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# **The State of Working Connecticut 2016**

**Ray Noonan  
Derek Thomas, M.P.A.**

**September 2016**

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This summer marks nearly seven years since the Great Recession ended, but for too many Connecticut families, the years-long recovery has been slow to offer reprieve. Unemployment is decreasing, but pockets of labor force weakness persist; jobs are being created, but the industries offering them don't pay as well; and while the top wage earners have taken home raises, everyone else is waiting for their paychecks to grow. There are dramatic inequalities between the wealthiest and the rest—young, minority, and less-educated workers—whom the recovery is leaving behind.

Without more money in their pockets, parents struggle to pay for the transportation that frees them to work, the child care that nurtures their son, or the doctor's visit that treats their daughter's asthma, in addition to the other services essential to self-sufficiency and economic security. As the needs for children and families increase, Connecticut must enact proactive policies that, in the short-term, bridge the gap between wages and the growing cost of raising a family, and over the long-term, make smart investments that create a more prosperous and equitable economy.

We evaluate Connecticut's economy through three sets of measures: the labor force, jobs, and wages. The following are our major findings:

## Chapter 1: Labor Force Weaknesses Persist

- Unemployment has recovered for whites and college-educated workers, but not for workers of color and those without a college education.
- Unemployment for workers of color is nearly triple unemployment for whites.
- Statewide, the share of working-age people working or seeking work is higher in Connecticut (65.8 percent) than the U.S. average (62.7 percent) and that of all peer states.

## Chapter 2: Low Wage Jobs Swap, High Wage Jobs Deficit

- Since 2001, the share of private-sector jobs in low-wage industries has increased by 20 percent, while the share of private-sector jobs in high-wage industries has decreased by 13 percent.
- 44 percent of private sector growth since 2010 has been in low-wage industries.
- The public sector, which is composed almost entirely of mid- and high-wage industries and disproportionately employs people of color, has shed more than 14,000 jobs since 2008.

## Chapter 3: Wage Gaps Grow

- The median and bottom 10 percent of wage-earners have seen their wages decline by more than 2 percent since 2002, while the top 10 percent have experienced growth of more than 11 percent.
- Connecticut's gender wage gap has decreased, but more slowly than national trends.
- Black and Hispanic workers make a median hourly wage that is, respectively, about \$7.25 and \$8 less than white workers—a gap that has widened since before the Great Recession.

## Chapter 1: Labor Force Weaknesses Persist

Measures of employment and labor force participation are key to understanding the consequences of fewer family-sustaining jobs in Connecticut (described in Chapter 2).

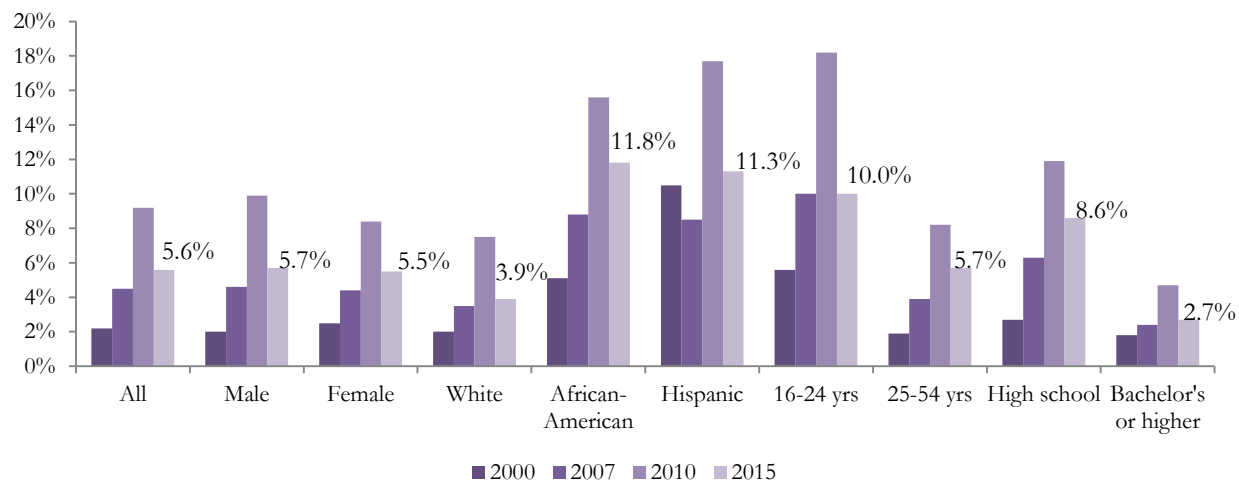
Major findings:

- Unemployment for white, younger, and college-educated workers have returned to pre-recession rates, while unemployment rates for workers of color and those without a college education have yet to recover.
- Unemployment for blacks and Hispanics is nearly triple the unemployment rate for whites.
- Statewide, the share of working-age people working or seeking work is higher in Connecticut (65.8 percent) than the U.S. average (62.7 percent) and that of all peer states.

### *Unemployment and Participation in the Labor Force*

In July 2016, Connecticut's unemployment rate was 5.7 percent—above the national rate of 4.9 percent and still 1.2 percent above the pre-recession rate of 4.5 percent in 2007. Nearly seven years after the official recovery began, unemployment for whites, younger and college-educated workers is now equal or close to pre-recession rates, while unemployment rates for workers of color and those without a college education have yet to recover. In 2015, the unemployment rate for blacks and Hispanics was nearly triple the rate for whites. While Connecticut's long-term unemployment rate has dropped more quickly than its peers' rates since 2010, it is still 14 percentage points higher than it was when the recession started.

**Figure 1: Unemployment by Demographic, Connecticut**

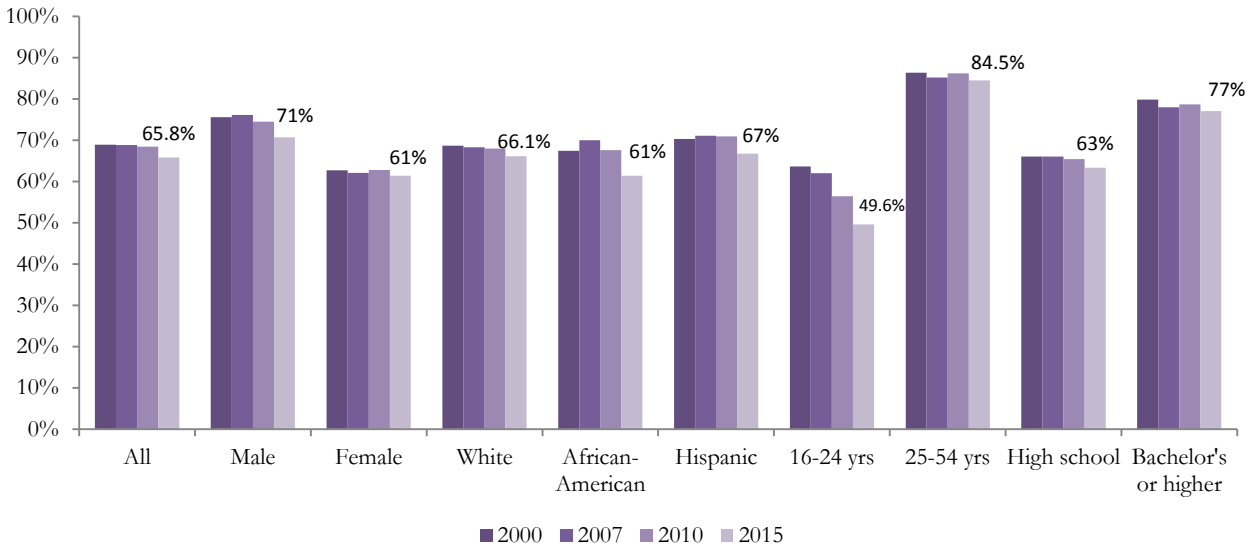


Source: EPI and CT Voices analysis of Current Population Survey (CPS) data. Because some years' data do not meet sample size standards, African-American 2000 = 2001, Hispanic 2000 = 2002, and Asian/Pacific Islander data is excluded. Data labels correspond to 2015 data.

