
# Sowing Prosperity:

## Low-Income Working Families and Connecticut's Economic Future

**CAHS**
**Connecticut Association for Human Services**

# Connecticut Association for Human Services

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## Acknowledgments

The Connecticut Working Poor Families Project is part of a four-year old effort funded by the Annie E. Casey, Ford and Rockefeller Foundations to assess state policies and programs to improve the economic circumstances of low-income working families with children. The Connecticut Association for Human Services (CAHS), a statewide nonprofit organization that works to reduce poverty through advocacy, research, and outreach, was selected to produce this report. CAHS reviewed indicators provided by the national project manager, Brandon Roberts & Associates, and collected additional data from state agencies and reports, advocates, and other sources. CAHS created a project advisory committee that included representatives from state agencies, social service and advocacy organizations, and business. We prepared this report with the goals of encouraging a dialogue among policymakers and developing an action agenda for Connecticut in economic development, education and training, and policies that help low-income working families become self-sufficient. We intend to work with advisory committee members to implement the recommendations of this report in the coming year.

The national project management team consists of Brandon Roberts and Deborah Povich. Kerri Rivers of the Population Reference Bureau, analyzed the American Community Survey and the Current Population Survey data made available by the U.S. Census Bureau and the U.S. Department of Labor. Levin Pollard of PRB assisted with mapping and layout. CAHS staff would like to thank the national team for their support and guidance in the development of this report.

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# Executive Summary

*While the United States has enjoyed unprecedented affluence, low-wage employees have been testing the American doctrine that hard work cures poverty.*

—David K. Shipler, *The Working Poor*

Connecticut revels in its well-deserved reputation for wealth. We're ranked #1 among states in per capita income and have the prep schools, country clubs, and high housing prices to prove it. Meanwhile, we know about the vast disparities in education and income between our central cities and our suburbs, but tend to ignore them. We're unmoved by the fact that in 2000, Hartford, our capital, had the second highest poverty rate in the nation of cities with populations over 100,000, behind only Brownsville, Texas.

The facts about Connecticut's low-income families are troubling. Most families earning less than 200 percent of poverty, a level that is generally short of self-sufficiency in our high-cost state, have at least one full-time worker. There are more than 66,000 such families in Connecticut who cannot make ends meet despite hard work. They're the people hurt most by trends like the loss of manufacturing jobs, the movement of employers from central cities to suburbs, and growing class disparities. As chronicled in both *The New York Times* and *The Wall Street Journal*, class differences are making it more difficult for working families to achieve the American dream.

The worrisome trends for low-wage workers are increasingly affecting the state's middle class and the economy as a whole. Connecticut's job growth rate is improving but still places Connecticut behind 80 percent of the country. Jobs at all income levels are less stable, and benefits like health care coverage are disappearing. The state's education gap is affecting business and industry as employers can't find workers with the skills they need and are moving jobs elsewhere. Connecticut is losing its competitive edge.

Now is the time for policymakers to take action. The good news is that our still-wealthy state has the resources to advance an agenda that will strengthen not only low-income working families but also the state's overall economy.

*Sowing Prosperity: Low-Income Working Families and Connecticut's Economic Future* presents information about low-income workers, highlights the successful policies that are already in place to help them, and describes how we can complete the work that needs to be done.

To bolster economic prosperity for all, this report calls on state policymakers to:

- Strengthen workforce development policies that support the advancement of low-income workers as well as economic development policies that retain, create, and attract family-supporting jobs with good benefits;
- Strengthen education and training programs that prepare low-wage workers for available jobs and enable them to move into high-skill jobs; and
- Improve tax credits, child care subsidies, health care coverage, and other policies that assist low-income working families to remain in the workforce and to become self-sufficient.

Together, this combination of policies can improve Connecticut's economy and benefit all residents.

## CHAPTER ONE Working Hard But Not Getting By

VISION: Connecticut's working families are economically self-sufficient.

One of Connecticut's greatest assets is its high quality of life. But reduced job security, weakened access to health care and other benefits, and rising housing costs threaten this quality for many in the middle class. Homeownership, safe neighborhoods, and high-quality schools are extremely difficult for low-income working families to obtain, despite their labor. This report begins with a look at the conditions of low-income working families in Connecticut—their wages, benefits, and the challenges they face.

## CHAPTER TWO Keeping Connecticut Competitive

VISION: Connecticut reclaims its place as an economic leader by expanding economic development to include policies directed toward low-income workers and their employers.

Connecticut's economy no longer works for all. Businesses and jobs that provided the opportunity for low-skilled workers to advance and achieve economic security have largely disappeared. State economic development policies are failing to address this situation and are poorly positioning the state to regain its prominence as an economic leader that creates opportunity for all. The state's slow recovery from recent recessions and its listless job growth exacerbate the financial limitations experienced by low-wage workers. Future job growth is likely to continue economic stratification. Many new jobs will require a college degree, but job growth is also expected in low-skill sectors that provide few benefits and pay low wages.

Innovative thinking is needed to determine solutions that benefit all residents of the state, including low-income working families; strengthen the state's economic well-being; and reduce poverty. The state needs a multi-faceted approach to economic and workforce development that combines the education and training of low-wage workers with efforts to attract new, better-paying jobs with particular attention to small businesses and microenterprise.

**Definitions**

- A **Family** is a married couple or single parent with at least one child under age 18.
- A **Working Family** is one in which all family members over age 15 have a combined work effort of 39 weeks or more in the last 12 months, or they have 26 or more weeks combined in the last 12 months and one unemployed parent looking for full-time employment.
- A **Low-Income Working Family** has a combined income of less than 200 percent of the federal poverty level (FPL), or the amount necessary to cover basic needs, including housing, food, clothing, health care, transportation, and child care. In 2003, a family of four with earnings of $37,620 was low-income.[1]
- A **Family Wage, Mid-Level Wage, or Family-Supporting Job**, for the purposes of this report, refers to one that pays at least $40,000 per year.

## CHAPTER THREE Education and Training: Laying the Groundwork for Success

VISION: Connecticut workers are prepared for jobs and upward mobility.

A competitive economy requires a highly educated and skilled workforce. State education and workforce systems are not sufficiently structured to serve all workers as evidenced by the fact that many Connecticut adults lack even basic literacy skills. This contributes to large disparities in income and limits employers' ability to find qualified employees.

Improving the quality and accessibility of educational programs for working adults, from

basic skills development all the way through college, will lead more families in Connecticut to self-sufficiency while providing businesses with the workforce they need.

## CHAPTER FOUR Support for Work, Support for Connecticut's Economy

VISION: All Connecticut families are able to meet their basic needs and receive work supports related to their employment.

Connecticut's economy rests on the talents and abilities of its workforce. However, the lack of family-supporting wages and benefits of many jobs can cause instability for working families, high worker turnover for employers, and high costs to the state in lost tax revenue and supportive services. No one who works full time should be poor. Public and private policies and programs are needed to make work pay and improve job retention for low-wage workers. Work supports such as child care subsidies, health care coverage, tax credits, and other policies are an investment in Connecticut's working families that will accumulate in value over time.

### Budget Constraints and Connecticut's Wealth

The scope of this project did not include calculating the cost of implementing recommendations. Some of these proposals will pump money into the state's economy, expanding the tax base and increasing state revenues. Many are investments in the state's most important resource, our people, and will produce long-term benefits for the economy. While state budget challenges and the state's constitutional spending cap could make implementation of our recommendations challenging, some require minimal funding, and others can be accomplished with no additional expenditures or through shifts in allocations of existing resources.

Connecticut residents can be proud of our state and the great wealth that we possess monetarily, physically, intellectually, and culturally. Our wealth is meaningless, however, if we allow the gap between rich and poor to grow unchecked. Rather, the state's bounty should be harnessed to make Connecticut a better place for all families. Our social contract should include the declaration that those who work should be able to support themselves and their families. Connecticut policymakers can make this ideal a reality, creating a brighter economic future for everyone.

DID YOU KNOW . . .

- In 2003, 64 percent of low-income families in Connecticut had at least one family member who was working.[2]
- The top 20 percent of Connecticut families have annual income nine times that of the bottom 20 percent, the third largest gap in the nation.[3]
- Over two-thirds of low-income working families spend more than one-third of their income on housing costs. Connecticut ranks 47th among the 50 states for this indicator.[4]
- By the fall of 2005, Connecticut had not replaced an estimated 31,000 jobs lost during the 2001 recession, while the nation as a whole replaced all lost jobs.[5]

## A Policy Agenda for Working Poor Families in Connecticut

Because low-wage workers perform a critical role in sustaining and improving the state's economy, Connecticut policymakers should:

- Expand economic development policies that address the loss of mid-level jobs and link the policies to workforce development efforts to improve Connecticut's competitiveness.
- Invest in education and training for low-wage workers so that they can move into higher-skill and higher-paying jobs.
- Strengthen work supports to ensure that low-wage workers can sustain their families and remain in the workforce.

Specifically, Connecticut should:

**A. Strengthen economic development policies that retain, create, and attract family-supporting jobs with good benefits.**

1. Increase the effectiveness of all components of the economic development system, including direct assistance to businesses, by implementing appropriate outcome measures and clear evaluation standards for job creation, wages, benefits, training, and compliance provisions.
2. Tie grants and loans to business to the creation of jobs that pay family wages and provide benefits, including health insurance.
3. Ensure full public disclosure of the state's economic development activities.

**B. Strengthen workforce development policies and programs that prepare low-wage workers for available jobs and enable them to move into higher-skill jobs.**

1. Remove the legislatively imposed spending cap for funding of adult education programs.
2. Expand English as a Second Language (ESL) programs.
3. Re-allocate federal welfare funds to education and training programs and ease restrictions on education for welfare recipients. The state should set a standard of self-sufficiency for TFA leavers and regularly measure its progress in achieving that standard.
4. Improve access to higher education for disadvantaged and part-time students and workers by restoring and increasing need-based financial aid for higher education. Allow need-based aid to students enrolled in non-credit, workforce development classes at community colleges.
5. Expand data collection for *all* adult education and community college students so that information on non-credit students is collected as it is for credit students. Use assessment results to improve outcomes related to completion rates, career advancement, and wage increases.
6. Expand the state's incumbent worker education efforts for low-skill, low-wage workers administered by the Connecticut Departments of Labor, Education, and Higher Education. Establish a central access point for employers and employees seeking information on program availability. Develop funding sources to offset employer costs and encourage participation.
7. Expand and restore successful workforce development programs, especially those that provide career assessment, case management, and retention support for low-wage workers, a policy that will also help employers in need of qualified workers.
8. Strengthen the links between business and secondary/postsecondary education, especially community colleges, to promote workforce education and training through such efforts as tax incentives for businesses.

**C. Improve policies that assist low-income working families to remain in the workforce and to become self-sufficient.**

1. Increase fairness in the state's tax structure and reward low-wage work by implementing a state Earned Income Tax Credit (EITC) and a child and dependent care tax credit, and promoting participation in the federal EITC.
2. Restore cuts in child care subsidies, extend eligibility, and simplify participation in the program.
3. The state should assist employers in offering health care insurance to their employees. Access to mental and behavioral health services should be available for low-income workers.
4. Increase participation in public benefits programs that help low-income working families meet their basic needs.
5. Appoint a legislative commission to investigate possible solutions to transportation problems faced by low-income residents, particularly those living in central cities. A timetable for solution development and implementation should be established with the commission's charge.


