,660	$34,483	6.89%	$34,546	6.90%	$63	0.01 pp

Source: CT DRS and author's calculations.

Table 8. Tax Increase for Median Wage Percentile by Demographic Group
Based on Average Annual Inflation

Year	Average Annual Inflation Rate	Income		Inflation-Adjusted CT PIT		Current CT PIT		Tax Increase	
		Inflation-Adjusted	Nominal Dollars	Tax Liability	Effective Tax Rate	Tax Liability	Effective Tax Rate	In Dollars	Pct. Point
Working Men: Annualized 50th Percentile Hourly Wage									
2024	-	$62,400	$62,400	$2,595	4.16%	$2,595	4.16%	$0	0.00 pp
2034	2.27%	$62,400	$78,103	$3,249	4.16%	$3,671	4.70%	$422	0.54 pp
Working Women: Annualized 50th Percentile Hourly Wage									
2024	-	$52,900	$52,900	$1,944	3.67%	$1,944	3.67%	$0	0.00 pp
2034	2.27%	$52,900	$66,212	$2,433	3.67%	$2,942	4.44%	$509	0.77 pp
White Alone, Non-Hispanic Workers: Annualized 50th Percentile Hourly Wage									
2024	-	$62,400	$62,400	$2,595	4.16%	$2,595	4.16%	$0	0.00 pp
2034	2.27%	$62,400	$78,103	$3,249	4.16%	$3,671	4.70%	$422	0.54 pp
Black, Non-Hispanic Workers: Annualized 50th Percentile Hourly Wage									
2024	-	$52,000	$52,000	$1,899	3.65%	$1,899	3.65%	$0	0.00 pp
2034	2.27%	$52,000	$65,086	$2,377	3.65%	$2,880	4.42%	$503	0.77 pp
Hispanic, Any Race Workers: Annualized 50th Percentile Hourly Wage									
0	-	$43,700	$43,700	$1,504	3.44%	$1,504	3.44%	$0	0.0 pp
10	2.27%	$43,700	$54,697	$1,883	3.44%	$2,033	3.72%	$150	0.28 pp

Source: CT DRS and author's calculations.

Hiring More Tax Auditors at the Connecticut Department of Revenue Services

Hiring more tax auditors at the Connecticut Department of Revenue Services would reduce the underreporting of non-wage income and could pay for indexing the Connecticut personal income tax to inflation without requiring any increase in tax rates.

Table 9 provides cost estimates for inflation indexing the major components of the Connecticut personal income tax (CT PIT).[21] Based on the average annual inflation rate of 2.27 percent over the past two decades, indexing the CT PIT would cost an estimated $60.7 million per year.

To pay for this cost, **Table 10** presents tax gap estimates for the federal and Connecticut tax systems in 2022 using data from the Internal Revenue Service (IRS) and the Connecticut Department of Revenue Services (CT DRS).[22] The gross tax gap—the total amount of taxes owed but not paid by the due date—is estimated at $3.7 billion for Connecticut, or 15.4 percent of the state's true tax liability, closely matching the federal estimate of 15.0 percent. The net tax gap—the amount still unpaid after accounting for late payments and enforcement actions—is estimated at $3 billion, or 12.4 percent of true tax liability, also similar to the federal estimate of 13.1 percent.

The primary cause of Connecticut's tax gap is underreporting, which occurs when taxpayers understate income, overstate deductions, or improperly claim credits. Underreporting overall accounts for an estimated $2.9 billion, or 79.5 percent, of the gross tax gap, and underreporting related to the CT PIT accounts for an estimated $1.7 billion, or 45.5 percent, of the gross tax gap.

To better understand the problem, **Table 11** uses federal data to provide an estimate of the sources of underreporting for the CT PIT.[23] According to the IRS, wage, salary, and tip income—the main source of income for most low- and middle-income families—accounts for just 2 percent of underreporting for the PIT. In contrast, non-wage income accounts for 72 percent of underreporting: 6 percent from income subject to substantial information reporting; 24 percent from income subject to only some information reporting (e.g., partnership income and capital gains); and 42 percent from income subject to little or no information reporting (e.g., proprietor income and royalties).