Unfortunately, the same communities still struggling to recover from recession-level unemployment rates are also experiencing the greatest drops in the share of working-age people working or actively looking for work, as measured by the labor force participation rate (LFPR). A declining LFPR suggests that part of the unemployment rate decline for workers of color and those without a college education is likely the result of people leaving the labor force, rather than finding work. In 2015, black workers' LFPR was 61.4 percent – down more than 6 percentage points from a rate of 67.6 percent in 2010. Hispanic workers' labor force participation of 66.7 percent in 2015 is down more than 4 percentage points from 2010. While less drastic, white workers' LFPR also declined during

the same time period, down just shy of two percentage points. Statewide, the share of working-age people working or seeking work is higher in Connecticut (65.8 percent) than the U.S. average (62.7 percent) and that of all peer states.<sup>1</sup> Nevertheless, the statewide LFPR has declined by 2.6 percentage points since 2010. While an aging population and the pursuit of education help explain this trend, weakening job prospects and wages also play a critical role.<sup>2</sup>

**Figure 2: Labor Force Participation Rate by Demographic, Connecticut**



Source: EPI and CT Voices analysis of CPS data. Data labels correspond to 2015 data.

### *Employment to Population Ratio*

Whereas the LFPR measures the share of the working-age population that is employed or seeking work, the employment to population ratio (EPOP) measures the share of working-age adults that are employed. Statewide, the EPOP ratio of 62.1 percent is tied with Massachusetts for the highest ratio among peer states, but is still two-and-a-half percentage points below pre-recession levels.

Although the statewide EPOP ratio hasn't budged since 2010, white, female, Hispanic, and prime-age workers have experienced an increase, while blacks, Asians, and young workers have experienced a decline since 2010. Furthermore, disparities between people of color and whites have increased since 2000. In 2000, black workers' EPOP ratio was 2.6 percent less than whites', while Hispanic residents' EPOP was 0.6 percent *higher* than whites'. By 2015, both groups had fallen further behind—the disparity between black and white workers' EPOP ratios had grown to 9.4 percent, while the EPOP ratio for Hispanic residents had become 4.3 percent less than that of whites.

<sup>1</sup> We define peer states as those states Connecticut is most likely to compete with economically: Massachusetts, Rhode Island, New York and New Jersey.

<sup>2</sup> According to the AARP, between 2010 and 2015, the share of individuals age 65 and over in Connecticut will increase by 63 percent, compared to a 3 percent increase for the share of adults between the ages of 18 and 64. CT by the Numbers, "Growing Aging Population Brings Shifting Priorities, Possibilities," May 11 2014.

<http://ctbythenumbers.info/2014/05/11/growing-aging-population-brings-shifting-priorities-possibilities/>

### *Underemployment Share*

Often overshadowed by unemployment rate declines, underemployment provides a more comprehensive picture of labor force slack by including not just the officially unemployed but also those working part-time involuntarily (they want and are available to work full-time) and workers who are available to work but have given up searching in the past year (known as marginally attached workers). In other words, underemployed individuals are not fully using their education and training in their current job. The state underemployment rate of 10.9 percent is still more than 2.5 percentage points higher than pre-recession levels. The rate has decreased most quickly for men, African-Americans, Hispanic residents, those without a college degree, and youth. Since workers of color face underemployment rates more than double that of their white peers, they still have the longest way to go before returning to pre-recession levels.

**Figure 3: Underemployment Share by Demographic, Connecticut**



Source: EPI and CT Voices analysis of CPS data. Because some years' data do not meet sample size standards, data marked from 2000 for Hispanic residents is from 2001. Data labels correspond to 2015 data.

For more visualizations and data on Connecticut's labor force, as well as access to customizable charts and graphs, visit [our Tableau page](#).

## Chapter 2: Low Wage Job Swap, High Wage Job Deficit

Attracting and retaining industries that offer middle-class jobs is essential to ensuring economic security. Without good jobs, Connecticut workers are less able to afford healthier, wealthier, and more stable lives for their children, eroding the state’s revenue base and threatening investments for a more prosperous society.

Major findings:

- Since 2001, the share of private-sector jobs in low-wage industries has increased by 20 percent, while the share of private-sector jobs in high-wage industries has decreased by 13 percent.
- 44 percent of private sector growth since 2010 has been in low-wage industries, dominated by Social Assistance and Food Services and Drinking Places.
- The public sector, which is composed almost entirely of mid- and high-wage industries and disproportionately employs many people of color, has shed more than 14,000 jobs since 2008.

### Jobs Swap

It is well-documented that in Connecticut, as across the nation, low-wage sectors have accounted for most job growth during the economic recovery.<sup>a</sup> Previous studies have revealed this trend by examining the economy’s supersectors, such as the analysis we reproduce in Figure 4. However, because these studies group together large swaths of the economy, they mask differences in growth and pay between the many subsectors within each supersector. No organization has yet assessed the state’s employment and wage data at a more granular level. We fill this gap by examining the 101 subsectors composing Connecticut’s economy, presenting a more nuanced view of the state’s economy during the last fifteen years, grouped over three periods: pre-recession, between 2001 and 2007; recession, between 2007 and 2010; and post-recession, between 2010 and 2015.<sup>b</sup>

**Figure 4: High-Wage Industries Shrink, Low-Wage Industries Grow, 2007 to 2015**



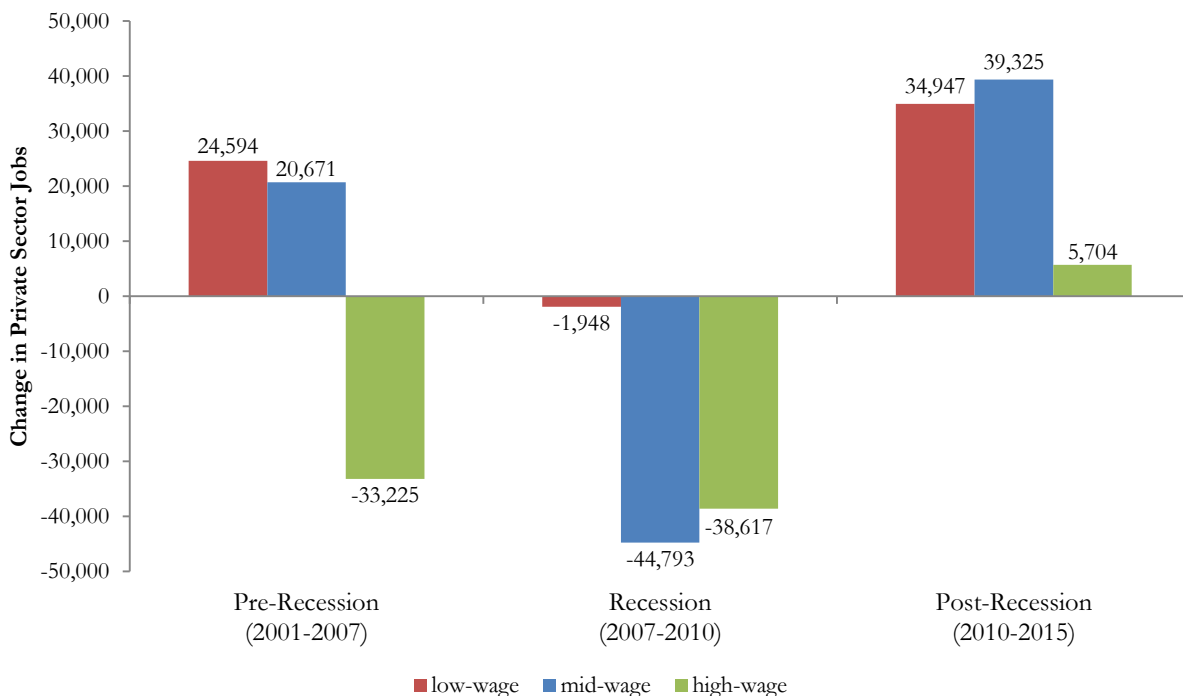
Source: CT Voices analysis of Quarterly Census of Employment and Wages (QCEW) data. Eight largest industries in Connecticut. Average Annual Wage from 2015. Percentages on horizontal axis are share of private sector jobs in 2015 in that sector.