EDITORIAL | May 30, 2005
The New York Times - Class and the American Dream

Is the American dream . . . a myth? A series in *The Times* called "Class Matters" has found that there is far less mobility up and down the economic ladder than economists once thought or than most Americans believe. Class based on economic and social differences remains a powerful force in American life and has come to play a greater, not lesser, role over the last three decades. A parallel series in *The Wall Street Journal* found that as the gap between rich and poor has widened in America, the odds that a child will climb from poverty to wealth, or fall from wealth to the middle class, have remained stuck, leaving Americans no more likely to rise or fall from their parents' economic class than they were 35 years ago.[6]

**Endnotes**

[1] U.S. Census Bureau, Table 1, *Weighted Average Poverty Thresholds for Families of Specified Size 1959 to 2003*. Retrieved November 3, 2005 from http://www.census.gov/hhes/poverty/histpov/hstpov1.html
[2] Population Reference Bureau analysis of 2003 American Community Survey data, U.S. Census Bureau.
[3] Ibid.
[4] Ibid.
[5] Federal Deposit Insurance Corporation, *FDIC State Profiles* – Connecticut Fall 2005. Retrieved October 10, 2005 from http://www.fdic.gov/bank/analytical/stateprofile/NewYork/CT/CT.xml.html
[6] New York Times Editorial, May 30, 2005. Retrieved October 13, 2005 from http://select.nytimes.com/search/restricted/article?res=F7081EF9355D0C738FDDAC0894DD404482

For information about the national Working Poor Families Project, please go to the Annie E. Casey Foundation website at http://www.aecf.org/initiatives/fes/workingpoor/index.htm

**Did you know . . .**

- In 2003, Connecticut's median family income was the second highest in the country and our per capita income was the highest.[1]
- The top 20 percent of Connecticut families have annual income nine times that of the bottom 20 percent, the third largest gap in the nation.[2]
- 64 percent of all low-income Connecticut families (i.e., earning less than $37,620 a year) had at least one family member who was working.[3]
- Approximately 44,000 (68 percent) low-income working families paid more than one-third of their income on housing costs; Connecticut ranks 47th among the 50 states for this indicator.[4]
- 28 percent of Connecticut's low-income working families had at least one parent without health insurance.[5]
- The hourly wage needed to rent a two-bedroom apartment in the Stamford-Norwalk area in 2003 was $28.71, the third highest rate for metropolitan areas in the country and over four times Connecticut's minimum wage ($6.90) for that year.[6]

# Chapter 1 Working Hard But Not Getting By

Vision: Connecticut's working families are economically self-sufficient.

Connecticut is a state of extremes. We have the nation's highest per capita income, while Hartford has the second highest poverty rate in the nation of cities with populations over 100,000. The income disparity between the top and bottom income earners is the third highest in the United States. Connecticut's reading and math scores are among the highest in the nation, but only 76 percent of students in our seven poorest school districts graduate from high school.[7]

These widening gaps are occurring despite the hard work of low-income people. In 2003, 66,324 Connecticut families were working but had incomes below 200 percent of the federal poverty level, or $37,620, an amount that would not insure self-sufficiency in our high-cost state. Anyone who works hard should be able to support their families, but this is not the case for many people who make our lives tick: retail clerks and restaurant workers, janitors and school bus drivers, nurses aides and child care workers.

Meanwhile, the state's economy is fragile. Connecticut has been slow to recover from recent recessions and is still down 31,000 employees from its 2001 peak, while the nation as a whole has regained all jobs lost in the recession. Manufacturing continues to shed jobs that historically have paid wages adequate to support families. The state's workforce is not growing.

According to the Connecticut Office for Workforce Competitiveness (OWC), "Large proportions of tomorrow's available workforce are living in the state's major cities, and many of them are living and learning in poverty."[8] Employers need employees with greater skills in math, science, literacy, and technology, and the state should play a greater role in providing ready applicants. Connecticut's economy cannot thrive if it becomes dependent on workers with limited education.

Amidst these dilemmas, there is also good news. Connecticut has a relatively small proportion of low-income working families. We have the resources to implement policies that can help them become self-sufficient. And, we have the ability to expand successful programs that are already in place.

Connecticut is at a crossroads. State policymakers have the opportunity to re-focus the state's economic and workforce development agendas. Fortunately, the policies that assist low-income working families will improve the quality of the state's workers and strengthen the economy for everyone. With the right investments and policies, Connecticut can regain its competitive edge in the global economy in a way that helps all working families succeed.

### Connecticut's Quality of Life, Cost of Living, and the Income Gap

Overall, Connecticut earns high marks for our quality of life. In 2003, the state's median family income was the second highest in the country ($66,900), and its per capita income was the highest ($40,990 in constant 2000 dollars).[9] That same year, fourth-grade reading and math test scores (43 percent and 41 percent) placed Connecticut among the top states.[10]

Connecticut residents pursue higher education in significant numbers; the state ranked fifth in the country for the number of adults with a college degree.[11]

But the complete picture is more complex. As housing and other prices rise and job stability and benefits diminish, the state's middle class, which has prospered for decades, is being squeezed. For low-income working families who don't share in the state's prosperity, having a job today is not the ticket to affluence that it once was.

Connecticut's high rate of personal income is matched by our high cost of living. Housing-related expenses often take up the largest portion of the family budget. Two-thirds of low-income families in the state spend more than one-third of their income on housing, well over the standard of affordability established by Congress and the U.S. Department of Housing and Urban Development. Connecticut ranks 47th worst among the 50 states for the number of low-income working families paying more than one-third of their salary on housing.[12]

In 2003, Connecticut was the sixth least affordable state in the country for apartment rentals. Statewide, the hourly wage needed to rent a two-bedroom apartment was $18 (Figure 1).[13] Around the state, high real estate prices close low-income homebuyers out of the market. Over the past five years, Connecticut's housing prices have risen by over 50 percent.[14]

**Hourly Wage Needed to Rent Two-Bedroom Apartment**
**Connecticut - 2003**


Figure 1. Winton Pitcoff, et al., *Out of Reach: America's Housing Wage Climbs*. Washington, DC: National Low-Income Housing Coalition, 2003. Retrieved August 16, 2005 from http://www.nlihc.org/oor2003/

Connecticut's prices for food, utilities, health care, child care, and transportation are among the highest in the country.[15] Tuition at Connecticut's public colleges has risen faster than the cost of living each year for the past ten years[16] at the same time that cuts have been made to state-funded financial aid.[17]

Living among affluence can be discouraging for poor and low-income working families. Connecticut ranks 48th out of the 50 states for income disparities between the top and bottom 20 percent of wage earners. The top 20 percent of Connecticut families have annual income nine times that of the bottom 20 percent.[18]

### Who Are Low-Income Working Families?

We tend to think that Connecticut's low-income populations are not working and small in number, but in 2003, 64 percent of all low-income families in the state had at least one family member who was working.[19]

**Other Facts About Connecticut's Low-Income Working Families:**

- More than 125,000 adults in working families earned less than 200 percent of the federal poverty level (FPL);
- Almost 36,000 (31 percent) minority working families were low-income, earning less than 200 percent FPL, and they were three times more likely to be low-income than non-minority working families;
- Over 17,000 low-income working families were immigrants; and
- In almost 40,000 low-income working families, neither parent had any postsecondary education.[20]

### Connecticut's Changing Workforce

Demographic projections indicate that Connecticut's population growth rate is expected to be relatively flat between 2005 and 2025.[21] Any growth is anticipated to come from international immigration, which already had increased 32 percent between 1990 and 2000, placing the state in 14th position in the U.S. for the percentage of immigrants among its population. A decrease in the ratio of majority to minority races and ethnicities and the aging of the state's residents are also anticipated, which will have significant implications for Connecticut's workforce.[22]

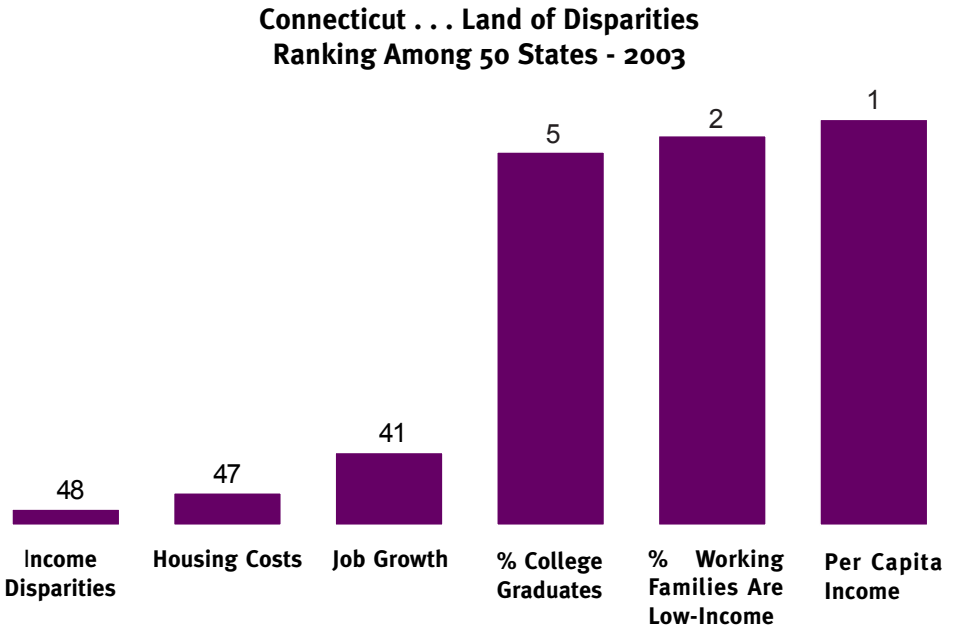


Figure 2. Population Reference Bureau analysis of 2003 American Community Survey data, U.S. Census Bureau; Connecticut Voices for Children analysis of Bureau of Labor Statistics data provided by the Economic Policy Institute, October 2005; U.S. Bureau of Economic Analysis, Table 653, *Statistical Abstract of the United States, 2004-2005*. Retrieved August 22, 2005 from http://www.census.gov/statab/ranks/rank29.html

Out-migration among young people, or what is commonly referred to as the "brain drain," increased between 1990 and 2000 as the state lost college-educated young adults at an alarming rate, especially among students in the science and engineering fields that are critical to our economy. In fact, one out of four 20- to 24-year olds left the state, totaling more than 64,000 young adults. The state's urban youth, who are anticipated to make up 40 percent of Connecticut's workforce by 2010, will be hard pressed to fill this void given the state's current educational achievement gap.[23]

As the number of manufacturing jobs have declined in the state, so have the number of union positions. Nationally, at the peak of the labor movement, in the mid-1950s, 35 percent of wage earners were union members.[24] There are no definitive state-level rates for those early days. Historically Connecticut had higher union participation than other states because of the high number of manufacturing jobs. In 1995, the first year for which state-level rates were calculated, 21 percent of Connecticut workers were union members.[25] In 2004, slightly less than 16 percent of Connecticut workers were unionized, compared to 12.5 percent nationally.[26] Wage variations for union and non-union jobs can be seen for all age groups of workers as well as both genders and all racial and ethnic groups. In 2003, nationally, a union worker between 45 and 54 years of age—peak earning years—earned a median weekly salary of $812 (more than $42,000 annually), compared to $695 per week (less than $37,000 annually) earned by a non-union counterpart.[27]

**Policies That Work for Families, Business, and the Economy**

Several Connecticut efforts to advance the careers or earnings of low-income workers have proven to be successful, illustrating that career advancement and job retention for low-income workers are possible when the right policies are put in place.

Understanding the financial problems facing low-income working families, some Connecticut lawmakers have attempted to level the playing field for the lowest wage earners. Connecticut is among the few states with a minimum wage ($7.10 an hour in 2005) set significantly above the national minimum ($5.15 an hour). During the 2005 legislative session the Connecticut General Assembly voted to raise the minimum even higher, increasing it to $7.65 by 2007.[28]

Still, even a minimum wage of $7.10 works out to less than $15,000 per year with full-time, year-round employment. In Connecticut, a family with this income is confined to the margins of economic life.