If the same federal underreporting percentages apply to the CT PIT, only an estimated $34 million of the underreporting tax gap comes from wages, salaries, and tips, and $1.2 billion derives from non-wage income. Recovering even a fraction of this tax revenue from non-wage income could cover the cost of inflation indexing. However, the CT DRS currently lacks the auditing capacity to meaningfully reduce the tax gap. As noted in the latest tax gap report, staffing in the Audit Division declined from 284 positions in 2012 to 228 in 2025, a loss of 56 positions, or nearly 20 percent of the workforce. Relatedly, the state's audit coverage rates are exceptionally low, with just 0.39 percent of CT PIT returns audited in 2024, compared to an average audit rate of 3 percent among state tax agencies.[24]

Increasing the auditing capacity of the CT DRS would allow the state to recover more unpaid taxes—especially from high-income, non-wage sources—and could pay for indexing the CT PIT to inflation.

Table 9. Cost Estimates for Inflation Indexing the CT Personal Income Tax

CT Personal Income Tax Core Components	Cost Estimate in Millions
2% Annual Inflation	
CT Personal Income Tax: All Core Components	$51.5
Personal Exemption	$12.4
Brackets	$32.8
Personal Tax Credit	$6.5
2.27% Annual Inflation (Average)	
CT Personal Income Tax: All Core Components	$60.7
Personal Exemption	$13.1
Brackets	$40.4
Personal Tax Credit	$7.3

Source: BLS, CT DRS, and author's calculations.

Table 10. Tax Gap Estimates for Federal and Connecticut Tax Systems, 2022

Tax Component	Federal Tax System		Connecticut Tax System	
	In Millions	% of True Tax Liability	In Millions	% of True Tax Liability
True Tax Liability	$4,635,000	100%	$24,100	100%
Tax Paid Voluntarily	$3,939,000	85.0%	$20,398	84.6%
Gross Tax Gap	$696,000	15.0%	$3,702	15.4%
Underpayment	$94,000	2.0%	$518	2.1%
Underreporting	$539,000	11.6%	$2,944	12.2%
Non-filing	$63,000	1.4%	$240	1.0%
Enforced and Late Payments	$90,000	1.9%	$704	2.9%
Net Tax Gap	$606,000	13.1%	$2,998	12.4%
Underpayment	*	*	$101	0.4%
Underreporting	*	*	$2,824	11.7%
Non-filing	*	*	$73	0.3%

Sources: IRS, CT DRS, and author's calculations. *Estimate not provided by IRS.

Table 11. Estimate of the Sources of Connecticut's Underreporting Income Tax Gap Based on the Federal Underreporting Income Tax Gap

Tax Return Line Item	Federal Tax System		Connecticut Tax System	
	In Millions	% of Total	In Millions	% of Total
Items Subject to Substantial Information Reporting and Withholding	$7,620	2%	$34	2%
Wages, salaries, tips	$7,620	2%	$34	2%
Items Subject to Substantial Information	$22,860	6%	$101	6%
Interest Income	*	*	*	*
Dividend Income	*	*	*	*
State income tax refunds	*	*	*	*
Pensions and annuities	$7,620	2%	$34	2%
Unemployment compensation	$3,810	1%	$17	1%
Taxable Social Security benefits	$7,620	2%	$34	2%
Items Subject to Some Information Reporting	$91,440	24%	$404	24%
Partnership, S-Corp, Estate and Trust, etc.	$38,100	10%	$168	10%
Alimony income	*	*	*	*
Capital gains	$49,530	13%	$219	13%
Items Subject to Little or No Information Reporting	$160,020	42%	$706	42%
Form 4797 income	$7,620	2%	$34	2%
Other income	$19,050	5%	$84	5%
Nonfarm propriertor income	$106,680	28%	$471	28%
Farm income	$7,620	2%	$34	2%
Rents and royalties	$22,860	6%	$101	6%
Total Credits	$49,530	13%	$219	13%
Other Taxes	$3,810	1%	$17	1%
Unallocated Marginal Effects	$15,240	4%	$67	4%
Income Offsets (Adjustments, Deductions, Exemptions)	$26,670	7%	$118	7%
Filing Status	$7,620	2%	$34	2%
Total	$381,000	100%	$1,682	100%