Breaking down Bureau of Labor Statistics data on employment and wages by sub-industry, we classified industries as low-, mid-, or high-wage based on their statewide average weekly wage in 2015:<sup>3</sup>

- Low-wage industries paid an average wage of \$15 per hour or less (equivalent to \$600 per week or \$31,200 per year). This is just above the statewide average self-sufficiency wage for a single adult with no children and just below 250 percent of the federal poverty guidelines (FPL) for a single adult with no children.<sup>c</sup>
- Mid-wage industries paid an average wage of between \$15.01 per hour and \$33.95 per hour (equivalent to about \$1,358 per week or \$70,620 per year). The upper threshold is equal to 600 percent of the 2015 FPL for a single adult with no children and below state-specific income definitions from Pew Research Center.<sup>d</sup>
- High-wage industries paid an average wage of more than \$33.95 per hour.

Consistent with other studies, we find that during the Great Recession, Connecticut’s mid- and high-wage industries bore nearly all of the job losses, and that during the current recovery, low- and mid-wage industries are growing the fastest. However, we also find that Connecticut’s high-wage industries began shedding jobs well before 2008; this lopsided growth was occurring in the beginning of the century and only intensified during the Great Recession. We call this trend—of jobs in low-wage industries replacing those in high-wage ones—the **Jobs Swap**.

**Figure 5:** Change in Total Private Sector Jobs per Period, Connecticut

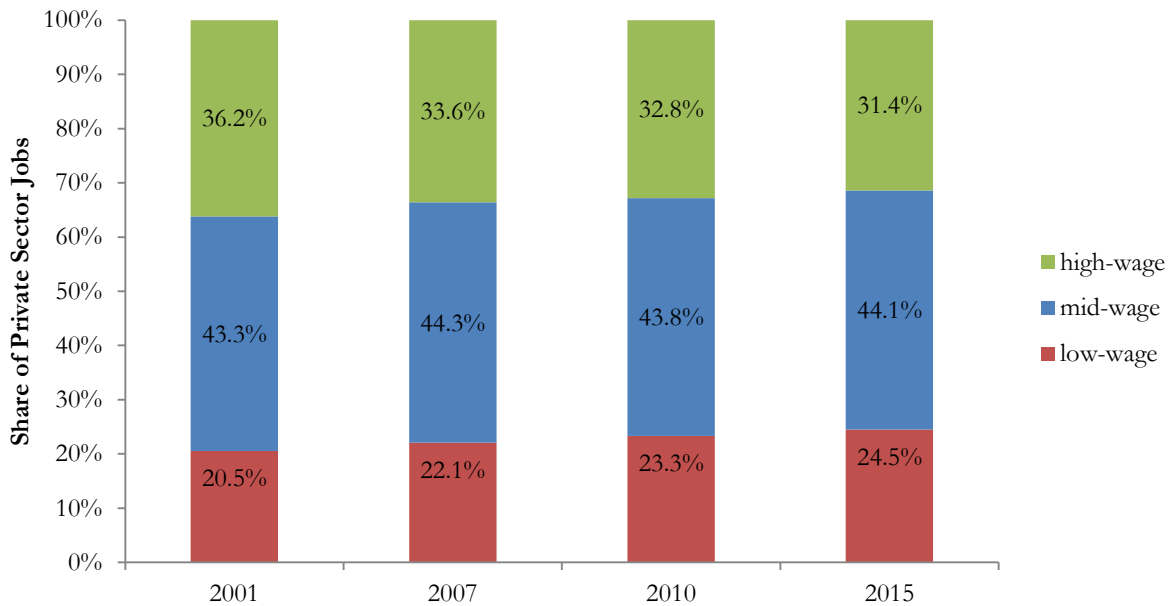


Source: CT Voices analysis of QCEW data. Includes all three-digit NAICS codes for private industry.

<sup>3</sup> More information about our methodology provided in Appendix A.

Over the last 15 years, the share of jobs in low-wage industries in Connecticut increased by 20 percent while the share of work in high-wage industries declined by 13 percent.

**Figure 6:** Share of Total Private Sector Jobs by Year, Connecticut



Source: CT Voices analysis of QCEW data. Includes all three-digit NAICS codes for private industry.

*Pre-Recession*

From 2001 to 2007, Connecticut grew just 12,040 jobs while the prime-working-age population increased by 53,833, helping explain the decline in labor force participation.<sup>e</sup> Although the health care and finance industries drove much of Connecticut’s growth before the Great Recession, the state simultaneously shed more jobs in the high-wage manufacturing and publishing industries, causing a net 6.4 percent decline of jobs in high-paying industries.

- Most net growth occurred in low-wage industries, with Social Assistance and Food Services and Drinking Places encompassing almost 92 percent of the net jobs in that wage category.
- The manufacturing sector accounted for 66 percent of the net losses in high-wage industries.

**Table 1:** Top 10 fastest-growing private industries statewide, pre-recession (2001-2007)

Industry	Job Growth	Avg. Annual Wage	Wage Category
Food services and drinking places	14,045	\$19,708	low-wage
Social assistance	8,558	\$26,291	low-wage
Educational services	8,232	\$62,601	mid-wage
Ambulatory health care services	6,458	\$65,683	mid-wage
Hospitals	5,330	\$65,688	mid-wage
Securities, commodity contracts, investments	5,325	\$302,215	high-wage
Nursing and residential care facilities	4,431	\$35,345	mid-wage
Electronic markets and agents and brokers	3,207	\$138,624	high-wage
Warehousing and storage	3,123	\$45,681	mid-wage
Specialty trade contractors	3,015	\$59,553	mid-wage

Source: CT Voices analysis of QCEW data. Includes all three-digit NAICS industries.



**Table 2:** Top 10 fastest-shrinking private industries statewide, pre-recession (2001-2007)

Industry	Job Growth	Avg. Annual Wage	Wage Category
Computer and electronic product manufacturing	-6,792	\$72,099	high-wage
Fabricated metal product manufacturing	-4,552	\$67,726	mid-wage
Machinery manufacturing	-4,470	\$87,002	high-wage
Food and beverage stores	-4,215	\$25,744	low-wage
Chemical manufacturing	-3,980	\$138,495	high-wage
Transportation equipment manufacturing	-3,353	\$99,750	high-wage
Publishing industries, except Internet	-3,198	\$97,809	high-wage
Telecommunications	-3,118	\$91,298	high-wage
Utilities	-2,604	\$116,862	high-wage
Printing and related support activities	-2,437	\$56,135	mid-wage

Source: CT Voices analysis of QCEW data. Includes all three-digit NAICS industries.

### *Recession*

Connecticut lost 85,358 jobs during the recession. The state continued to hemorrhage manufacturing jobs, and industries dependable before the crash—particularly those in finance and health care—grew more slowly or not at all.

- **97.7 percent of Connecticut’s net job losses were in mid- or high-wage industries.**
- 51 percent of the job losses occurred in the Manufacturing and Construction sectors, with another 15 percent of job losses occurring in Retail Trade.

**Table 3:** Top 10 fastest-shrinking private industries statewide, recession (2007-2010)

Industry	Job Growth	Avg. Annual Wage	Wage Category
Specialty trade contractors	-13,263	\$59,553	mid-wage
Administrative and support services	-10,405	\$43,069	mid-wage
Professional and technical services	-6,337	\$99,116	high-wage
Fabricated metal product manufacturing	-5,311	\$67,726	mid-wage
Construction of buildings	-4,526	\$68,931	mid-wage
Insurance carriers and related activities	-4,321	\$129,098	high-wage
Credit intermediation and related activities	-4,090	\$102,295	high-wage
Telecommunications	-3,144	\$91,928	high-wage
Chemical manufacturing	-3,125	\$138,495	high-wage
Merchant wholesalers, durable goods	-3,054	\$73,256	high-wage

Source: CT Voices analysis of QCEW data. Includes all three-digit NAICS industries. Since 2015 data for Credit intermediation is unavailable, average annual wage for that industry reflects 2014 wages.

### *Post-Recession*

Connecticut gained 79,976 jobs from 2010 to 2015.

- Although 97.7 percent of Connecticut’s net job losses during the recession were in mid- or high-wage industries, **only 56 percent of net job growth since then has been in similarly well-paying sectors**—49 percent in mid-wage industries and just 7 percent in high-paying ones.
- The plurality of growth has occurred in low-wage industries, whose development once again is dominated by Social Assistance and Food Services and Drinking Places.