At first blush, attempting to address the plight of low-income working families may appear insurmountable. It takes innovative thinking to see the interconnection among poverty, the state's economic well-being, and solutions that allow all parties to win.

Economic analysts are beginning to connect the dots between a thriving state economy, business success, and the ability of working families to sustain themselves. State administrators, businesses, and others are talking about the problems of low-wage workers; their educational and training needs; the difficulty of employers, both large and small, to provide benefits and wages that support families; and an expanded definition of economic development.

To bolster economic prosperity for all, this report calls on state policymakers to:

- Strengthen workforce development policies that support the advancement of low-income workers, as well as economic development policies that retain, create, and attract family-supporting jobs with good benefits;
- Strengthen education and training programs that prepare low-wage workers for available jobs and enable them to move into higher-skill jobs; and
- Improve tax credits, child care subsidies, health care coverage, and other policies that assist low-income working families to remain in the workforce and to become self-sufficient.

When done right, a package of workforce and economic development programs will increase job growth, income, and government revenue and savings over the long term.

Enlightened workforce policies increase employees' knowledge and skills, enabling them to work safely, communicate effectively, and become more productive. Effective economic development strategies can help return depressed communities to their traditional role as job generators. Strengthening the state's economy can be done in a way that supports the family needs of workers who are the backbone of Connecticut's wealth.

Successful programs that link workforce and economic development in Connecticut are often short-term in nature or implemented at the local level, rather than statewide, and the number of workers who are achieving upward mobility from these policies and programs is not great. Structural barriers still exist to improve outcomes for this population of workers. Just as more must be done to bring family-supporting jobs to the state, more must be done to prepare a greater number of low-income workers to fill those positions.

### Poverty and Self-Sufficiency

The federal poverty level, methodologically unchanged since the 1960s, is used as the standard measure of poverty even though it is generally agreed to be unrealistically low. In 2003, the federal poverty level for a family of four was $18,810.[29]

The Connecticut Self-Sufficiency Standard, currently the best estimate of the price tag of basic needs, was first calculated in 1999 for different family sizes (e.g., two parents and one infant; one parent, a school-age child and a preschooler, etc.) and variations in cost of living without public or private assistance for each of the major regions in the state.

In 1999, to be self-sufficient, a family with two adults, a preschooler, and an infant needed an income of $42,806 in the Hartford region ($20.58 per hour or $10.29 per adult), $46,051 in the Northeast region ($22.14 per hour or $11.07 per adult), and $78,874 in the Southwest region ($37.92 per hour or $18.96 per adult).[30]

These figures will soon be obsolete, however, as the Connecticut Self-Sufficiency Standard is currently being revised by Dr. Diana Pierce of the University of Washington and the Connecticut Office for Workforce Competitiveness. The new self-sufficiency figures will be released in late fall 2005 or early 2006.

## Endnotes

[1] Annie E. Casey Foundation, KIDS COUNT State-level Data on-line. Retrieved August 22, 2005 from http://www.aecf.org./kidscount/sld/compare_results.jsp?i=340; U.S. Bureau of Economic Analysis, Table 653, *Statistical Abstract of the United States, 2004-2005.* Retrieved August 22, 2005 from http://www.census.gov/statab/ranks/rank29.html

[2] Population Reference Bureau analysis of 2003 American Community Survey data, U.S. Census Bureau.

[3] Ibid.

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### Did you know . . .

- In the 1950s, manufacturing, with its family wage and benefits, accounted for almost half of all employment in Connecticut; by the late 1980s, it had dropped to less than 19 percent.[1]
- Between 1998 and 2004, Connecticut lost another 54,400 manufacturing jobs with an estimated indirect loss of an additional 150,000 non-manufacturing jobs.[2]
- By fall 2005, Connecticut had not replaced an estimated 31,000 jobs lost during the 2001 recession.[3]
- By the second quarter of 2005, Connecticut's job growth had improved, and the state was ranked 41st among the 50 states for this indicator.[4]

# Chapter 2 Keeping Connecticut Competitive

**Vision:** Connecticut reclaims its place as an economic leader by expanding economic development to include policies directed toward low-income workers and their employers.

Connecticut's economy no longer works for all. Businesses and jobs that provided the opportunity for low-skilled workers to advance and achieve economic security have largely disappeared. State economic development policies are failing to address this situation and are poorly positioning the state to regain its prominence as an economic leader that creates opportunity for all. The state's slow recovery from recent recessions and its listless job growth contribute to the financial limitations experienced by low-wage workers. Future job growth is likely to continue economic stratification. Many new jobs will require a college degree, but new jobs are also expected in low-skill sectors that provide few benefits and pay low wages.

Connecticut has fewer people in poverty or uninsured relative to the rest of the country. However, the numbers have been growing over the past two years, and at rates much higher than the nation as a whole.[5] Jobs that pay a family wage are declining in number. Businesses—even those that have received grants, loans, and tax credits to keep them here—continue to leave the state. Connecticut's economic development policies need help.

Governor M. Jodi Rell and other political and business leaders are working to figure out how to grow the economy, especially high-skill and high-wage jobs. Connecticut's policymakers must recognize that the state cannot compete with other parts of the country on business costs and wages, and should not try to. Connecticut needs new approaches to economic development that support families and emphasize the state's quality of life and educated workforce.

One of the multiple solutions to which the state should turn includes adoption of policies that help more lower-skilled workers move into higher-skill jobs with salaries that support the basic needs of families and help them become self-sufficient.

By turning failed economic development policies on their heads and investing in low-wage workers and the communities where they live, state leaders can ensure the quality of Connecticut's workforce and attract businesses that need highly skilled employees. And the state should require the evaluation of all systems that contribute to economic development, particularly direct grants and loans to businesses.

### Connecticut's Economy in Transition

Connecticut's transformation from a predominately manufacturing to a service economy has occurred over the last half century. In the 1950s, manufacturing, with its family wage and benefits, accounted for almost half of all employment. By the late 1980s, it had dropped to less than 19 percent[6] as factories moved out of the state or country, products became obsolete, or new methods of production replaced the old.

The decline in manufacturing continues. Between 1990 and 2000, more than two dozen towns across the state lost significant numbers of jobs. The towns with the greatest losses—Hartford (11,000 jobs), East Hartford (4,800), Groton (4,600), New London (3,180) had two things in common—a history of manufacturing and deep roots in the defense industry (Figure 3).[7] Between 1998 and 2004 alone, Connecticut lost 54,400 manufacturing jobs with an estimated indirect loss of another 150,000 non-manufacturing positions.[8]

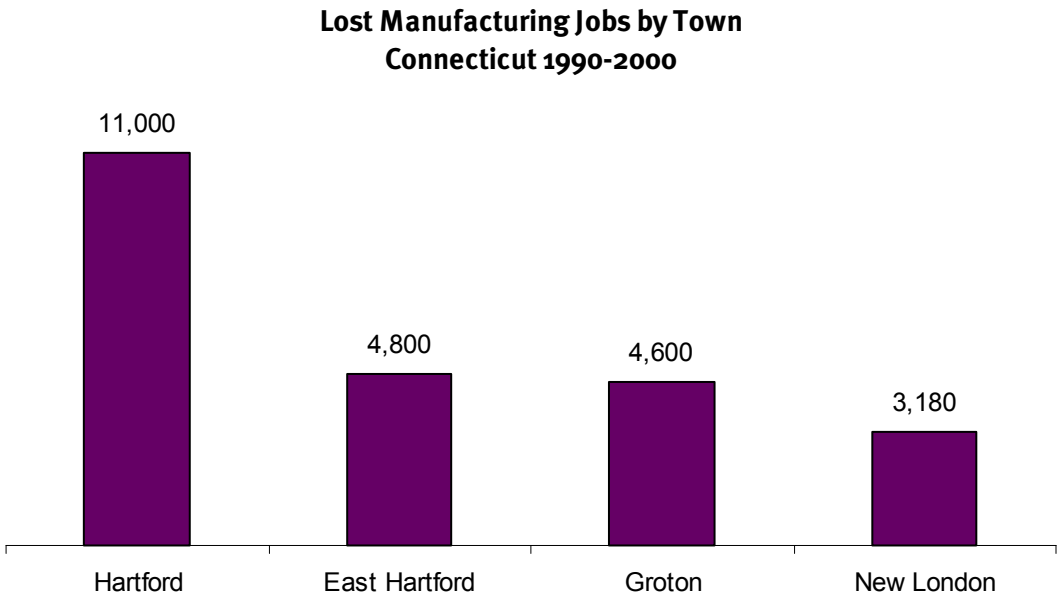


Figure 3. Jeffrey Blodgett, "Job Stats Can Help Communities Plan," *CT Business Magazine*, September/October 2001. Retrieved August 21, 2005 from http://www.cerc.com/detpages/services518.html

Technology has contributed greatly to the efficiency of the manufacturing industry. As a result, the number of workers needed to produce a widget, to manage a project, or track inventory has declined while production is holding steady or growing. The factory jobs that remain require far more education than those that employed our grandparents 50 years ago.

The service sector, which includes jobs with high- and low-skill requirements and corresponding pay, has not replaced the income associated with Connecticut's lost manufacturing employment. For those who make the transition from low- or semi-skilled manufacturing to the low-skilled service sector, replacement jobs often pay less and exacerbate the gap between rich and poor.

At the same time, Connecticut has lost service jobs in the higher-paying professions of professional and business services, finance, and information services. Much of the loss is the result of outsourcing. According to the Connecticut Office for Workforce Competitiveness (OWC) and the Connecticut Department of Labor (DOL), the state lost approximately 5.7 percent of high-end jobs in these three industries to off-shoring, compared to less than one percent lost in the U.S. as a whole.[9] Unfortunately, the service positions that have been growing in number are generally those at the lower end of the skill and pay level—jobs that require little education and training and pay on average less than half that of the annual salaries of the high-wage service positions lost.[10]

### The Price of Job Loss and Recession

Even when those who lose their jobs find full-time work, on average, they earn almost 13 percent less than their previous salaries. If foregone raises are considered, job losers earn 17 percent less in their new full-time positions than they would have in their old ones.[11] For those without a college diploma or professional credential, the financial ramifications of job loss can include constricted opportunity as well as downward, rather than upward, mobility.

The cost of job loss to workers in wages and non-transferable benefits and to municipalities in tax revenue and increased social services can be extensive. Some economists see job fluidity as a strength of the U.S. economy. Others, however, believe these social and economic costs to individual workers and their communities should be included in calculating the true cost of shifting economic cycles, particularly the costs to low-wage working families who may be least able to bear the price of joblessness.[12]

Connecticut's recovery from the most recent recession has been slower than other parts of the country. By early 2005, Connecticut had regained only half of the jobs it lost during the 2001 recession (approximately 31,000 positions).[13] Since September 2003, Connecticut's job growth rate has improved somewhat (1.9 percent) which lands the state in 41st place.[14]

These statistics stand in stark contrast to Connecticut's per capita income. Our sense of economic security has been based in part on growth in personal income that continued to rise in 2004, despite the slow recovery from the recession.[15] In reality, this sense of security may be misguided complacency, given the state's total number of unrecovered jobs, loss of family-sustaining wages, and the resulting decline in overall quality of life.

#### Microenterprise in Connecticut

Microenterprise, defined as locally owned business with fewer than five employees and started with less than $50,000 in capital, makes up 53 percent of business in the state of Connecticut. In fact, the Microenterprise Resource Group, with 14 members from across the state, estimates that more than 277,000 microenterprises conduct business here in Connecticut, employing two out of every five workers. All sectors of the economy are represented by small businesses, from retailers to manufacturers to restaurant owners.