Sources: IRS, CT DRS, and author's calculations. *Estimate not provided because percentage is less than 0.5 percent. This analysis uses the IRS' estimate of the individual income tax underreporting tax gap projection by source for tax year 2021 (the latest available) and applies those percentages to the tax year 2022 estimate for the federal gross income tax gap (the latest available) and the tax year 2022 estimate for the Connecticut gross income tax gap (the latest available). The $1.682 billion estimate for Connecticut's gross underreporting income tax gap is based on method 2 in the CT DRS tax gap report.

Limiting the Use of Noncompete Agreements

Despite limited or no legitimate justification in many jobs, current federal and state laws allow many low- and middle-wage workers in Connecticut to be subject to noncompete agreements, restricting their ability to negotiate higher wages, change jobs, or start their own businesses.

Noncompete agreements restrict workers from engaging in similar professions within a specific geographic area for a certain period after leaving a job. Although originally intended to protect trade secrets or proprietary information, noncompete agreements have become increasingly common, even in positions where such protections are rarely justified. Most notably, a comprehensive review of research by the Federal Trade Commission (FTC) concluded that approximately 20 percent of workers nationwide are bound by a noncompete agreement. These agreements are often imposed regardless of job function, access to sensitive information, or bargaining power, and in many cases, workers are unaware they have signed one until attempting to change jobs.

The FTC also identified a wide range of negative effects. In particular, noncompete agreements suppress wage growth by limiting the ability of workers to negotiate higher wages or pursue higher-paying jobs, and they deter entrepreneurship by preventing workers from starting businesses in industries where they have the most experience. These negative effects then extend beyond the individual workers subject to noncompete agreements, reducing overall innovation, business formation, and labor market dynamism. The FTC further found that the negative effects of noncompete agreements fall disproportionately on low- and middle-wage workers, who are less likely to benefit from them and more likely to be required to sign them as a condition of employment without negotiation or a clear understanding of the terms.

To address these concerns nationwide, the FTC issued a rule in 2024 banning nearly all noncompete agreements. Specifically, the rule would have prohibited employers from entering into or enforcing such agreements with most workers and would have required them to notify current and former employees that existing agreements are no longer enforceable. However, a federal court blocked the rule from taking effect. In the absence of federal enforcement, Connecticut policymakers could act at the state level.[25]

Limiting the use of noncompete agreements would improve work flexibility and make wages fairer—by increasing wage growth, reducing wage inequality, and narrowing wage gaps—which would also help increase the labor force and job growth.

In 2025, the Connecticut General Assembly's Committee on Labor and Public Employees reported out a bill that would limit noncompete agreements for employees earning less than three times the minimum wage and independent contractors earning less than five times the minimum wage, with compensation calculated to include both wages and fringe benefits such as health insurance. For higher-wage workers, noncompete agreements would be enforceable only if they met strict conditions.[26]

Using the bill as a starting point, **Table 12** shows the Connecticut workers—by demographic group and by class of worker (wage and salary, self-employed)—who earn an hourly wage below three thresholds: three times the minimum wage, five times the minimum wage, and a hybrid threshold of three times the minimum wage for wage and salary workers and five times the minimum wage for self-employed workers, including independent contractors.[27] This analysis does not account for fringe benefits or carveouts included in the bill, such as exemptions for certain occupations, and therefore provides an upper-bound estimate of the workers who would be protected based on earnings alone.

Limiting noncompete agreements—especially when applied broadly—would improve work flexibility and make wages fairer, which would also help increase the labor force and job growth.