**Table 4:** Top 10 fastest-growing private industries statewide, post-recession (2010-2015)

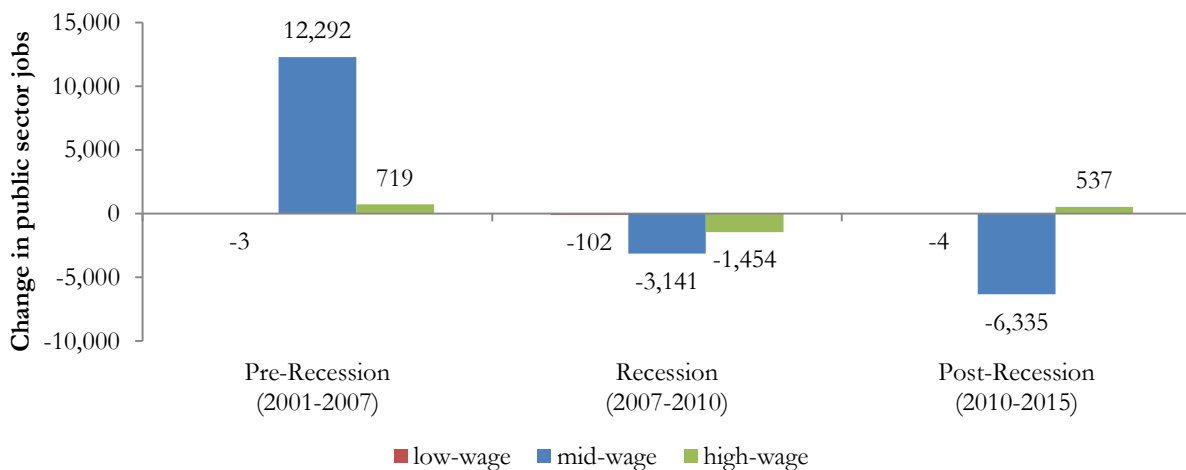
Industry	Job Growth	Avg. Annual Wage	Wage Category
Food services and drinking places	13,462	\$19,708	low-wage
Administrative and support services	9,942	\$43,069	mid-wage
Professional and technical services	9,825	\$99,116	high-wage
Social assistance	9,320	\$26,291	low-wage
Ambulatory health care services	7,771	\$65,683	mid-wage
Specialty trade contractors	5,768	\$59,553	mid-wage
Management of companies and enterprises	5,234	\$162,472	high-wage
Educational services	3,670	\$62,601	mid-wage
General merchandise stores	3,609	\$22,260	low-wage
Securities, commodity contracts, investments	2,906	\$302,215	high-wage

Source: CT Voices analysis of QCEW data. Includes all three-digit NAICS industries.

*Public Sector*

Public sector industries are a source of stable, middle-class jobs; nearly all of them pay an average wage above \$15 an hour, as mid- and high-wage public-sector industries accounted for 99.9% of local and state government jobs in 2015.<sup>4</sup> Yet since 2008, Connecticut’s governments have cut more than 14,000 public sector jobs, mostly at the local level, where the majority of public sector jobs are located.<sup>5</sup> Cuts to the public sector likely have an unequal impact on African Americans, who hold a disproportionate share of public sector jobs. Most of the cuts since 2008 have occurred in the education and gambling sectors.<sup>6</sup>

**Figure 7:** Change in Local and State Government Jobs per Period, Connecticut



Source: CT Voices analysis of QCEW data. Includes all three-digit NAICS codes for local and state govt. industries.

*Demographic analysis*

<sup>4</sup> Out of the 214,141 public sector jobs in 2015, just 206 were in low-wage industries. (156,692 were in mid-wage industries, and 54,355 were in high-wage ones.) The extremely low share of public-sector jobs in low-wage industries has remained essentially constant over time. (Calculated by summing number of jobs at the three-digit NAICS classification level statewide.)

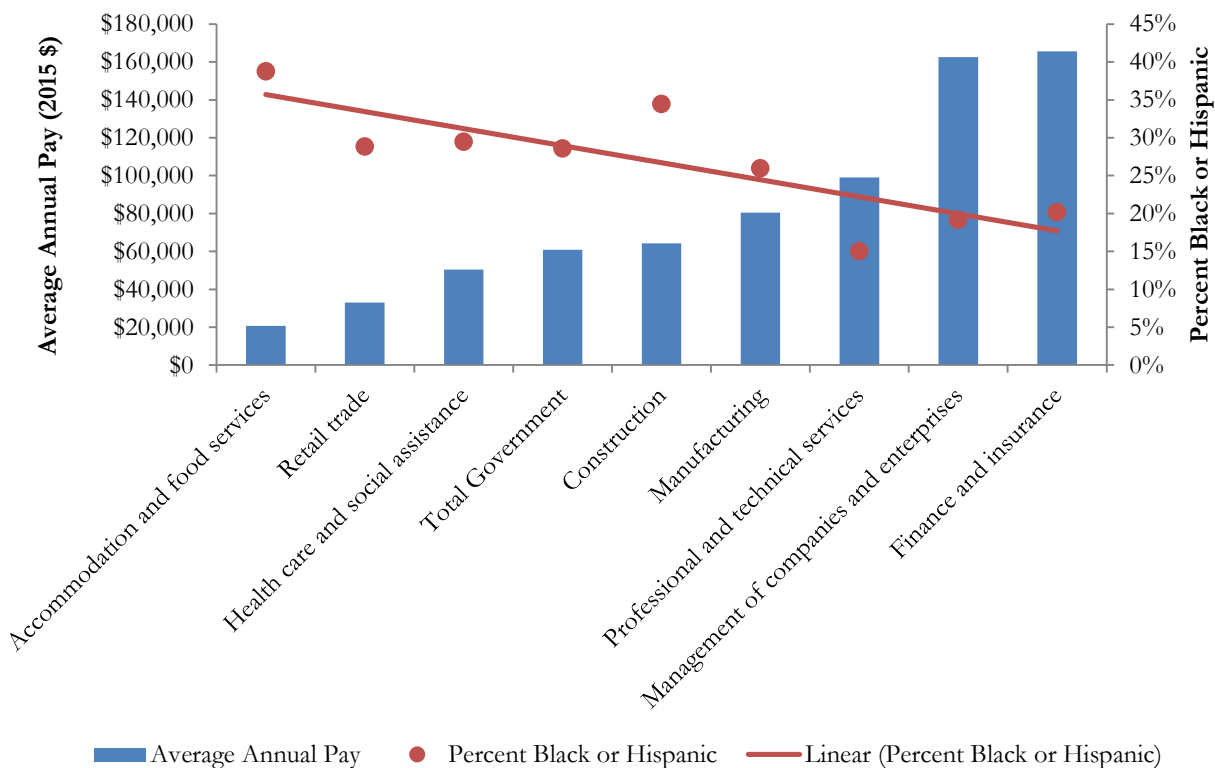
<sup>5</sup> Most public sector employees work in local government, followed by state and then federal government. We have excluded federal employees from this analysis since Connecticut has little control over the number of federal employees in the state.

<sup>6</sup> Since 2001, the QCEW has classified jobs on Native American land as public sector (local government) jobs. See Bureau of Labor Statistics. (n.d.). Average Annual Pay Technical Note. Retrieved August 22, 2016, from <http://www.bls.gov/news.release/annpay.tn.htm>.

Comparing Connecticut’s supersector wage data (as illustrated in Figure 4) to national demographic data, we find that people of color are likely overrepresented in Connecticut’s low-wage industries and underrepresented in its high-wage ones.

- Although black and Hispanic workers make up 28.1 percent of the nation’s workforce, they represent just 15 percent of jobs in the high-wage professional services industry and just 20.2 percent of jobs in the high-wage finance industry. Conversely, they make up 38.8 percent and 28.9 percent of jobs in the low-wage food services and retail trade industries, respectively.
- The mid- to high-wage government and construction sectors are also composed of relatively high shares of black and Hispanic workers. The government sector is 16.7 percent black, compared to 11.7 percent for all industries, and the construction industry is 28.5 percent Hispanic, compared to 16.4 percent for all industries. Thus, investing in infrastructure would disproportionately benefit workers of color, while cutting critical public sector jobs is disproportionately harmful.
- Across all demographics, from 2001 through 2015, the largest percentage increase in employment occurred in the mid-wage health care and social assistance industry and the largest decline occurred in manufacturing. Only Asians, however, experienced a decline in the low-wage accommodation and food services industry, and while all demographics saw an uptick in the high-wage professional and technical services industry, Asians experienced a disproportionate increase in employment in this area.