Microenterprise is estimated to generate over $15 billion in sales and $430 million in state tax revenue. Microenterprise employs twice as many people as the top 25 employers in the state combined. While the top 25 employed approximately 250,000 people, in 2004, registered microenterpise employed just under 500,000.

The cost of creating a new job in micro-enterprise is $10,000.[16]

## Jobs and Employment Projections

A view of the state's occupations and anticipated projections in job growth over time provides an interesting look at the financial payoff education provides, as well as where the gaps in job availability exist. The Connecticut Department of Labor (DOL) provides the state with a ten-year forecast of higher-paying careers, classified into five levels by education and salary (Figure 4).

*Sowing Prosperity* is interested primarily in jobs, betweeen 2002 and 2003, found in Levels 3 and 4 (advancement to jobs in Level 2 is also possible with educational opportunity). In order for workers to earn a wage that supports a family, career paths and educational support must be available to move from Level 5 to Levels 4 and 3.[17]

**Connecticut Occupations, Education Required, and Salaries – 2002-2003**

| Job Level | Education | Occupations | 2003 Avg. Salary Range | 2002 # Employed |
|---|---|---|---|---|
| **Level 1** | Specialized Long-Term Prep | Doctor, Dentist, Lawyer | $111,634 - $178,838 | 21,710 |
| **Level 2** | Long-Term Prep BA, MA | Financial Services Analyst, Engineer, Physician's Assistant, Data Analyst, Credit Analyst, Loan Officer | $66,934 - $129,667 | 87,140 |
| **Level 3** | Mid-Level Prep AA, Postsecondary, Voc Ed, Certification, Long-Term On-the-Job Training (OJT) | RN, X-Ray Therapist, Police Officer, Firefighter, Tool and Die Maker, Plumber, Electrician, Claims Adjuster | $46,363 - $68,640 | 86,800 |
| **Level 4** | Light Prep Some Postsecondary, Moderate OJT | Advertising Sales Agent, Drywall Installer, Brokerage Clerk, Executive Secretary, Truck Driver, Highway Maintenance Worker | $38,646 - $61,547 | 50,577 |
| **Level 5** | Entry Level, Quick Prep, Short OJT | Production/Planning Clerk, Mail Carrier, Maintenance Worker, Human Resources Assistant, Credit Checker, Bill and Account Collector, Procurement Clerk | $33,218 - $40,082 | 24,180 |

Figure 4. Connecticut Department of Labor, *Connecticut's Industries & Occupations Forecast 2012*, (2005): 13-14.

In the immediate future (2005-2006), DOL anticipates that the greatest growth in jobs will be in construction, wholesale and retail trades, health care and social services, accommodations and food services, education, administration and support, and government.[18]

### The State's Role in Job Creation

Paramount among the concerns facing economic analysts and planners are increasing jobs in the state and maintaining Connecticut's competitiveness. To meet both ends, policymakers have developed an arsenal of economic development policies and programs that have brought the state through difficult financial times but have failed to securely reestablish it as an economic leader. Some of these economic development efforts include:

- Industry clusters, administered by the Connecticut Department of Economic and Community Development (DECD), to increase the innovation and competitiveness of business;
- Low- or no-interest loans and grants, tax credits, and tax abatements for business and industry;
- Links among business, industry, and academia through research and development programs with major public universities and targeted sectoral support by the community college system;
- Connecticut Innovations, Inc., a state-owned corporation associated with the DECD that invests in entrepreneurial companies in technological fields, such as bioscience, energy and environmental systems, information, and photonics;
- Connecticut Economic Resource Center (CERC), a nonprofit corporation specializing in economic development and marketing for local, regional, state and utility economic development entities;
- Targeted expansion of the technology sector; and
- The Governor's Competitiveness Council, established in 1998 to provide advice to the Executive Branch about industry clusters. This body is made up of CEOs, legislative leaders, labor representatives, university heads, industry council representatives, and state agency commissioners.

Clearly, Connecticut has encouraged growth and innovation of its private sector for many years. For the most part, these economic development strategies have focused on employer supports or the creation of jobs in technology and other sectors that rely on highly skilled workers. But it is unclear how effective these efforts have been for the state's workforce in general, and low-income workers in particular. Recent reports indicate that, to date, the state's industry clusters overall have not delivered new jobs or economic growth as policymakers had hoped.[19]

The state has yet to implement a body of economic development policies that restore mid-level positions and bring financial stability to working families, or to align economic and workforce development policies that could move low-income workers into positions of higher skill.

### Business Subsidies and Job Creation – The Disconnect

The state's existing job creation policies that are meant to increase employment at a variety of income levels, in fact, have had questionable results. While millions of dollars in financial support for business and industry are expended annually to draw employers into Connecticut or maintain existing businesses, no assistance programs run by the state to date contain requirements related to wage standards, full-time employment, training and education opportunities, health care coverage, or other employee benefits.

The emphasis, instead, has been on job-creation attached to loans and grants allocated without the requisite oversight that would indicate the benefits accrued for the state's workforce. Since 1992, three agencies that distribute economic development incentives—the Connecticut Development Authority (CDA), the Department of Economic and Community Development (DECD), and Connecticut Innovations, Inc.—have been required to report to the Connecticut General Assembly only the amount of subsidy provided to each company, changes to employment that have occurred within each company receiving funds, and wages paid.

Unfortunately, little analysis of the programs has been made available to the public, particularly regarding employee wages, and it is difficult to obtain reports documenting the results of the state's business assistance programs. According to CDA's Annual Report for 2004, over $20 million in assistance was distributed that year to approximately 31 business entities. Between July 1, 2003 and June 30, 2004, CDA assistance resulted in the creation of a total of 443 full-time and 32 part-time jobs; 1,185 full-time and 806 part-time jobs were retained. Salary data and health care coverage offered by recipient companies were reported in the aggregate without company identification. No information was contained in the report on the number of employees who received health care coverage or whether this coverage was free or purchased. Data were not available for all recipient companies.[20]

Between 1987 and mid-2000, as much as $695 million in subsidies was made available to Connecticut businesses, both large and small. In the early years (1987 through 1991) less than $4 million was distributed; but in 1993, the programs reached the high mark of $162 million in subsidies.[21] In general, there also is little public information about the number of low-wage workers employed by companies receiving state subsidies, whether or not their income has increased over time, and how long employees remain on the job.

Full disclosure helps determine who benefits from economic development investments and whether or not low-wage workers are targeted to benefit from specific business assistance efforts. With disclosure, we also learn the number of low-wage workers able to move above poverty level wages because of those business incentives and the impact of workforce investment as part of a larger economic development plan.

### Effective Economic Development Strategies

The Governor's Competitiveness Council developed a report in 2004 entitled, *Partnership for Growth II: A Competitiveness Agenda for Connecticut*, one of several in recent years that analyzes issues of economic development from different perspectives. With a new governor and legislative leaders in place since most of these reports were written, policy leaders should look to these analyses for recommendations of effective policies and programs that could be implemented quickly. These reports include:

- The report of the Inner City Business Strategy (2000), a state initiative to revitalize five large, distressed Connecticut cities. The Connecticut Economic Resource Center is now following up to assess the feasibility of creating inner city investment funds;
- The Regional Institute for the 21st Century report on *Economic Vitality and Land Use* (2003), a business-supported initiative that looked at changes in state, regional, and local planning processes to promote, among other things, economic growth and urban revitalization;
- *Connecticut Metropatterns* (2003), developed by the CenterEdge Project, a consortium created by the Archdiocese of Hartford, that looked at changes to state and regional tax and land use reform to promote prosperity; and
- *Benchmarking Connecticut's Economy: A Comparative Analysis of Innovation and Technology*, a report assessing the state's capacity for competitiveness, produced by the Connecticut Economic Resource Center in October 2005.

Taken together, these reports articulate the message that Connecticut's economic revitalization and our quality of life will depend on investments in people and communities as well as in business and industry.

## RECOMMENDATIONS

### Attracting Family-Supporting Jobs

Given weaknesses in Connecticut's economy and the lack of accountability around current economic development policies, state leaders need a fresh approach that directly links economic development with job creation and workforce development. The state's economic development agenda should emphasize policies that retain, create, and attract mid-level jobs with good benefits. Workforce development policies should invest more effectively in low-income workers.

Policymakers should:

1. Increase the effectiveness of all components of the economic development system, including direct assistance to businesses, by implementing appropriate outcome measures and clear evaluation standards for job creation, wages, benefits, training, and compliance provisions.
2. Tie grants and loans to businesses to the creation of jobs that pay family wages and provide benefits, including health insurance.
3. Ensure full public disclosure of the state's economic development activities.

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**Did you know . . .**

- One out of ten working adults in Connecticut lacks a high school diploma.[1]
- A worker with an associate's degree earns almost twice as much as someone without a high school diploma ($18,662 compared to $35,958 annually).[2]
- In 2002, one out of three Connecticut jobs required at least a college degree. By 2012, college degrees will be required for one out of two new jobs in the state.[3]
- Goods-producing industries (including construction and manufacturing) accounted for only 16 percent of jobs in the state in February 2005; the other 84 percent of jobs were in various service industries.[4]

# Chapter 3 Education and Training: Laying the Groundwork for Success

Vision: Connecticut workers are prepared for jobs and upward mobility.

As Connecticut's economy has been transformed over the past few decades, our well-educated workforce has been critical to maintaining high productivity and economic competitiveness. Connecticut ranks among the top states for the percentage of residents who have an associates degree or higher,[5] and we are first in per capita income.[6]

Despite this high level of educational success, 29 percent of Connecticut residents lack a postsecondary education, which contributes to large disparities in income and limits employers' ability to find qualified employees.[7] In fact, 40 percent of Connecticut adults 16 and older have literacy skills that are inadequate to function in today's society;[8] and Connecticut ranks 15th for high school completion, not in the top tier of states on this measure.[9]

Connecticut's long-term economic success depends on the continued development of a highly skilled workforce. Therefore, investing in the education and training of low-income working families will benefit everyone. Increasing the number and variety of educational opportunities for working adults, from basic skills development all the way through college, will lead more Connecticut families to self-sufficiency. A better educated workforce means a more robust economy, healthier communities, and stronger families.