Wage Growth. Limiting noncompete agreements would increase wage growth by removing constraints on workers' outside options, allowing them to negotiate higher pay in their current jobs, pursue better jobs elsewhere, or start their own businesses. For example, the FTC estimated that its proposed rule would increase total worker earnings in Connecticut by nearly $950 million a year, equal to an average increase of $720 per worker.[28]

Wage Inequality. Limiting noncompete agreements would help reduce wage inequality by targeting protections to low- and middle-wage workers, who are most likely to be constrained by such agreements without receiving meaningful benefits. For example, using a threshold of three times the minimum wage for all workers—excluding fringe benefits—a ban on noncompete agreements would cover up to nearly 1.4 million workers, or 76.2 percent of the workforce.

Wage Gaps. Limiting noncompete agreements would narrow gender, racial, and ethnic wage gaps by providing protections to a higher percentage of working women, Black workers, and Hispanic workers. For example, using a threshold of three times the minimum wage—excluding fringe benefits—a ban on noncompete agreements would cover up to 79.3 percent of working women compared to 73.3 percent of working men. It would also cover up to 89.6 percent of Black, non-Hispanic workers and 88.6 percent of Hispanic workers, compared to 71.3 percent of white alone, non-Hispanic workers.

Labor Force and Job Growth. Limiting noncompete agreements would help increase the labor force by making wages fairer and improving work flexibility, thereby improving the financial return to work and making it easier to balance paid employment with caregiving responsibilities, especially for women and prime-age adults, who are overwhelmingly low- and middle-wage workers. A larger labor force—driven by growth in the working-age population and the participation rate—would in turn help fill existing job openings and support broader job growth.

Table 12. Workers Below Hourly Wage Thresholds for Limiting Noncompete Agreements

Demographic Group and Class of Worker	Workers Below Wage Threshold					
	Three Times Minimum Wage		Five Times Minimum Wage		Three or Five Times Hybrid Threshold	
	Number	Percent	Number	Percent	Number	Percent
Total Workers						
Wage and Salary Workers	1,245,870	76.8%	1,495,850	92.2%	1,245,870	76.8%
Self-Employed Workers	130,890	71.0%	152,570	82.8%	152,570	82.8%
Total	1,376,760	76.2%	1,648,420	91.2%	1,398,440	77.4%
Men						
Wage and Salary Workers	602,970	74.1%	736,990	90.5%	602,970	74.1%
Self-Employed Workers	76,590	67.5%	90,890	80.1%	90,890	80.1%
Total	679,560	73.3%	827,880	89.2%	693,860	74.8%
Women						
Wage and Salary Workers	642,890	79.5%	758,860	93.8%	642,890	79.5%
Self-Employed Workers	54,290	76.7%	61,680	87.1%	61,680	87.1%
Total	697,180	79.3%	820,540	93.3%	704,570	80.1%
White Alone, Non-Hispanic						
Wage and Salary Workers	742,630	72.0%	928,760	90.1%	742,630	72.0%
Self-Employed Workers	79,730	65.2%	97,530	79.7%	97,530	79.7%
Total	822,360	71.3%	1,026,290	89.0%	840,160	72.8%
Black, Non-Hispanic						
Wage and Salary Workers	178,620	89.5%	195,190	97.8%	178,620	89.5%
Self-Employed Workers	11,230	90.0%	11,580	92.8%	11,580	92.8%
Total	189,850	89.6%	206,770	97.5%	190,200	89.7%
Hispanic, Any Race						
Wage and Salary Workers	253,110	88.6%	276,580	96.8%	253,110	88.6%
Self-Employed Workers	28,400	88.2%	30,190	93.7%	30,190	93.7%
Total	281,510	88.6%	306,780	96.5%	283,300	89.1%

Source: EPI's extracts of the CPS, U.S. Census Bureau ACS, and author's calculations. Rounded to nearest 10 workers.

Increasing the Salary Threshold for Overtime Pay Protections

Current federal and state laws allow many salaried workers in Connecticut to be classified as exempt from overtime pay, even when they earn low or middle wages.