**Figure 8: Low-Wage Industries Employ a Greater Share of People of Color**



Source: CT Voices analysis of QCEW and CPS data. Two-digit NAICS industry classifications. Average Annual Pay and demographic data from 2015. Demographic shares represent national, not state, data.

### *Geographic analysis*

We performed a similar analysis on county-level employment and wages data. Since more granular data is suppressed at the county level, we applied the same wage categories to the broader industry sectors used in previous analyses.<sup>7</sup>

We find that not all counties have recovered equally. Although the overall trend—jobs in low-wage industries replacing those in high-wage ones—holds for each county, in some counties, the share of low-wage jobs or high-wage jobs grew or shrunk more slowly than the state average.

Two counties' job growth has been more balanced:

1. **Hartford County.** Since 2010, the share of jobs in low-wage industries has grown more slowly than the state average, while the share of jobs in mid-wage industries has grown more quickly. While the share of jobs in low-wage industries increased by 0.7 percent from 2010 to 2015 across the state, in Hartford County, it increased 0.5 percent. During the same period, the share of jobs in mid-wage industries across the state increased by 1.1 percent, compared to 1.6 percent in Hartford County.
2. **Windham County.** From 2010 to 2015, the share of low-wage industries in Windham County increased by 0.4 percent, compared to 0.7 percent statewide. During the same period, the share of jobs in high-wage industries across the state decreased by 1.8 percent compared to a 1.1 percent decrease in Windham County.

For more visualizations and data on the Jobs Swap, as well as access to customizable charts and graphs, visit [our Tableau page](#).

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<sup>7</sup> To protect employers' identities, the QCEW suppresses data when, for a given geographic area, there are few establishments or one very large establishment (Justis, R. (2008). What Do You Mean the Data Are Suppressed? Understanding the Ins and Outs of QCEW Disclosure Rules. *InContext*, 9(7). Retrieved from <http://www.incontext.indiana.edu/2008/july-august/2.asp>. Although at the statewide level, most information for two- and three-digit industries is available, at the county level, more values are suppressed. This causes disparities between statewide and county counts of high-, medium-, and low-wage jobs. In three counties—New London, Tolland, and Windham—the average disparity from year to year was between 14 percent and 23 percent. That is, in these three counties, the sum of the number of jobs as reported at the three-digit level was 14 percent to 23 percent less than the sum as reported as the two-digit level. (The average disparity at the statewide level was 0.3 percent). We thus chose to analyze county data only at the two-digit level.

### Chapter 3: Wage Gaps Grow

As the share of low-wage jobs rises, so does the challenge of raising a family. The jobs created in low-wage sectors not only pay less, but often provide less flexibility, less predictability and fewer benefits than jobs past.

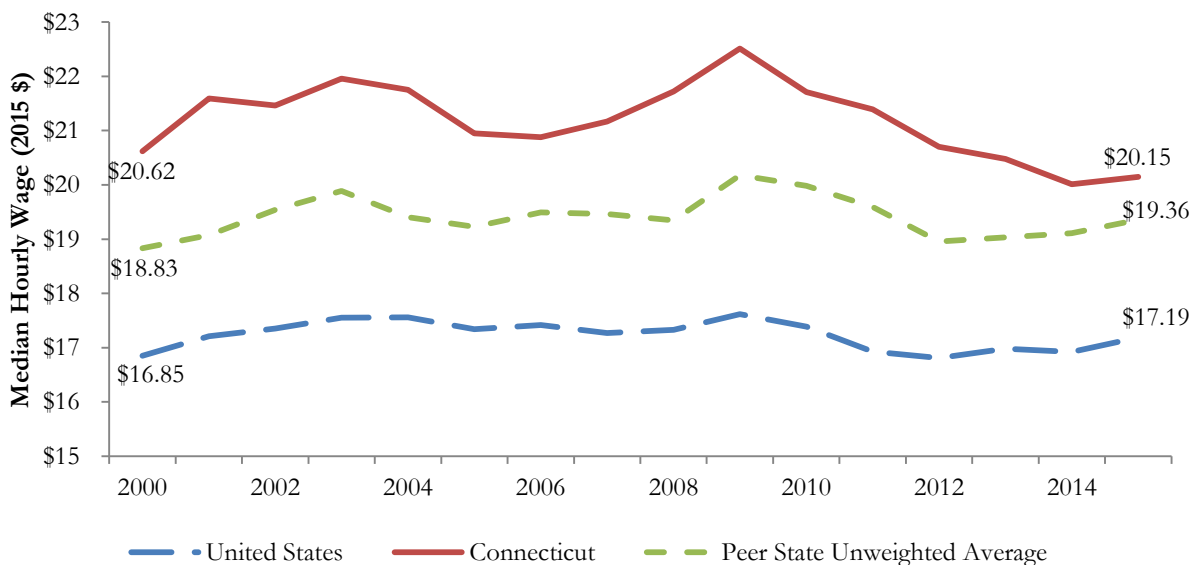
Major findings:

- The median and bottom 10 percent of wage-earners have seen their wages decline by more than 2 percent since 2002, while the top 10 percent have experienced growth of more than 11 percent.
- Connecticut’s gender wage gap has decreased, but more slowly than national trends.
- Black and Hispanic workers make a median hourly wage that is, respectively, about \$7.25 and \$8 less than white workers—a gap that has widened since before the Great Recession.

#### Hourly Wages

Although median wages of the nation and Connecticut’s peer states increased by 2 percent and 2.8 percent respectively between 2000 and 2015, during the same period, the Constitution State’s median wage actually *decreased* by 2.3 percent.<sup>f</sup> Since 2010, the median wage in Connecticut has decreased by more than 7 percent, compared to a 3 percent decrease among peer states and a 1 percent decrease nationally.

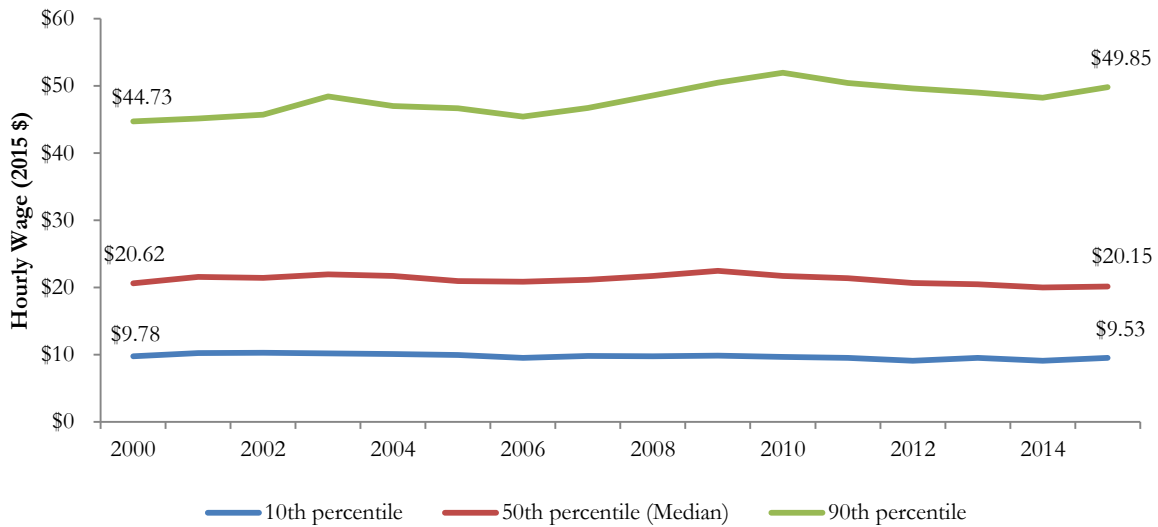
**Figure 9: Median Wages in Connecticut and its Peer States**



Source: EPI and CT Voices analysis of CPS data. Peer states are Massachusetts, New Jersey, New York, and Rhode Island.

Connecticut’s highest wage earners have weathered the recession and recovery relatively well. The top 10 percent of earners (90<sup>th</sup> percentile) have experienced fairly consistent wage growth over the past 15 years, amounting to a total increase of 11.4 percent since 2000. Low- and median-wage earners have seen their wages *decrease* by more than 2 percent over the same time period. All earners are still below 2010 wage levels, but of the three groups in Figure 10, median-wage earners have taken the largest hit (down 7.2 percent) and high-wage earners have experienced the largest uptick.