### Education as the Engine for Economic Prosperity

Mile for mile, the distance one travels on the academic highway determines how far up the career ladder a worker can expect to go. A high school diploma or its equivalent is only the threshold for most jobs today. More education is needed for jobs that pay sufficient wages to support a family. For the 11 percent of all working-age adults who lack even a high school diploma, the barriers to employment and advancement up the career ladder are substantial.[10]

Nationally, the difference in annual earnings for a person who has not completed high school and someone with a high school diploma was $9,253 in 2003 (Figure 5). The income gap is even more pronounced, nearly double, when the earnings of a worker without a high school diploma are compared to those of an adult who has completed an associate degree ($18,662 versus $35,958).[11]

**National Earnings by Education Level - 2003**

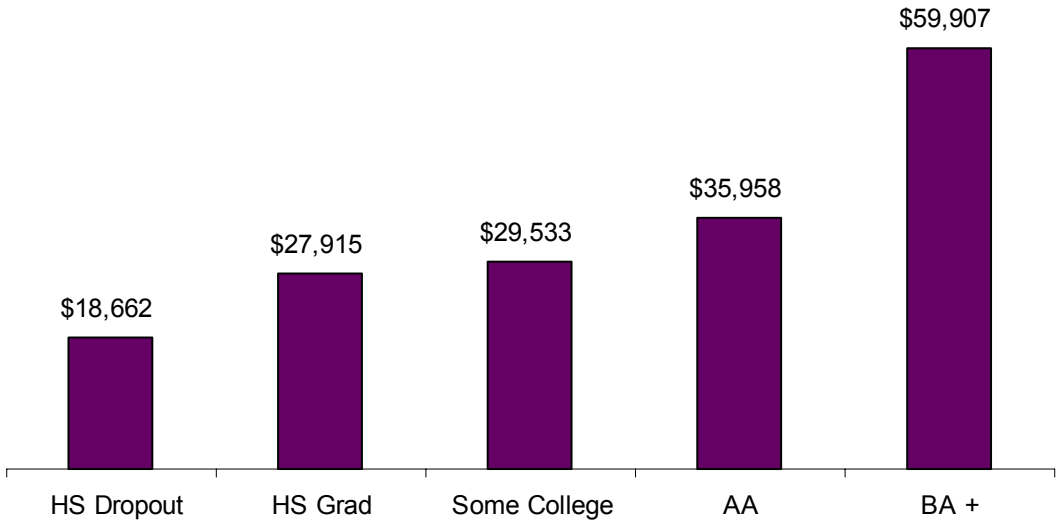
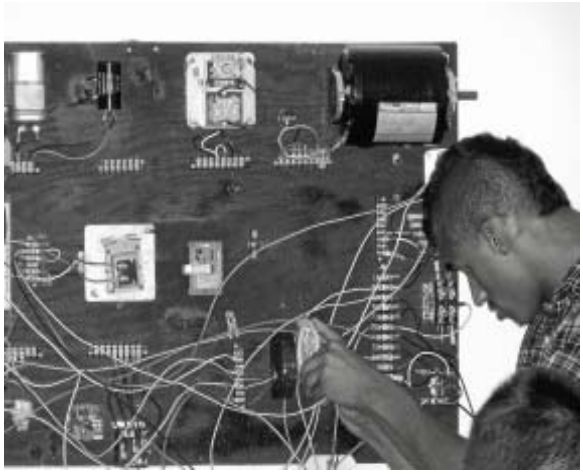



Figure 5. North Carolina Budget and Tax Center analysis of 2003 Community Population Survey data, U.S. Census Bureau, October 2005.

## Connecticut's Workforce Development Policies and Programs



As with the state's economic development activity, Connecticut's workforce development effort has been quite extensive and includes the following:

- A workforce infrastructure made up of the Connecticut Employment and Training Commission (CETC), the Connecticut Office for Workforce Competitiveness (OWC), programs administered by the Connecticut Departments of Labor, Economic and Community Development, Higher Education, Education, Corrections, and Social Services, and workforce investment boards in five regions of the state;
- Enterprise Zone and apprenticeship programs in the manufacturing and construction sectors that provide incentives for targeted hiring practices;
- Connecticut Career Choices, an initiative to develop the state's technological workforce;
- Targeted workforce development for specific populations, including the STRIVE project, an initiative that provides job training and intensive follow-up to low-income residents and former prison inmates; the federal Workforce Investment Act (WIA); and Jobs First Employment Services (JFES) for adults receiving Temporary Family Assistance (TFA) also known as public assistance;
- Sectoral career ladder initiatives to address employee shortages in health care, early care and education, and K-12 education throughout the state;
- Incumbent worker training programs that provide skill building related to employment as well as literacy and basic education services through the Departments of Labor, Education, and Higher Education;
- The *Customized Job Training Program*, offered through the Connecticut Department of Labor, provided state funding to small and mid-size businesses for employee training and skill upgrading. In FY 2002 over 8,500 individuals from 590 businesses enrolled in the program. Among the targeted populations for these pre-employment and on-the-job training funds were the chronically unemployed, low-income women who were interested in non-traditional jobs, displaced homemakers, and women and minorities interested in apprenticeship programs (the program was eliminated in recent years because of the state's economic crisis); and
- Adult education classes in English as a Second Language, literacy training, and citizenship offered at the local level with state funds.

While this list illustrates that the state of Connecticut has been conducting a solid workforce effort, few of these initiatives address the long-term career advancement of low-income workers who do not qualify for public assistance or sectoral support. To their credit, state planners from OWC and members of CETC, the state entity that oversees Connecticut's workforce investment boards, are beginning to call attention to the gap between the needs of employers for a highly skilled workforce and the education and training needs of those who are or could be applying for those positions. In particular, the Dual Economy Work Group of CETC is examining the situation of low-income workers and the needs of their employers and plans to develop recommendations for the state.

### Adult Education

Overcoming obstacles to literacy and basic education is the first step for many working adults who are looking to get ahead in Connecticut's economy. Sixteen percent of all Connecticut residents have literacy skills rated at Level 1, which means they have trouble finding an intersection on a street map. Another 24 percent have literacy skills rated at Level 2, meaning they have difficulty reading a bus schedule.[12] Taken together, 40 percent of Connecticut adults would benefit from literacy training, however, only 15 percent of adults over 25 without a high school diploma or GED are participating in Connecticut's adult education programs.[13]

In 2003, almost 33,000 Connecticut residents enrolled in a variety of adult education courses operated through the Connecticut State Department of Education (SDE), ranging from Adult Basic Education (ABE) and high school completion courses, to English as a Second Language (ESL), and citizenship.[14]

The Connecticut state legislature mandated, as far back as the 19th century, that all adult education classes be offered free of charge and available at flexible times and locations. As a result, Connecticut allocates, on average, more money per adult education pupil than most states.[15] However, a state cap on adult education funding, imposed every year since 2003, has placed increased pressure on the ability of local educators to deliver quality and flexibility as well as courses of adequate duration. Changes in course availability have adversely affected student performance. Among those who are able to stay with the program, test scores have improved by as much as 50 percent.[16] While policymakers' commitment to adult education has diminished over the years, the program is still an important asset for low-wage workers seeking to improve their knowledge and skills.

ABE cuts are especially problematic for the state's growing immigrant population. In recent years, Connecticut has seen a large influx of non-

English-speaking immigrants, many of whom are part of the state's low-wage workforce. In fact, the U.S. Census Bureau projects that between 1995 and 2025, Connecticut will gain 337,000 people from international migration.[17] Often, immigrants fill the low-wage jobs that are essential for our economy to function.

## Postsecondary Education

The most accessible means to a college education in Connecticut is provided by the community college system. Twelve community colleges serve different regions of the state. Approximately 50,000 students enroll in credit, degree-granting programs each year. Annually, an additional 45,000 students enroll in non-credit programs, many of which provide the opportunity to build or enrich skills that can transfer into upward mobility in the work place.[18]

**Connecticut Community Colleges Return on Investment**

- For every year a community college student attends full-time, she will earn an additional $5,027 a year.
- 1,210 fewer people collect welfare and 340 fewer people collect unemployment benefits each year because of the community college system.[19]

Because of flexible schedules and entry requirements, as well as lower costs, the community college system serves many adult learners, whether degree-seeking or non-credit students attending school part-time while working. Community colleges in Connecticut make available a variety of academic majors, remedial education, and ESL classes. In addition, community colleges have worked to build links with local business and industry to identify current and future workforce needs and mold occupational programs accordingly.

The increasing number of students enrolling at our community colleges has been accompanied by a need for remedial education for entering students. According to community college administrators, typically at any one time, 20 percent of students in the state's community college system are enrolled in remedial classes to improve their math and reading skills in preparation for further studies.[20]

## The High Cost of Higher Education in Connecticut

Connecticut's colleges and universities have been raising tuition to accommodate the increased costs of teachers, infrastructure, and student services and decreasing levels of state funding.[21] This trend has exacerbated the primary barrier to college access for low-income working people—the high cost of college tuition.

Connecticut received an "F" from the National Center for Public Policy and Higher Education's "Measuring Up 2004, State Report Card" in providing affordable higher education for its residents.[22] Although tuition and fee increases in Connecticut's public system over the past four years

are modest compared to the rest of the country, for a low- or middle-income students, net college costs represent nearly 45 percent of their family's income.[23] Connecticut is ranked eighth highest in the country for its comprehensive public college and state university tuition and fees for resident undergraduate students.[24]

Rising tuition costs have not been followed by increased financial aid to low-income students, however. In fact, resources for students have been cut. Between 2002 and 2004, more than $8 million in financial aid was eliminated from the state budget, reducing the number of student recipients by nearly 2,000.[25]

At the community college level, financial aid is not offered to students enrolled in non-credit, workforce development classes. When economic self-sufficiency is so dependent on educational attainment, such policies and practices diminish the academic and earning potential of those who need the most support to advance.

### Incumbent Worker Education

Not every student in need of an education has either the time or desire to participate in a semester of classroom activities while working, especially when family obligations are factored in. Employers who want to keep their businesses competitive and their employees' performance at an optimum level, frequently will look to incumbent training for this purpose. In fact, Connecticut has a long history of providing such education through a variety of agents, including community colleges, local boards of education, and others. Over the long term, much of this training has related to skill and productivity development in workers.

As work becomes more technical and requires more in basic skill development, employers and employees are looking for literacy, basic math, and training in "soft skills" such as communication and team building from the incumbent worker programs. As the number of programs grows, program coordination and greater communication between employers and service providers at the local level are needed.

### Workforce Investment Act (WIA)

The Workforce Investment Act (WIA) provides federal funds to Connecticut for employment services directed to low-income adults (including a number of TFA recipients), dislocated workers, and economically disadvantaged youth. All services are available through *CT Works*, one-stop centers located in the five WIA regions of the state.

WIA programs are administered by the Connecticut Department of Labor and run at the local level by the regional Workforce Investment Boards. At the *CT Works* centers, individuals have access to job search resources and case management or financial support to participate in training if they are eligible.

In 2003, $18.4 million in federal WIA funding was spent on employment-related activities for all categories of eligible individuals; only $4.4 million was spent on WIA adults.[26] To maximize these sparse funds, access to intensive case management and training services is reserved for the most educationally and economically disadvantaged WIA customers. The state allocates 30 percent of these funds to areas of high poverty and unemployment.[27]

At first glance, WIA's activity and results in Connecticut are promising. The employment retention rates in 2003 were impressive, as 78 percent of participating adults were still employed 12 months later.[28]

The overall impact of Connecticut's WIA programs, however, is not as extensive as might be anticipated. Those who have limited work experience, lack an advanced degree, or have barriers to employment typically are less successful with the WIA system than their counterparts who have more work experience and education.[29] Additionally, the limited training funds allow only a small number of WIA customers to access WIA-approved job training programs. In 2003, 1,632 adults were served; 616 adults exited the WIA system. Of those 616, 68 percent or 419 were employed at the time they left WIA services. Only 113 adults entered employment directly related to the training they received.[30]

### Jobs First Employment Services (JFES)

Over the course of 2003, approximately 17,000 families in Connecticut's Temporary Family Assistance (TFA) program (welfare assistance, known nationally as Temporary Aid to Needy Families, TANF) were required to participate in the state's Jobs First Employment Services (JFES).[31] The State of Connecticut mandates that adults in families receiving cash assistance participate in work activities for at least 35 hours a week, in what is referred to as a "balanced work first approach" to employment.[32]

For JFES participants, lack of education is one of the primary barriers to employment and economic self-sufficiency. According to Connecticut Department of Labor (DOL) numbers, about 37 percent of people on the JFES caseload lacks a high school diploma and 32 percent have math or reading skills that are identified as barriers to employment.[33]

The Connecticut Department of Social Services (DSS), which is charged with implementing TFA, and the DOL that administers JFES, report that

only a small number of TFA recipients actually participate in education and training activities, with 14 percent enrolled in vocational education and 10 percent enrolled in Adult Basic Education.[34] In Connecticut, for a JFES participant to be eligible for education and training, she must be incapable of earning above the federal poverty level ($18,810 for a family of four in 2003).[35] In that case, individuals will participate in some combination of work and education and training that will maximize their income as soon as possible. Connecticut is one of only eight states in the country that does not allow TFA recipients to enroll in postsecondary education as part of their work requirement.[36]

Connecticut also is one of the few states in the nation that has always spent all of its allocated TANF funds ($267 million per year since 1997) in the year that the funds were available. As the state's welfare rolls decline in number with the result that funding for cash assistance declines, Connecticut is spending more of its TANF dollars on "other" services. These include programs from Connecticut Departments of Education, Corrections, Children and Families, Mental Health and Addiction Services, and Higher Education and the Office of Policy and Management. In 2003, between $15-18 million of the $184 million declared under the state's Maintenance of Effort spending was spent by the Connecticut Department of Labor on job support services.[37]

These allocations are considered legitimate in the eyes of the federal government. However, a greater investment in education and training would result in more sustained employment among this low-skill, low-wage population, would lay the foundation for advancement up pay scales and could support a TFA leaver's ability to reach self-suffiency.