The Fair Labor Standards Act (FLSA) of 1938 is designed to protect workers from exploitative labor conditions, particularly the expectation that employees work long hours without additional pay. One of the key provisions of the law is overtime protection: the requirement that employees receive time-and-a-half pay when working more than 40 hours in a week. However, the law also includes exemptions for executive, administrative, and professional employees. To ensure that these exemptions apply only to genuinely exempt employees, the FLSA requires that three tests be met.

The *salary basis test* requires that the employee be paid a predetermined salary that is not subject to reduction based on the quality or quantity of work performed. This ensures a level of income stability that distinguishes exempt employees from hourly workers.

The *salary level test* requires that the employee earn at least a minimum weekly salary set by federal regulation, which is currently $684 per week, equal to an annual salary of $35,568.

The *duties test* requires that the employee's primary job responsibilities involve executive, administrative, or professional functions as defined by U.S. Department of Labor (DOL) regulations.

Most importantly, the salary threshold has not kept pace with inflation or wage growth. The current threshold was set in 2019, but wages and the cost of living have risen substantially since then. In response, the U.S. DOL issued a rule in 2024 to increase the salary level test to $1,128 per week, equal to an annual salary of $58,656, but a federal court blocked the rule from taking effect. Additionally, Connecticut's own state-level salary test—set at $475 per week, equal to $24,700 annually—is even lower than the federal level and less than the annual earnings of a full-time minimum wage worker in the state, meaning it currently offers no added protection. To address this problem, policymakers could increase the salary threshold for overtime pay protections at the state level.[29]

Increasing the salary threshold for overtime pay protections would improve work flexibility and make wages fairer—by increasing wage growth, reducing wage inequality, and narrowing wage gaps—which would also help increase the labor force and job growth.

Building on the federal proposal and approaches adopted in other states, **Table 13** shows the full-time salaried workers in Connecticut—overall and by demographic group—whose weekly pay is below the following thresholds: the current federal rule of $684 (equivalent to the 20th percentile in the South in 2019), the blocked federal rule of $1,128 (the 35th percentile in the South in 2024), a proposed option of $1,086 (the 20th percentile in CT), a proposed option of $1,255 (twice CT's minimum wage), and a proposed option of $1,478 (the 35th percentile in CT).[30] Full-time salaried workers are defined here as non-hourly workers who usually work 35 or more hours per week (the BLS definition of full-time). This includes both employees who typically work more than 40 hours without receiving overtime pay, as well as those who are at risk of being required to work overtime hours without additional pay. This analysis does not exclude certain occupations that are generally exempt from overtime pay protections, and therefore provides an upper-bound estimate of the workers who would be protected based on earnings alone.

Increasing the salary threshold for overtime pay protections—especially when applied broadly—would improve work flexibility and make wages fairer, which would also help increase the labor force and job growth.

Wage Growth. Increasing the salary threshold for overtime pay protections would increase wage growth by requiring employers to pay time-and-a-half for overtime hours to more salaried workers who currently work more than 40 hours per week without extra pay. Additionally, some employers would respond by limiting overtime—either by hiring additional staff or distributing hours more fairly—which would improve work flexibility and reduce uncompensated hours for many workers.

Wage Inequality. Increasing the salary threshold for overtime pay protections would decrease wage inequality by targeting protections to low- and middle-wage workers and expanding the number of workers who are covered. For example, the current federal weekly pay threshold of $684, equal to an hourly wage of $17.10, covers up to a maximum of only 38,710 full-time salaried workers, or 5.6 percent. In comparison, a weekly pay level of $1,255, equal to an hourly wage of $31.38, or twice the minimum wage, would extend coverage up to a maximum of 178,650 full-time salaried workers, or 25.6 percent.