**Figure 10: Wage Deciles over Time, Connecticut**

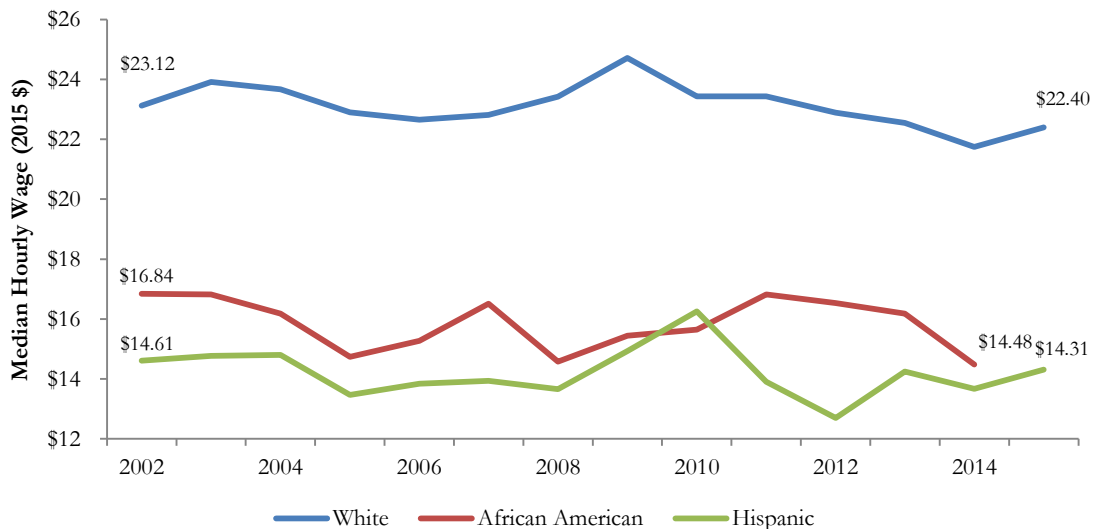


Source: EPI and CT Voices analysis of CPS data.

*Wage Gaps*

A truly equitable and prosperous economy would be one in which wages between people of all races and ethnicities were proportionately distributed. To the contrary, black and Hispanic workers in Connecticut make median hourly wages that are, respectively, \$7.25 and \$8 less than white workers—a gap that has widened since before the Great Recession. These disparities are larger in Connecticut than they are across the United States. Nationally, the median wages for black and Hispanic workers are 82 cents and 78 cents per dollar of the white median wage, respectively; in Connecticut, those numbers are just 66 cents and 64 cents.

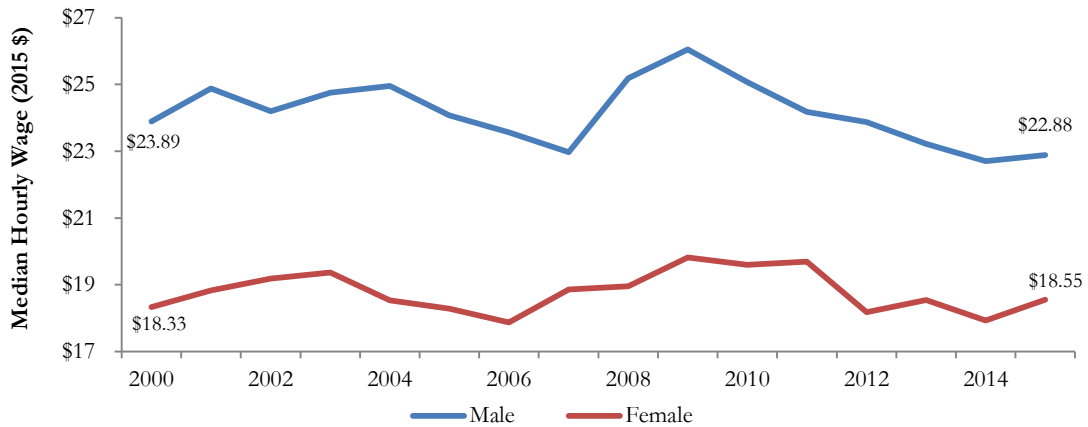
**Figure 11: Median Hourly (Real) Wages by Year by Race, Connecticut**



Source: EPI and CT Voices analysis of CPS data

In Connecticut, the median female worker makes 81 cents for every dollar her male counterpart does—up from 77 cents in 2000 and a 21<sup>st</sup>-century low of 74 cents for every dollar in 2004. Despite these advancements, gender inequality in wages in Connecticut exceeds the 17-cent national gender pay gap.

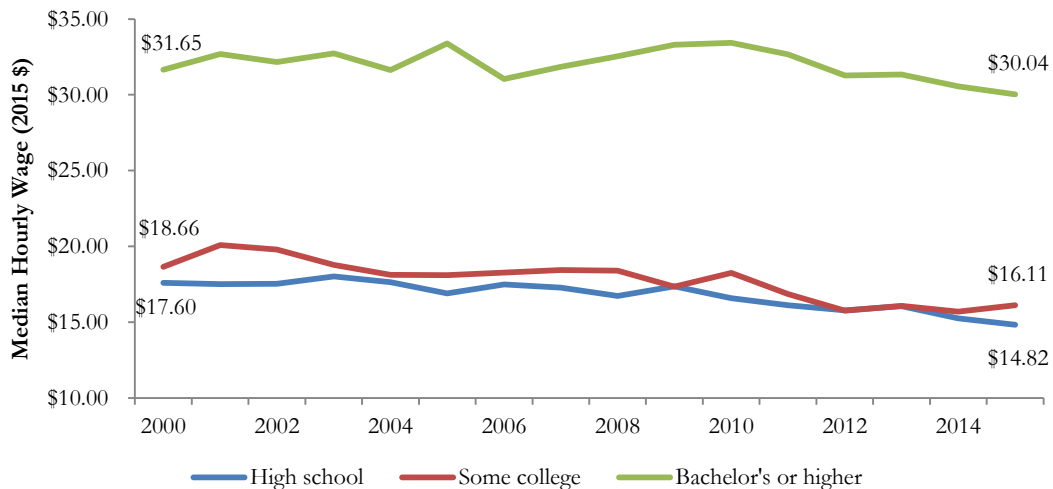
**Figure 12: Median Hourly (Real) Wages by Year by Sex, Connecticut**



Source: EPI and CT Voices analysis of CPS data.

A recent report from Georgetown’s Center on Education and the Workforce described how across the country, those with at least a bachelor’s degree have received nearly 75 percent of jobs created since the Great Recession.<sup>g</sup> Connecticut’s story is similar; from 2010 to 2014, prime-age workers with a bachelor’s degree or higher gained 26,179 jobs, while 34,378 fewer of their counterparts with a high school diploma or less were employed.<sup>h</sup> There are not just fewer jobs for those without a college education—the jobs that non-college educated workers hold now pay even less. In 2000, the median wage for workers with only a high school degree was \$14.05 less per hour than that for workers with at least a bachelor’s degree; in 2015, that gap increased to \$15.22. This reflects how since 2000, wages for workers with only a high school degree have decreased much more rapidly than those for workers with at least a bachelor’s degree.

**Figure 13: Median Hourly (Real) Wages by Year by Educational Attainment, Connecticut**

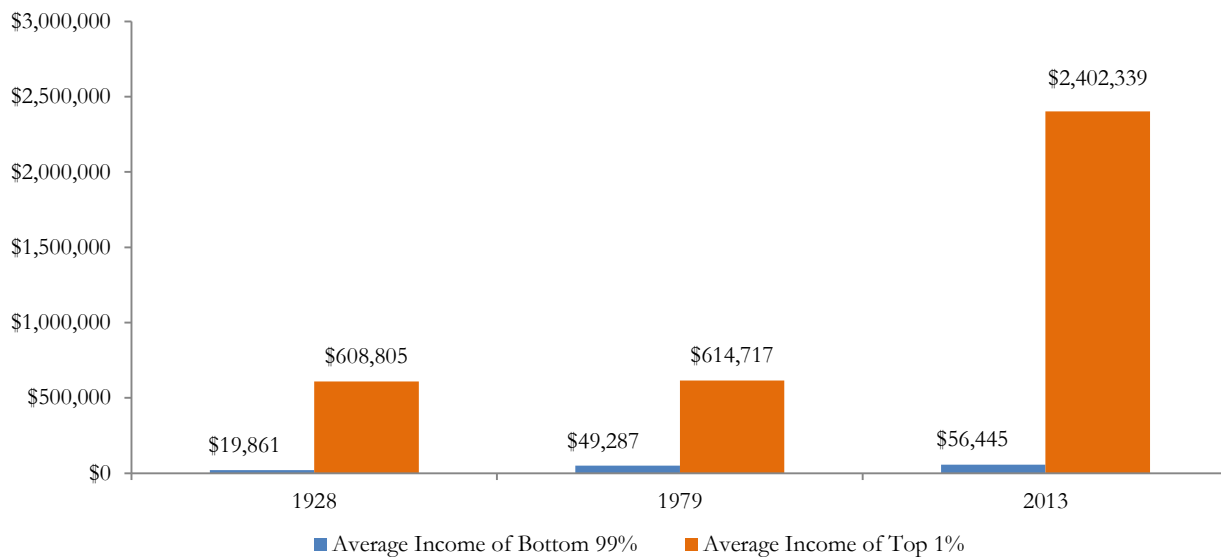


Source: EPI and CT Voices analysis of CPS data.