### Data Needs and Program Evaluation

Participation data, particularly that collected over time, are needed to determine the success of adult education, community college, WIA, and JFES programs. More data on changes in income are needed to determine the impact of these systems on workforce development and career advancement.

While the infrastructure has been in place to track students since the early 1990s, Connecticut Departments of Education and Higher Education data are currently collected primarily on those adult education students who develop explicit program goals and community college students enrolled in credit courses. The colleges survey new and transfer students enrolling in credit courses about their educational goals and socioeconomic status, but the same information is not obtained for students enrolled in non-credit programs. (The federal government may require community colleges to seek and report this information in the next few years through the Perkins Student Loan program.) Similarly, data gaps exist in the adult education system due to survey-based data collection

that typically results in low response rates. Consequently, there is not an accurate estimate of the number of students from the adult education program who actually enter postsecondary education and training programs or those who take community college courses without completing a degree program.

More data also are needed for WIA and JFES participants to determine how effective the state's efforts are to move welfare recipients into the workforce and help workers remain employed and transition to progressively higher paying jobs, and become self-suficient.

In particular, further support is needed to strengthen the infrastructure across programs so that community colleges, workforce investment boards, TFA, and adult education can better track and assess program participants and their joint work-related results.

### Effective Workforce Development Strategies

Several policies make up the battery of economic and workforce development strategies that are working across the country and in Connecticut. These policies include building connections among businesses and higher education and supporting programs that provide outreach to low-income workers, assessments, remedial supports, and case management to ensure long-term job retention.

According to an analysis of workforce training and education efforts in Bridgeport and in other parts of the country conducted by the Bridgeport Child Advocacy Coalition, factors that have been shown to improve job placement and retention among TFA recipients include:

- Pre- and post-employment support services including extended home visiting by a team of trainers and job counselors;
- Enrollment cohorts of 50 participants or less (as opposed to 100 or more);
- Incentives or bonuses to employees who remain on the job for six months or some specific period of time;
- Job training conducted in shops and classrooms that simulate the work environment;
- Intensive training—35 hours per week for more than six months—resulting in a license or certificate;
- On-site education supports such as General Education Diploma preparation and ESL training; and
- Assistance with child care and transportation.[38]

A number of programs in Connecticut and other states illustrate the success that can be attained when the right elements of workforce development are combined.

### The Hartford Jobs Funnel

The Hartford Jobs Funnel (HJF) was organized in 1999 with the objective of placing qualified Hartford residents new to the building trades into employment leading to productive careers in the construction industry. The principal focus was on job opportunities created during the construction phase of several major state-supported development projects intended to revitalize downtown Hartford under the oversight and direction of the Capital City Economic Development Authority, a quasi-public state agency created in 1998.

The scope of the effort has been expanded recently to include job opportunities for Hartford residents in the businesses that have opened in these various buildings following their construction. However, HJF's principal emphasis remains on career opportunities in the construction industry.

HJF is funded by the State of Connecticut Office for Workforce Competitiveness, the Hartford Foundation for Public Giving, Capital Workforce Partners (the regional workforce investment board), Connecticut Light & Power and the City of Hartford. HJF provides an array of community-based services to prospective job candidates, including assessment and testing, remedial math instruction, pre-employment preparation services and workplace-related workshops, job referral and matching, intensive case management and retention support services. HJF staff work closely with employers to insure that their expectations are met. A broad-based Steering Committee representing key constituencies and interests from across the city provides guidance and oversight.

Since 1999 more than 4,000 Hartford residents have participated in an HJF initial orientation. Participants are broadly representative of the racial and ethnic demographic diversity of Hartford and come from all of the city's various neighborhoods. Approximately 900 residents have been placed into employment, of whom more than 300 have enrolled in apprenticeship programs. The average starting wage for those apprentices exceeds $13 an hour (with benefits), with an average hourly starting salary for all other HJF construction hires averaging about $15. A recent analysis of job retention results suggests that as many as 90 percent of those HJF participants placed into construction jobs between 1999-2002 remained employed at the close of 2004, with average annual wages of at least $29,000.[39]

### Connecting Business with Higher Education

Business and Connecticut's community and four-year colleges have developed productive relationships. As community colleges are often the entry point into the postsecondary system for adult workers, they are the perfect incubator for business and industry-related training. Discrete funding has allowed some partnerships to develop related to manufacturing innovation and preparation for careers. Several community colleges have instituted support centers for targeted industry sectors including: the Precision Machine Institute at Asnuntuck Community College in Enfield, the Plastics Institute at Quinebaug Valley Community College in Danielson, the Lean Manufacturing curriculum at Housatonic Community College in Bridgeport, and the partnership between Capital Community College in Hartford and the Insurance and Financial Services Cluster.[40] In addition, a number of local Connecticut hospitals are investing in community colleges, private colleges, and the state's public university system to provide courses in allied health to fill the shortage in nursing and other medical staff positions.[41]

#### Education: An Economic Development Tool

Minnesota might seem a strange model for economic development in Connecticut: it's cold, definitely not a Sunbelt state, and not known for its rapid growth. But Minnesota rose steadily from about twenty-fifth in per capita income in the 1950s to eighth highest in 2001. This growth continues, catapulting Minnesota's per capita income above neighboring Plains and Great Lakes states. Income growth has been due to several factors, including an increase in the proportion of Minnesotans employed, an increase in earnings per worker, and increased productivity.[42]

Increased productivity is due in part to the increased skills and education of Minnesota residents over the past 50 years, compared to Americans as a whole. In 1950, Minnesotans had close to the national averages in high school and college education. In 2000, Minnesota ranked seventh among states for bachelor's degrees, and third among states for high school diplomas. A good educational system does not guarantee strong economic growth—high school and college graduates must remain in the state, and there must be enough jobs that demand their educational skills.[43]

Minnesota's leaders recognize the importance of an educated and skilled workforce to its economy and have invested accordingly. In the 1980s, they created the Minnesota Job Skills Partnership Program. Businesses, principally manufacturers, receive a state matching grant for customized training of their workers, primarily through community colleges. The success of this program led to creation of programs serving particular sectors, including health care and human services, using federal TANF funds. In 2001, the state created the Low-Wage Worker Employer Training Program, which provides vouchers for short-term training to service providers for use by working parents who earn less than 200% FPL.[44]

Other factors contributed to Minnesota's success including: diversification of the economy; a shrinking agricultural sector, which generally pays low wages; regional governance; and tax-base sharing in the Twin Cities region.

As noted previously, a number of reports that support innovative workforce development ideas to assist low-income workers are available for policymakers' review. Among them are:

- The Governor's Competitiveness Council report, *Partnership for Growth II: A Competitiveness Agenda for Connecticut*, that recommends focusing on worker training and an expanded business/community college connection;
- *Building Skills to Compete in a Changing Economy: Connecticut's Workforce Education Initiative*, a report to the Connecticut Department of Education on the state's incumbent worker training programs; and
- The 2005 Annual Plan of the Connecticut Employment and Training Commission and the Connecticut Office for Workforce Competitiveness, that directly addresses workforce education and training needs.

### The Path of Educational Achievement

Neither the state's preschool nor K-12 public education systems is a subject of this report. However, it is clear from data cited here, such as the state's rank for students graduating from high school (fifteenth) and students in community college enrolled in remedial education (20 percent), that major issues need to br addressed by all of the state's education systems. This is especially true for children from poorer school districts if we hope to produce the high-quality workforce the state's employers require. There is strong evidence that quality preschool programs are highly effective investments to improve life-long outcomes for children, particularly low-income children.[45] In the interest of improving employment outcomes for future workers, links between business and secondary education must be strengthened. Other states have done a better job implementing programs and policies to close the achievement gap between low- and high-income students.[46] Connecticut needs to follow their lead.

## RECOMMENDATIONS

### Preparing Low-Wage Workers for Higher-Skill Jobs

Probably no area of public investment yields such compelling outcomes as investments in education, from preschool to college. Increased state funding would narrow Connecticut's alarming divides in educational attainment, income, and assets while developing the workforce employers need. State policies can help better prepare low-wage workers for higher-skill jobs.

Policymakers should:

1. Remove the legislatively imposed spending cap for funding of adult education programs.
2. Expand ESL programs and increase investment in ESL to provide the state's working immigrants with a fair chance to improve their lives and successfully integrate into the mainstream.
3. Re-allocate federal welfare funds to education and training programs and modify restrictions on education. Since lack of education is a major barrier to employment for welfare recipients, Connecticut should allow TFA participants to enroll in postsecondary education as their work requirement and re-allocate federal welfare funds from other services to job training and education. The state should also evaluate the Jobs First Employment Services program with the explicit goals of increasing workforce participation, job retention, and income over time. The state should set a standard of self-sufficiency for TFA leavers and regularly measure its progress in achieving that standard.
4. Increase access to higher education for disadvantaged and part-time students and workers, restore and increase need-based financial aid for higher education and allow need-based financial aid to students enrolled in non-credit, workforce development classes at community colleges.
5. Support the effectiveness of workforce competitiveness and economic development efforts, expand data collection for *all* adult education and community college students so that information on non-credit students is collected as it is for credit students. Use assessment results to improve outcomes related to completion rates, career advancement, and wage increases.
6. Expand the state's incumbent worker education efforts administered by the Connecticut Departments of Labor, Education, and Higher Education. Establish a central access point for employers and employees seeking information on program availability. Develop funding sources to off-set employer costs and encourage participation.
7. Expand and restore successful workforce development programs, especially those that provide career assessment, case management, and retention support for low-wage workers. These include the Hartford Jobs Funnel and the Customized Job Training Program. As with state agencies and business-specific efforts, comprehensive, continuing evaluation is needed for programs of the regional workforce investment boards, with an emphasis on effectively moving low-wage workers into higher-paying jobs.
8. Strengthen the links between business and public higher education institutions, especially community colleges, to promote workforce education and training. In particular, the 2004 report of the Governor's Competitiveness Council noted the need to develop, with industry, skill standards, programs to meet those standards, and career ladders for workforce entrants.

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DID YOU KNOW . . .

- The bottom 20 percent of Connecticut workers pays 10 percent of their income in state and local property, income, and sales taxes, compared to six percent paid by the top one percent of the state's residents.[1]
- In 2003, 156,500 Connecticut residents claimed and received the federal Earned Income Tax Credit (EITC), bringing almost $250 million into the state.[2]
- In 2003, 14 percent (280,150) of Connecticut residents between the ages of 19 and 64 were uninsured.[3]
- The state's child care subsidy program for low-income families has had its funding cut almost in half since 2002. As a result, enrollment statewide has dropped by almost half.[4]

# CHAPTER 4 SUPPORT FOR WORK, SUPPORT FOR CONNECTICUT'S ECONOMY

VISION: All Connecticut families are able to meet their basic needs and receive work supports related to their employment.