Wage Gaps. Increasing the salary threshold for overtime pay protections would narrow gender, racial, and ethnic wage gaps by extending coverage to a higher percentage of full-time salaried working women, Black workers, and Hispanic workers. For example, under the current federal weekly threshold of $684, only up to 5.4 percent of working men and 5.7 percent of working women are covered. In contrast, a threshold of $1,255 per week would extend coverage up to 22.2 percent of working men and 29.4 percent of working women. It would also extend coverage up to 45.0 percent of Black, non-Hispanic workers and 40.6 percent of Hispanic workers, compared to 21.0 percent of white, non-Hispanic workers.

Labor Force and Job Growth. Increasing the salary threshold for overtime pay protections would help increase the labor force by making wages fairer and improving work flexibility, thereby improving the financial return to work and making it easier to balance paid employment with caregiving responsibilities, especially for women and prime-age adults, who are overwhelmingly low- and middle-wage workers. A larger labor force—driven by growth in the working-age population and the participation rate—would in turn help fill existing job openings and support broader job growth.

Table 13. Full-Time Salaried Workers Below Weekly Pay Threshold For Overtime Pay Protections

Pay Threshold and Demographic Group	Full-Time Salaried Workers Below Weekly Pay Threshold				
	Current Federal Rule, 20th Pct. in South, 2019	Blocked Federal Rule, 35th Pct. in South, 2024	Policy Options		
			20th Percentile in CT	2-Times Min. Wage in CT	35th Percentile in CT
Pay Threshold					
Hourly	$17.10	$28.20	$27.15	$31.38	$36.95
Weekly	$684	$1,128	$1,086	$1,255	$1,478
Annual	$35,568	$58,656	$56,472	$65,270	$76,856
Total Workers					
Number	38,710	145,560	140,950	178,650	243,980
Percent	5.6%	20.9%	20.2%	25.6%	35.0%
Men					
Number	19,590	64,400	62,110	80,610	111,220
Percent	5.4%	17.7%	17.1%	22.2%	30.6%
Women					
Number	19,120	81,160	78,830	98,040	132,760
Percent	5.7%	24.3%	23.6%	29.4%	39.8%
White Alone, Non-Hispanic					
Number	19,160	83,890	81,400	104,670	145,270
Percent	3.8%	16.8%	16.3%	21.0%	29.2%
Black, Non-Hispanic					
Number	7,090	24,180	23,350	30,560	41,890
Percent	10.5%	35.6%	34.4%	45.0%	61.7%
Hispanic, Any Race					
Number	10,540	26,140	25,770	30,830	38,490
Percent	13.9%	34.4%	33.9%	40.6%	50.6%

Source: EPI's extracts of the CPS and author's calculations. Rounded to nearest 10 workers.

Establishing Predictable Scheduling Protections for Hourly Workers

Current federal and state laws allow many hourly workers in Connecticut to be subject to unpredictable work schedules, limiting their ability to provide for their families and improve their financial situation.

For many hourly jobs, employers post schedules with little advance notice, cancel or cut shifts at the last minute, and require workers to perform "clopening" shifts—closing late at night and returning to open early the next morning. These practices help to reduce labor costs but impose significant burdens on workers. In particular, unpredictable schedules make it difficult for workers to estimate their weekly earnings, hold a second job, pursue additional education, or plan for basic needs like child care, all of which limit their ability to provide for their families and improve their financial situation.[31]

To highlight the workers most at risk and why predictable scheduling protections are important, **Table 14** shows the pay structure and earnings of Connecticut's workers by demographic group and work hours status.[32] Hourly workers are more likely to experience unpredictable schedules than salaried workers, and a majority of the state's workers are paid hourly: 54.4 percent of full-time and part-time workers combined, and 82.6 percent of part-time workers alone. Hourly workers also earn significantly less than salaried workers. Among full- and part-time workers, the median weekly pay is $800 for hourly workers compared to $1,770 for salaried workers. Even when accounting for hours worked, the median hourly wage is $21 for hourly workers, compared to $42.34 for salaried workers. And for part-time workers alone, the median hourly wage is $16.68 for hourly workers, compared to $30.70 for salaried workers.