### *Income Inequality*

Examining only wages underestimates the degree of inequality between Connecticut’s wealthiest and the rest, since the wealthiest earn a greater share of their income from non-wage sources such as capital gains.<sup>1</sup> Over the past thirty years, incomes for the bottom 99 percent grew by just 14.5 percent, while the incomes of the top 1 percent swelled by 290.8 percent. As a result of this lopsided growth—a period in which the top 1 percent captured 71.6 percent of all income—incomes of the top 1 percent are now 42.6 times greater than the bottom 99 percent.<sup>8</sup>

**Figure 14:** Ratio of Incomes of Top 1% and Bottom 99%, Connecticut



Source: Estelle Sommeiller, Mark Price and Ellis Wazeter. 2016. Income inequality in the U.S. by state, metropolitan area, and county.

For more visualizations and data on wages in Connecticut, as well as access to customizable charts and graphs, visit [our Tableau page](#).

<sup>8</sup> Thomas, D. (2016b, July 28). Connecticut’s Income Inequality in Stark Contrast to Its Prosperity. Retrieved from <http://www.ctvoices.org/blog/20160728/connecticut%E2%80%99s-income-inequality-stark-contrast-its-prosperity>



## Chapter 4: Recommendations and Conclusion

In the short-term, lawmakers should seek ways to provide relief to working families to bridge the gap between low-wage paychecks and the growing cost of raising a family. In the long-term, lawmakers should prioritize investments that stimulate growth in higher-wage, higher opportunity industries and that ensure workforce preparedness. We recommend the following:

1. *Restore the state Earned Income Tax Credit (EITC) to 30 percent of the federal level.* The state legislature cut the EITC in 2013 from 30 percent to 25 percent of the federal credit; today, it stands at 27.5 percent. As a result, families<sup>9</sup> earning an average of \$17,732 per year in 2014 saw a tax increase of nearly \$130.<sup>j</sup> The EITC has been linked to increased infant and maternal health, school performance, college enrollment, and future earnings.<sup>k</sup> Restoring the credit would boost incomes and help families make ends meet.
2. *Make the minimum wage a living wage.* 16 of the 92 private industries we analyzed (employing 24.5 percent of the state's workforce) pay an average wage of less than \$15 per hour. Raising the minimum wage to \$15 per hour would offer relief to 336,000 workers and help those the state's recovery has left farthest behind. 60 percent of benefitting workers would be women; 31.8 percent of all black workers and 37.5 percent of all Hispanic workers would benefit.<sup>10</sup>
3. *Ensure high-quality early childhood education for every child.* Access to high-quality early education removes barriers to work for parents and improve lifelong outcomes for children—better preparing the next generation of workers.<sup>l</sup> Yet as child care costs become increasingly prohibitive, the state has reduced the number of families receiving child care subsidies by 12,900 for the coming year due to federal legislation and state fiscal challenges.<sup>m</sup> The state must fully fund early care so that all children and families have an opportunity to succeed.
4. *Foster job creation by funding quality K-12 education for all.* Connecticut's broken property tax structure fuels significant disparities in towns' school spending, leaving some communities unable to fully fund high-quality K-12 education systems.<sup>n</sup> A highly-educated workforce makes Connecticut more attractive for high-wage employers. By reforming its property tax system to make school funding more equitable, Connecticut can promote economic development by drawing businesses to an educated workforce.
5. *Invest in physical infrastructure.* To attract and retain innovative, well-paying industries, the state's airports, bridges, railways, roads and broadband must match its human capital. Low interest rates provide an inexpensive opportunity to invest in infrastructure projects that encourage commerce, boost productivity, and create good jobs.<sup>o</sup> But as a percentage of state GDP, Connecticut spends less on infrastructure than its peers.<sup>11</sup> To maintain the competitive advantage of its well-educated workforce, the state should invest in the facilities and transportation systems that help businesses and communities grow.

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<sup>9</sup> Thomas, D., & Defiesta, Nick. (2016). *Restoring State's Earned Income Tax Credit Makes Sense*. Connecticut Voices for Children: <http://www.ctvoices.org/publications/restoring-connecticuts-earned-income-tax-credit-makes-sense>

<sup>10</sup> Thomas, D. (2016a, July 19). Testimony in Support of Increasing Connecticut's Minimum Wage to \$15. Retrieved from <http://www.ctvoices.org/sites/default/files/Minimum%20Wage%20Testimony%20-%20Low-Wage%20Advisory%20Board.pdf>.

<sup>11</sup> Thomas, D., & Marks, J. (2016). Building Connecticut's Future: <http://www.ctvoices.org/blog/20160318/building-connecticuts-future>

## Appendix A: Data Sources, Technical Notes, and Limitations

### *Data Sources and Technical Notes*

For wages and employee counts by industry, we use annual averages from Quarterly Census of Employment and Wages (QCEW) data at the two- and three-digit NAICS code level.<sup>p</sup> For national demographic data, we use annual averages from the Current Population Survey (CPS).<sup>q</sup> To classify industries, the QCEW uses the North American Industry Classification System (NAICS), whereas the CPS uses the Census industry classification system, which is derived from the NAICS but slightly different. Furthermore, both classification systems have changed multiple times since 2002. These issues make it very time-consuming—and perhaps impossible—to match all Census industry classifications with the equivalent NAICS classification in the past 15 years. Thus, we match them at only the two-digit level. [According to the BLS](#), the Census industry classification system changes after 2002 have been relatively minor and “[do] not involve re-classification of industries between the broader industry sectors.”<sup>r</sup>

We based the threshold for low-wage industries on the University of Washington’s Self-Sufficiency Standard, prepared for Connecticut’s Permanent Commission for the Status of Women most recently in 2015.<sup>s</sup> The Self-Sufficiency Standard calculates “how much a family must earn to meet basic needs,” including child care, health care, transportation, and taxes, for more than 70 family types in 23 regions across the state.<sup>t</sup> Using the University of Washington’s data, we calculated a statewide self-sufficiency wage for each family type by averaging each family type’s self-sufficiency wage in each region, weighted by the region’s population.<sup>u</sup> The statewide self-sufficiency wage for a single adult with no children is \$13.69; for a single parent with one school-aged child, it is \$23.80. We chose a low-wage threshold of \$15 per hour to remain close to the threshold for a single adult with no children while recognizing that many families need more than that to survive.

Of the 92 private-sector industries with three-digit NAICS codes that we examined, nine had missing values for 2015 annual pay. Eight of these—apparel manufacturing, leather and allied product manufacturing, oil and gas extraction, rail transportation, postal service, internet publishing and broadcasting, monetary authorities – central bank, and funds, trusts, and other financial vehicles—we excluded from the analysis because they had no recent data available. For the remaining one—credit intermediation and related activities—we used its 2014 wages and annual pay, since these likely approximate 2015 values.

### *Limitations*

For each industry, QCEW data reports mean—not median—wages. Since wages paid within an industry may vary widely, the mean wage likely overestimates the wage of a typical worker in an industry. The mean wage reported for two-digit NAICS classifications is likely more upwardly biased than the mean wage reported for three-digit ones, since two-digit classifications aggregate more industries. The Current Population Survey reports demographic data by industry only nationally. State-level demographic data by industry is not available. Although we considered using the CPS’s Geographic Profile of Employment and Unemployment and the Connecticut Department of Labor’s Affirmative Action data, we found both datasets inadequate for our use.<sup>v</sup> The Geographic Profile data uses CPS-specific supersectors, making comparison to other NAICS-specific data difficult, and the Affirmative Action data records (1) occupations, not industries, and (2) job seekers, not job holders. If national demographic trends within industries approximate Connecticut’s, then our Current Population Survey analysis can help state policymakers decide which industries to invest in.