There will always be a demand for low-skill jobs. Security guards, janitors, store clerks, and many others are the very people who keep communities, businesses, and the rest of us functioning. The people who fill these positions, typically, are not teenagers working their first jobs after school. They have sons, daughters, and spouses who rely on the financial support of their work.

In many ways, Connecticut is one of the more progressive states in the country for the number of people with health insurance, wages that exceed the federal minimum, and benefits for unemployed workers and those on disability. However, high health care and other costs are making it increasingly difficult for small businesses to guarantee financial security for their workers. The shift in the social contract between employers and employees has led to more short-term, low-paying work, increasing turnover rates, and lower unionization rates.

Too often in our increasingly fast-paced world, short-term solutions are adopted that do not solve long-term social problems and fail to acknowledge our interdependence. Just like buying a house, an investment in Connecticut's working families will increase in value over time. Strengthening supports for small businesses to assist the families they employ will benefit everyone in Connecticut, and providing supports to low-income workers will establish a firm financial foundation for their advancement.

To move low-wage workers out of poverty requires the development of policies and programs that make work pay and help people keep their jobs. Public investments should include changes in state income tax policies, such as the creation of a state Earned Income Tax Credit (EITC), expansion of health care coverage, and work supports—including child care subsidies, transportation, improved access to public benefits. Low-wage workers also should have the ability to unionize.


### Taxes and Wages

Low-income working families pay surprisingly regressive taxes. The bottom 20 percent of Connecticut workers pay 10 percent of their income in state and local property, income, and sales taxes, compared to six percent paid by the top one percent of the state's residents. While the wealthiest pay considerably more in terms of the amount of tax they contribute, the poorest pay a greater proportion of their earnings—more than twice the percentage of total income paid by the wealthiest families, after offsets for federal deductions are taken into account.[5] Even though Connecticut residents in the lowest income quintile pay very little income tax, they are hit harder by the state sales tax than any other income group, paying almost eight times the percentage that the highest quintile pays.[6]

The federal Earned Income Tax Credit (EITC) was created in the 1970s to address inequities in the tax system and reward work for low-wage workers. The EITC raises more families out of poverty than any other policy or program.[7] Families can only access this resource if at least one

member of the household is working and if they claim the credit on their Internal Revenue Service tax return. In 2003, the maximum credit was $4,200, with the highest benefits going to families earning between $10,000 and $14,000 annually.

In 2003, 156,500 Connecticut residents received the federal EITC, bringing almost $250 million into the state.[8] That same year, an estimated 15-25 percent of U.S. workers eligible for the credit failed to claim it.[9] Applying these estimates to Connecticut, more than 50,000 households in the state may be eligible for, but fail to apply for, the credit. More outreach and public information is needed to increase Connecticut residents' participation in the federal EITC.

The best way to lift some of the tax burden off of Connecticut's low-income workers is to create a state EITC, following the lead of 18 other states, including all in the Northeast (except New Hampshire, which has no income tax).

Creating a 20 percent refundable state EITC would return one-fifth of the federal credit to eligible families even if they do not owe state income taxes. This money would bring families closer to self-sufficiency, compensate in part for the higher proportion of their income that goes to sales and other taxes, and reward them for their employment—one of the original goals of the federal EITC. A 20 percent refundable state credit would provide more than $300 to the average eligible family with children, based on federal credits that average more than $1,500. The cost to the state would be about $40 million.

Similarly, the federal Child and Dependent Care Tax Credit compensates families who pay for child care to participate in the workforce. The federal credit allows families to claim part of their employment-related care expenses for children under the age of 13 and disabled adult dependents. Connecticut is one of a few states that have not implemented a Child and Dependent Care Tax Credit.

### Healthcare: Who Is Insured and Who Is Not

According to the Kaiser Family Foundation, a large majority of Connecticut residents had health insurance coverage in 2002-2003. Approximately 86 percent of the state's adults between the ages of 19 and 64 (1,723,880) were insured either by an employer's policy, Medicare, Medicaid, or their own individual policy. As many as 280,150 adults are uninsured.[10] The impact of so many adults without health insurance cannot be ignored. The Connecticut Office of Health Care Access (OHCA) reported that in 2003, uncompensated care cost state hospitals almost $300 million.[11]

Contrary to popular perception, most of those without health insurance are working. Again, according to the Kaiser Family Foundation, in 2002-2003, 66 percent of Connecticut's non-elderly individuals (birth to age 64) who were uninsured (235,280) worked full time or lived in families with adults who worked full time (Figure 6). Fourteen percent (49,680) worked part-time or lived in families with adults who worked part time. Only 20 percent (70,230) were not working or living in families where no one worked.[12]

**Uninsured Individuals in Connecticut by Work Status**
**2002-2003**

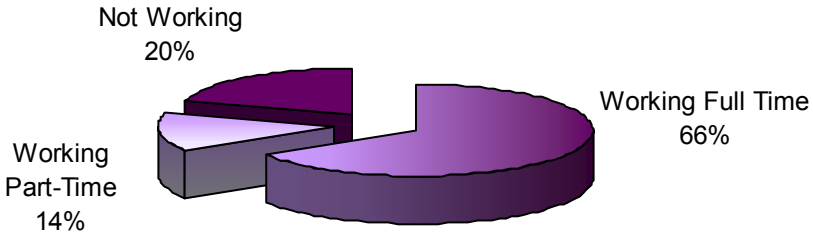


Figure 6. The Henry J. Kaiser Family Foundation, *State Health Care Facts 2002-2003*. Retrieved August 18, 2005 from http://www.statehealthfacts.org/cgi-bin/healthfacts.cgi?action=profile&area=Connecticut&category=Health+Coverage+percent26+Uninsured&subcategory=Nonelderly+Uninsured&topic=Distribution+by+Employment+Status

The Connecticut State Children's Health Insurance Plan (SCHIP), also called Healthcare for Uninsured Kids and Youth (HUSKY B), was signed into law in 1997 and only covers children under the age of 19 in families with income over 185% FPL. Families receiving HUSKY B pay a monthly premium as well as co-payments based on a sliding scale with progressively higher levels of payment as income increases.

The HUSKY A plan, Connecticut's Medicaid coverage for children and low-income families, is available to pregnant women and children under 19 with income less than 185% FPL; parents with income below 150 % FPL also are covered. HUSKY A covers all medical expenses without a monthly premium and requires no co-pay. Annually, Connecticut spends over $680 million on HUSKY A and B, covering more than 320,000 people.[13]

During the 2003 legislative session, Connecticut lawmakers voted to lower HUSKY A eligibility from 150% to 100% FPL for parents and other relative caregivers in order to balance the rising price of care. Two groups of parents were affected by this decision. Parents and relative

caregivers enrolled in HUSKY A at the time of the decision, who would have lost HUSKY eligibility as a result of the lower income levels and who had income from employment or child support, were transferred to Transitional Medical Assistance (TMA). TMA provides health care coverage when adults who have income from those two sources lose Medicaid eligibility. The change in eligibility affected approximately 18,000 adults.[14]

The second group affected include those who were newly applying became unable to receive HUSKY A or TMA while the lower limits were in effect between 2003 and 2005.[15] In 2005, the Connecticut legislature reversed its decision and raised HUSKY A eligibility back to 150 percent FPL.

Twice during the past two legislative sessions, the Connecticut General Assembly voted to impose a premium and co-payments on HUSKY A parents. In 2003, the state was authorized by the General Assembly to impose premiums on families with incomes less than 50% FPL and co-pays on office visits for all HUSKY A participants, an action that requires the state to request a waiver from the federal government. The waiver was never applied for, and the authorization for the co-pays and the premiums was repealed in 2004. In 2005, the Connecticut legislature again voted to impose premiums and co-payments on HUSKY A families with incomes between 100% and 150% FPL. The state of Connecticut had not applied for a federal waiver for this second decision at the time of this writing.

## Employee Health Care Coverage

According to OHCA, 86 percent of businesses in the state employ fewer than 20 people. Although a majority offer employer-sponsored insurance, 39 percent do not (Figure 7). Forty-nine percent of businesses offer coverage for the employee only and no dependent coverage.[16] Companies that fail to offer health insurance to their employees cite the high cost of premiums as their primary barrier.

For small businesses that do offer health insurance, it is costly. Connecticut ranks third in the nation (including the District of Columbia) for the highest health care costs, according to the Small Business Survival Index.[17]

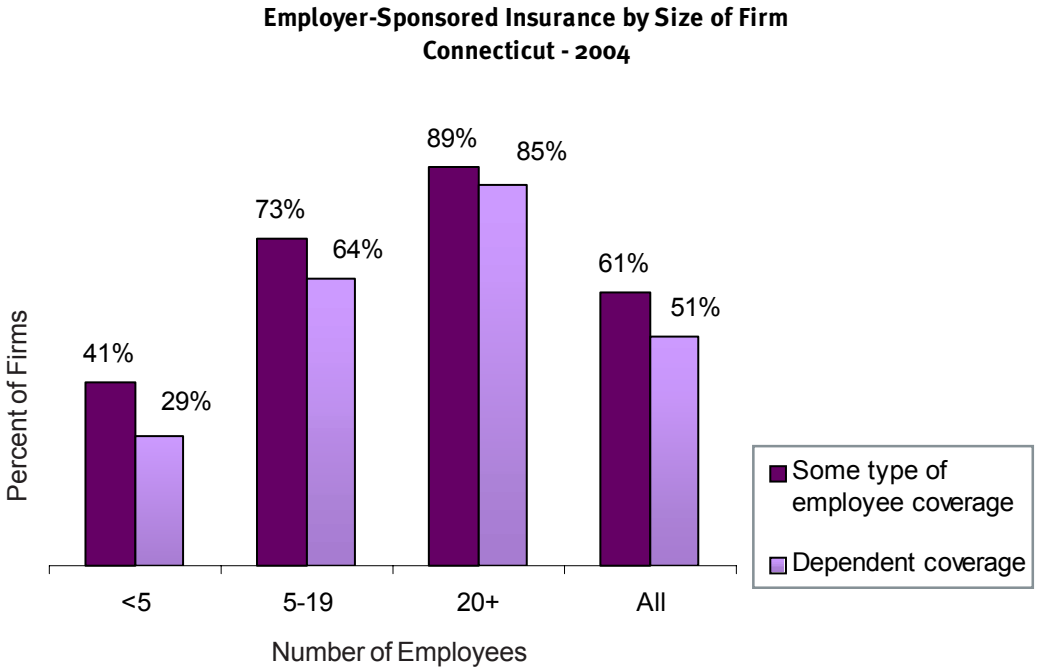


Figure 7. Connecticut Office of Health Care Access, "2004 Small Employer Health Insurance Survey – Focus on Results." November 2004. Retrieved October 9, 2005 from http://www.cerc.com/pdfs/taxation.pdf; Institute on Taxation and Economic Policy.

Meanwhile, some of the biggest businesses with the resources to provide better coverage to employees are shifting a portion of the burden of health care costs onto taxpayers. The most notable example of this in Connecticut is Wal-Mart; many of their employees receive HUSKY A benefits. In 2005, Wal-Mart employed 824 adult HUSKY A recipients who had 1,683 children also covered by the HUSKY A plan.[18]

While Wal-Mart does offer a health care plan, it has high monthly premiums and is only readily available to employees who work 35 hours or more a week.[19] In this situation, for low-income workers the best

option for health care is the HUSKY plan. However, for taxpayers the burden of providing health coverage for Wal-Mart employees alone is over $5.5 million a year.[20] Combined with Stop & Shop supermarkets and Laidlaw school transportation, two other large companies with a high number of employees using HUSKY, the cost to Connecticut taxpayers reaches almost $15 million.[21]

During the 2005 Connecticut legislative session, health care access received much attention from those desiring to expand employee coverage as well as those wishing to reduce employer costs. Health care advocates introduced legislation referred to as "Play or Pay," an approach that expands health care access by requiring employers to either offer their employees health care coverage or pay into a state insurance fund. The legislation would have covered companies with 100 employees or more. Fines would be imposed for employers who did not pay. The Connecticut proposal did not make it through committee, but advocates plan to seek legislative support for the proposal during the 2006 session.[22] To expand health care coverage to those who remain uninsured, either the Connecticut legislature or Congress will need to implement legislation that mandates coverage by employers or adopts a new, universal, government-financed health care system.