Pay structure and earnings also vary substantially across demographic groups. A higher percentage of working women (55.5 percent) are paid hourly compared to working men (53.3 percent), and within each group, hourly workers tend to earn less per week and per hour than salaried workers. Similarly, a higher percentage of Black workers (63.8 percent) and Hispanic workers (71.6 percent) are paid hourly compared to white, non-Hispanic workers (48.9 percent), and within each group, hourly workers tend to earn less per week and per hour than salaried workers.

These disparities in pay structure and earnings underscore the importance of predictable scheduling protections. Without advance notice of their hours, it is much more difficult for hourly workers to take steps to improve their financial situation, and yet these are the workers most in need of improving their financial situation because they tend to earn substantially less than salaried workers, both in terms of weekly pay and hourly wages.

Federal lawmakers have introduced bills to establish predictable scheduling protections nationwide but no legislation has been enacted. In the absence of federal action, some state and local jurisdictions have adopted predictable scheduling laws, typically requiring advance notice of work schedules, compensation for last-minute changes, and limits on clopening shifts. Connecticut could also act to provide greater scheduling stability and in turn greater financial security for hourly workers.

Establishing predictable scheduling protections would improve work flexibility and make wages fairer—by increasing wage growth, reducing wage inequality, and narrowing wage gaps—which would also help increase the labor force and job growth.

In 2024, the Connecticut General Assembly's Committee on Labor and Public Employees advanced a bill that would require large employers in the retail, food service, hospitality, and long-term health care sectors to provide hourly workers with advance notice of their schedules, compensation for last-minute changes, and set standards for rest time between shifts.[33]

Using the bill as a starting point, **Table 15** shows all the hourly workers in the four covered sectors.[34] This analysis does not account for employer size or whether workers are exempt from minimum wage and overtime protections, and therefore provides an upper-bound estimate of the workers protected based on sector of employment alone. Establishing predictable scheduling protections for hourly workers—especially when applied broadly—would improve work flexibility and make wages fairer, which would also help increase the labor force and job growth.

Wage Growth. Establishing predictable scheduling protections would increase wage growth by strengthening workers' bargaining power. When workers can rely on stable hours and avoid last-minute changes, they are better positioned to negotiate raises and pursue higher-paying opportunities. Predictable scheduling protections would also increase wage growth by improving productivity—through greater worker effort, lower absenteeism, and more focused tasks—which can increase profits and support higher wages.

Wage Inequality. Establishing predictable scheduling protections would reduce wage inequality by primarily covering low- and middle-wage workers. For example, when applied to all hourly full-time and part-time workers in the four proposed sectors, predictable scheduling would cover up to 217,360 low- and middle-wage workers compared to up to 1,050 high-wage workers.[35]

Wage Gaps. Establishing predictable scheduling protections would reduce gender and ethnic wage gaps by providing protections to a higher percentage of working women and Hispanic workers. For example, when applied to all hourly workers in the proposed sectors, predictable scheduling would cover up to 27.6 percent of working women compared to 21.4 percent of working men, and up to 29.5 percent of Hispanic workers compared to 23.4 percent of white alone, non-Hispanic workers. Although predictable scheduling protections would not cover a higher percentage of Black workers compared to white workers, they would still provide coverage for up to 28,370 Black workers.

Labor Force and Job Growth. Establishing predictable scheduling protections would help increase the labor force by making wages fairer and improving work flexibility, thereby improving the financial return to work and making it easier to balance paid employment with caregiving responsibilities, especially for women and prime-age adults, who are overwhelmingly low- and middle-wage workers. A large labor force—driven by growth in the working-age population and the participation rate—would in turn help fill existing job openings and support broader job growth.