## Appendix B: Citations

- <sup>a</sup> Defiesta, N., & Thomas, Derek. (2015). *The State of Working Connecticut 2015* (p. 4). Connecticut Voices for Children. Retrieved from <http://www.ctvoices.org/sites/default/files/State%20of%20Working%20CT%202015.pdf>; Srivastava, M. (2015, September). *The Connecticut Economy*, slide 21. Retrieved from [https://www.cga.ct.gov/fin/tfs%5C20140929\\_State%20Tax%20Panel%5C20150916/FINAL%20CT%20Economy%20-%20OPM%20Presentation.pdf](https://www.cga.ct.gov/fin/tfs%5C20140929_State%20Tax%20Panel%5C20150916/FINAL%20CT%20Economy%20-%20OPM%20Presentation.pdf)
- <sup>b</sup> Of the 101 subsectors, 36 were analyzed for both the public and private sector, 56 were analyzed for only the private sector, and 9 were analyzed for only the public sector. Thus, in total, 92 private-sector industries and 45 public-sector industries were examined.
- <sup>c</sup> The self-sufficiency wage is that calculated for the Permanent Commission for the Status of Women. See Pearce, D. (2015). *The Self-Sufficiency Standard for Connecticut 2015*. Center for Women's Welfare, University of Washington School of Social Work. Retrieved from [http://depts.washington.edu/selfsuff/docs/CT2015\\_SSS.pdf](http://depts.washington.edu/selfsuff/docs/CT2015_SSS.pdf); 2015 Poverty Guidelines. (2015, September 3). Retrieved August 12, 2016, from <https://aspe.hhs.gov/2015-poverty-guidelines>
- <sup>d</sup> Fry, R., & Kochhar, R. (2016, May 11). Are you in the American middle class? Retrieved from <http://www.pewresearch.org/fact-tank/2016/05/11/are-you-in-the-american-middle-class>. For a single person in Connecticut, Pew Calculates the upper threshold for middle class at \$78,255 per year. Because Pew uses income—which includes returns on investment—and our analysis uses wages, we set the upper threshold lower than Pew's.
- <sup>e</sup> EPI analysis of Current Population Survey data.
- <sup>f</sup> Connecticut Voices and EPI analysis of Current Population Survey data. During the Pre-Recession period (2000-2007), Connecticut's median wage increased by 2.7 percent, compared to the 3.4 percent growth of its peers' median wages and 2.5 percent nationally.
- <sup>g</sup> Carnevale, A. P., Jayasundera, T., & Gulish, A. (2016). *America's Divided Recovery: College Haves and Have-Nots* (p. 9). Georgetown Center of Education and the Workforce. Retrieved from <https://cew.georgetown.edu/cew-reports/americas-divided-recovery>.
- <sup>h</sup> Ba Tran, A. (2016, July 13). Economic recovery leaving behind those who did not go to college. Retrieved from <http://trendct.org/2016/07/13/countrys-economic-recovery-leaving-behind-those-who-did-not-go-to-college/>; "Table B23006: Educational Attainment by Employment Status for the Population 25 to 64 years," American Community Survey 5-Year Estimates, retrieved from: [https://factfinder.census.gov/bkmk/table/1.0/en/ACS/14\\_5YR/B23006/0400000US09](https://factfinder.census.gov/bkmk/table/1.0/en/ACS/14_5YR/B23006/0400000US09).
- <sup>i</sup> In 2013, the top 1 percent earned 38 percent of their pre-tax income from capital gains, compared to 2 percent for the middle quintile. See Congressional Budget Office. (2016). *The Distribution of Household Income and Federal Taxes, 2013* (p. 33), Table 2, "Components of Average Market Income, by Market Income Group, 2013." Retrieved from <https://www.cbo.gov/publication/51361>.
- <sup>j</sup> EPI and CT Voices analysis of Current Population Survey data.
- <sup>k</sup> Marr, C., Huang, C.-C., Sherman, A., & Debot, B. (2015). *EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds*. Center on Budget and Policy Priorities. Retrieved from <http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens>.
- <sup>l</sup> Duncan, Greg J., and Katherine Magnuson. 2013. "Investing in Preschool Programs." *Journal of Economic Perspectives*, 27(2): 109-32; Karoly, L., M. Kilburn and J. Cannon (2005). *Early Childhood Interventions: Proven Results, Future Promise*. Santa Monica: RAND Corporation. Retrieved from: [https://www.rand.org/content/dam/rand/pubs/monographs/2005/RAND\\_MG341.pdf](https://www.rand.org/content/dam/rand/pubs/monographs/2005/RAND_MG341.pdf); Heckman, James

et al. “A New Cost-Benefit and Rate of Return Analysis for the Perry Preschool Program: A Summary.” National Bureau of Economic Research, 2010.

<sup>m</sup> The Office of Early Childhood Announces Care 4 Kids Family Income Eligibility Changes Effective July 1, 2016. (2016, May 26). Retrieved from <http://www.ct.gov/oec/cwp/view.asp?Q=581054&A=4545>.

<sup>n</sup> Cutting-edge research from Berkeley, Stanford, and Northwestern has found that increasing school spending helps children perform better in school, graduate more often, and earn more later in life. See Candelaria, C.A., & Shores, K.A. (2015). The Sensitivity of Causal Estimates from Courtordered Finance Reform on Spending and Graduation Rates (working paper). Stanford University. Retrieved from [https://cepa.stanford.edu/sites/default/files/shores\\_candelaria\\_causal\\_estimate.pdf](https://cepa.stanford.edu/sites/default/files/shores_candelaria_causal_estimate.pdf); Jackson, C.K., & Johnson, R., Perisco, C. (2015). The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms (NBER Working Paper No. 20847). Cambridge, MA: The National Bureau of Economic Research. Retrieved from <http://www.nber.org/papers/w20847>; Lafortune, J., Rothstein, J., & Schanzenbach, D.W. (2016). School Finance Reform and the Distribution of Student Achievement (NBER Working Paper No.22011). Cambridge, MA: The National Bureau of Economic Research. Retrieved from <http://www.nber.org/papers/w22011>.

<sup>o</sup> Blair, R. (2016, August 5). State Realizes Record Low In Bond Sale Amid Lingering Questions About Rating. *Hartford Courant*. Retrieved from <http://www.courant.com/politics/capitol-watch/hc-treasurer-bond-sale-story.html>; McNichol, E. (2016). *It's Time for States to Invest in Infrastructure*. Center on Budget and Policy Priorities. Retrieved from <http://www.cbpp.org/research/state-budget-and-tax/its-time-for-states-to-invest-in-infrastructure>.

<sup>p</sup> QCEW data at the state and county level is available at <http://data.bls.gov/cgi-bin/dsrv?en>. QCEW data at the town level is available from the Connecticut Department of Labor at [http://www1.ctdol.state.ct.us/lmi/202/202\\_annualaverage.asp](http://www1.ctdol.state.ct.us/lmi/202/202_annualaverage.asp).

<sup>q</sup> “Table 18: Employed persons by detailed industry, sex, race, and Hispanic or Latino ethnicity,” Bureau of Labor Statistics, Current Population Survey, <http://www.bls.gov/cps/tables.htm>.

<sup>r</sup> Historical comparability of occupation and industry data from the Current Population Survey. (2016, June 6). Retrieved August 22, 2016, from <http://www.bls.gov/cps/cpsoccind.htm>

<sup>s</sup> Pearce, Diana, “The Self-Sufficiency Standard for Connecticut 2015.”

<sup>t</sup> *Ibid.*, Executive Summary and 23.

<sup>u</sup> The 2015 data is located at <http://selfsufficiencystandard.org/connecticut>.

<sup>v</sup> Current Population Survey, Geographic Profile, <http://www.bls.gov/gps/>; Connecticut Department of Labor, Affirmative Action data, <http://www1.ctdol.state.ct.us/lmi/affirm/affirm.asp>.