Several bills have been introduced in the Connecticut legislature over the past few years to reduce insurance costs to businesses by shifting responsibility for payment to employees or removing recently imposed mandates for specific coverage (i.e., mental health and substance abuse treatment). These employer-based proposals, referred to as "flexible" benefits, have not passed into law but also are likely to resurface in 2006.

**Justice for Janitors (J4J) – Connecticut**

Since the mid-1980s the Service Employees International Union (SEIU) has organized low-wage janitors across the U.S. As a result, janitors and other service workers in several large cities have won contracts for higher wages, health and retirement benefits, and full time work.

*Justice for Janitors* has been successful here in Connecticut. In 1999, based on the work of J4J, the Connecticut legislature passed the Standard Wage Act that required any state contract with outside firms entered into after 2000 to include a wage rate determined by the Connecticut Commissioner of Labor and employee benefits. As a result, a wage and benefit floor was established for employers of food, building, property, and equipment services. The Standard Wage is based on the minimum hourly wage set by the federal Register of Wage Determinations under the Service Contract Act. A 30 percent surcharge of the hourly rate is added for the cost of health and retirement benefits. Employers found out of compliance are charged a civil penalty. Sample contract rates cited on the Connecticut Department of Labor web site in the fall 2005 included: $11.13 an hour for janitors, $9.11 an hour for parking lot attendants, and $10.17 an hour for cashiers.[23]

Stamford organizers were also successful in 2000 when SEIU Local 531 and 2,000 workers won a contract raising wages from $6.15 to $9.00 an hour and including medical and retirement benefits.[24]

## Family and Medical Leave

Connecticut has relatively advanced family and medical leave policies. Though leave is unpaid, private-sector companies employing 75 or more employees must provide 16 weeks of leave during a 24-month period for employees with the company for at least one year. Public employees are eligible for 24 weeks of leave. Time away from work is available for birth, adoption, or care for an ill child, parent, spouse, or spouse's parent with a serious health condition, or to act as an organ or bone marrow donor. Employers can choose to substitute paid sick days and vacation time for unpaid leave. The employee must be able to return to her previous position with the same level of pay and benefits. If unable to fulfill previous job requirements, the employee must be transferred to a comparable position, if one is available. [25]

In 2003, a bill that would have established a Family Temporary Disability Insurance program to reimburse some portion of employee salaries was proposed in the Connecticut General Assembly. It did not make it out of committee, however. If passed, this proposal would have provided up to six weeks of partial wage replacement for any employee covered under the Family Medical Leave Act (FMLA) who had a serious illness, had a spouse or child with a serious illness, or for a recent birth or adoption.[26]

## Work Supports

For many low-skilled workers, access to child care, transportation, and basic benefits are the glue that make job retention possible. The state does little to help working parents access child care subsidies or other benefits, even though employers frequently find that their low-wage employees are unable to work effectively because of transportation and other family-related problems. In fact, as part of the budget cuts from 2001-2003, all state funding for benefits outreach was eliminated, and it has not been restored.

Currently, access to benefits is impeded by the absence of a common application and the inability to file for benefits electronically. Improved access to benefits–including child care subsidies, food stamps and other nutrition programs, health care coverage, energy assistance, and more–would improve the quality of life for low-income working families and should be part of a continuum that moves families toward self-sufficiency. Improved access also would create more stability for low-wage workers, increase employee retention, and reduce absenteeism.

## Child Care

Child care costs consume a big chunk of low-wage working parents' paychecks. Those who cannot afford regulated care often pay in lost wages due to the unreliability of that care. Between July 2002 and June 2003, 40 percent of participants of the Jobs First Employment Services (the state program for working recipients of cash assistance) indicated that child care was the biggest barrier for them to obtain and maintain a job.[27]

The Care 4 Kids program, Connecticut's child care subsidy for low-income families, had its funding cut by approximately 44 percent, from $122 million to $69 million, between 2002 and 2005. Consequently, in 2004, enrollment statewide dropped by almost half, from 28,174 to 15,271 (Figure 8).[28] Only a small fraction of this funding has been restored. Rhode Island, with a population less than one-third of Connecticut's, had only slightly fewer children enrolled in its state child care subsidy program than did Connecticut in its Care 4 Kids program. (Rhode Island enrolled 13,810 children in 2004.)[29]

Connecticut provides child care subsidies for enrolling families who earn 50 percent of the state median income (SMI) or less. TFA families are allowed to receive the subsidy until their earnings reach 55 percent of SMI. The income of working, non-TFA families can increase to 75 percent SMI before they become ineligible. Federal law caps eligibility at 85 percent of the SMI.

Two policy decisions associated with the Care 4 Kids budget cuts have adversely affected eligible families. First, the primary group dropped from eligibility was working families who were not receiving TFA assistance.[30] Second, for the past several years, millions of dollars allocated to the Care 4 Kids program have gone unspent due to under-enrollment—not because there is no need, but because of stricter eligibility standards and lack of outreach to inform families of their eligibility. Rather than reinvesting this money in the program, these unspent Care 4 Kids dollars have been restored to the General Fund to boost the state's surplus or cover deficits in other line items.[31] These decisions penalize families who work and play by the rules.

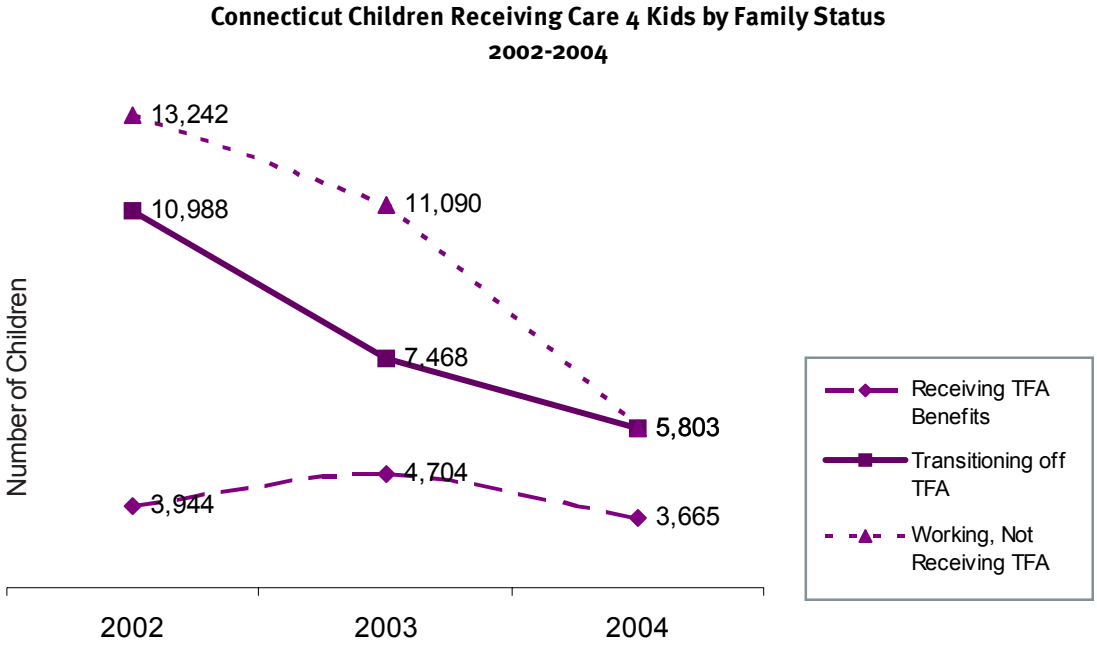


Figure 8. Peg Oliveira, *Separating Fact From Fiction: Myths About the Adequacy of Funding for Care 4 Kids.* New Haven, CT; Connecticut Voices For Children, (May 2005): 1. Retrieved July 25, 2005 from http://www.ctkidslink.org/publications/ece05hartford05.pdf


**Transportation**

Transportation is a major problem for low-income working parents in Connecticut. Public transportation outside the central cities is limited despite the fact that over time, more and more jobs have moved to the suburbs. Even where public transportation is available, it is difficult for some parents to coordinate bus schedules to take their young children to child care and get to work. Many low-wage jobs are for nontraditional work hours when buses do not run. Because Connecticut is so dependent on automobiles, many employers will not hire an applicant who does not have a car.

Creative solutions to address transportation problems include Good News Garage and extended hours of bus service. Good News Garage accepts used car donations, repairs the vehicles, and gives them to low-income families to enable them to get and keep jobs. The program, operated by Lutheran Social Services of New England, has contracts with the state Department of Social Services for TFA recipients who are employed or seeking jobs, and with Empower New Haven for residents of the city's Empowerment Zone. CT Transit, the public bus system in the Hartford, New Haven, and Stamford areas, has worked with local groups to expand bus service for low-income workers, such as extending hours to match retailers' schedules.

Resolution of the state's overall transportation problems seems always to be on policymakers' long "to do" lists. Federal transportation dollars are received by the state to assist WIA and TFA participants with transportation to work but have not been a catalyst for change. Ultimately, there has been a dearth of support for truly addressing the systemic transportation problems that low-income workers face daily.

## RECOMMENDATIONS

### Improving Self-Sufficiency and Job Retention for Low-Wage Workers

Connecticut needs to do more in tax policy, health care, child care, and transportation to facilitate participation in the workforce. Employment policies that assist low-wage workers with families improve the quality of life for all state residents. Generating greater participation in the labor force leads to higher tax revenue, more economically secure families, and a stronger state economy.

Policymakers should:

1. Increase fairness in the state's tax structure and reward low-wage work.
   - With a 20 percent refundable state EITC, eligible families would receive one-fifth of the federal credit, even if they do not owe state income taxes. This money would bring families closer to self-sufficiency, compensate in part for the higher proportion of their income that goes to sales and other taxes compared to wealthy households, and reward them for their employment.
   - Connecticut should also enact a Child and Dependent Care Tax Credit to ease the tax burden for low- and middle-income families with children in child care. The federal credit could serve as a model.
2. Restore cuts in Care 4 Kids, the state's child care subsidy program, and make other program improvements. These include extending eligibility to all families earning up to 75 percent of the state median income. DSS should streamline the enrollment and re-determination processes. Connecticut should provide program outreach and allow open enrollment for income-eligible families to increase workforce participation.
3. Improve health care access for low-income workers. This should include expanding HUSKY A coverage for parents earning up to 185 percent of the federal poverty level (to match income eligibility for children), reversing the decision to impose co-payments and premiums for HUSKY A, and improving family and medical leave provisions. The state should support the development of partnerships between employers and community health providers so that information and direct services, such as screenings and treatment, can be made available to employees. The state should assist small business and microenterprise in offering health care insurance to their employees. Access to mental and behavioral health services should be available for low-income workers.
4. Increase participation in public benefits programs that help low-income working families meet their basic needs. The state should allow electronic filing for an array of benefits, create common applications for multiple programs, and reduce caseloads for state agency workers. Connecticut should create regional business centers to provide information about state resources and public benefits to keep employees working and in turn keep businesses productive. Such centers should be easily accessible for employers and employees.
5. Appoint a legislative commission to investigate possible solutions to public transportation problems faced by low-income residents, particularly those living in central cities. A timetable for the development and implementation of solutions should be established with the commission's charge.

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