Table 14. Pay Structure and Earnings for Connecticut's Workers

Demographic Group and Work Hours Status	Pay Structure				Earnings			
	Hourly Workers		Salaried Workers		Median Weekly Pay		Median Hourly Wage	
	Number	Percent	Number	Percent	Hourly Workers	Salaried Workers	Hourly Workers	Salaried Workers
Total Workers								
Full-Time or Part-Time	889,330	54.4%	745,340	45.6%	$800	$1,770	$21.00	$42.34
Part-Time	224,530	82.6%	47,170	17.4%	$385	$640	$16.68	$30.70
Men								
Full-Time or Part-Time	437,380	53.3%	382,670	46.7%	$922	$1,926	$22.58	$46.11
Part-Time	70,870	79.2%	18,590	20.8%	$359	$718	$15.99	$35.88
Women								
Full-Time or Part-Time	451,940	55.5%	362,670	44.5%	$718	$1,640	$20.00	$40.67
Part-Time	153,660	84.3%	28,590	15.7%	$400	$616	$17.06	$27.33
White Alone, Non-Hispanic								
Full-Time or Part-Time	507,460	48.9%	531,190	51.1%	$832	$1,919	$22.00	$45.92
Part-Time	134,840	80.7%	32,160	19.3%	$400	$717	$17.45	$35.88
Black, Non-Hispanic								
Full-Time or Part-Time	128,070	63.8%	72,710	36.2%	$794	$1,283	$20.26	$31.56
Part-Time	25,690	84.1%	4,850	15.9%	$349	*	$15.70	*
Hispanic, Any Race								
Full-Time or Part-Time	205,970	71.6%	81,550	28.4%	$739	$1,386	$19.44	$34.64
Part-Time	52,360	90.4%	5,550	9.6%	$398	*	$16.00	*

Source: EPI's extracts of the CPS and author's calculations.

Table 15. All Hourly Workers in Proposed Predictable Scheduling Sectors: Retail, Food Service, Hospitality, and Long-Term Health Care

Worker Group and Employment Status	Hourly Workers in Proposed Sectors		Hourly Workers in Other Sectors	
	Number	Percent	Number	Percent
Total Workers				
Full-Time or Part-Time	218,410	24.6%	670,920	75.4%
Part-Time	85,850	38.2%	138,680	61.8%
Low-Wage & Middle-Wage				
Full-Time or Part-Time	217,360	24.9%	656,700	75.1%
Part-Time	85,850	39.2%	133,240	60.8%
High-Wage				
Full-Time or Part-Time	1,050	6.9%	14,220	93.1%
Part-Time	0	0.0%	5,440	100.0%
Men				
Full-Time or Part-Time	93,560	21.4%	343,820	78.6%
Part-Time	29,390	41.5%	41,480	58.5%
Women				
Full-Time or Part-Time	124,850	27.6%	327,100	72.4%
Part-Time	56,460	36.7%	97,200	63.3%
White Alone, Non-Hispanic				
Full-Time or Part-Time	118,490	23.4%	388,960	76.6%
Part-Time	46,150	34.2%	88,690	65.8%
Black, Non-Hispanic				
Full-Time or Part-Time	28,370	22.2%	99,700	77.8%
Part-Time	9,340	36.3%	16,360	63.7%
Hispanic, Any Race				
Full-Time or Part-Time	60,740	29.5%	145,230	70.5%
Part-Time	25,680	49.0%	26,680	51.0%

Source: EPI's extracts of the CPS and author's calculations.

CONCLUSION

Connecticut's slower labor force growth—driven largely by slower growth among prime-age individuals and women—has made it harder for employers to fill open jobs, weakening the state's overall economic recovery and limiting its ability to reduce long-term debt while also providing necessary support for families and children. This report has developed the case that by implementing policies that provide greater work flexibility and make wages fairer—by increasing wage growth, reducing wage inequality, and narrowing wage gaps—the state can improve the financial return to work and make it easier to balance paid employment with caregiving responsibilities. This would increase the labor force and in turn job growth, helping to strengthen Connecticut's economy, reduce long-term debt, and provide greater support for families and children.

ACKNOWLEDGMENTS

Connecticut Voices for Children (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 other sources. We thank the staff of EPI and EARN for their support.

This report was funded by The Connecticut Project.

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