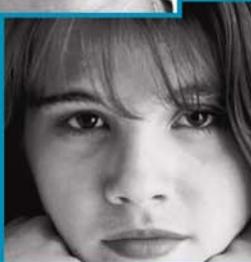


CONNECTICUT
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The State of Working Connecticut, 2008: Wage Trends

**Joachim Hero, M.P.H.
Douglas J. Hall, Ph.D.
Shelley Geballe, J.D., M.P.H.**

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New Haven Office
33 Whitney Ave.
New Haven CT 06510
Phone: 203.498.4240
Fax: 203.498.4242

Hartford Office
53 Oak St. Suite 15
Hartford CT 06106
Phone: 860.548.1661
Fax: 860.548.1783

Web Site: www.ctkidslink.org
E-mail: voices@ctkidslink.org

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I. Introduction

The health of Connecticut's economy and the quality of life of its workers depend on a well-educated and well-trained workforce with opportunities to participate and share in the state's prosperity. Recent economic trends, as documented by *State of Working Connecticut, 2008: Wage Trends*, are undermining the foundations of Connecticut's prosperity and threatening the well-being and economic security of our families.

In wages, Connecticut workers have taken one step forward after taking three steps back. While real (inflation-adjusted) wages for many Connecticut workers improved between 2006 and 2007, their wages remain lower than they were earlier in the decade. Indeed, as Connecticut heads into a recession some economists consider the worst since the Great Depression and families deal with sharply rising food and energy costs, the real wages of many workers are actually *less* than they were prior to the last recession. There was *no* economic recovery for these workers over these last four years.

How can this be? Although the productivity of Connecticut workers has increased over the last four years, their wages have not. In fact, while worker productivity increased 5% between 2003 and 2007 and the gross state product expanded, wages declined for most of Connecticut's workforce over this period. Until the benefits of an expanding economy are enjoyed by *all* the people whose hard work creates that economic growth, we cannot truly say that the Connecticut economy has fully contributed to the quality of life that we all want for our families and communities.

By many measures, 2007 marks the final year of Connecticut's most recent economic recovery period—the economy continued to add jobs throughout the year, unemployment was mostly stable, and Gross State Product (GSP) grew at a respectable rate. Then, in 2008, a national housing crisis, rising food and energy costs and quaking financial markets seemed to have their effect on the Connecticut economy—employment levels crested and then dipped sharply downward, and unemployment quickly rose by more than one percentage point. Given this unfavorable economic context, wage levels in 2007 could represent a kind of high-water mark in the progress achieved over the last economic cycle. (Unfortunately, for those workers whose real (inflation-adjusted) wages actually *decreased* while the economy recovered, this analogy is ironic.) In other words, 2007 may be as good as it gets for workers as Connecticut and the nation face deteriorating economic conditions.

Although Connecticut workers grew more productive during our recent economic recovery, they earned less in wages. Connecticut's economy was officially on the mend in 2003, when the economy started adding jobs and real gross state product (GSP) began to increase. GSP in Connecticut rose 14% between 2003 and 2006. Connecticut's gross operating surplus, a measure of profits, rose by over 30% during this same period. Worker productivity also improved, increasing nearly 5% from \$75,500 to \$79,000 per worker since 2003 (Table I-1). Wages, however, declined for most of Connecticut's workforce over this period. The median worker earned a wage in 2006 that was 5% lower than the wage earned in

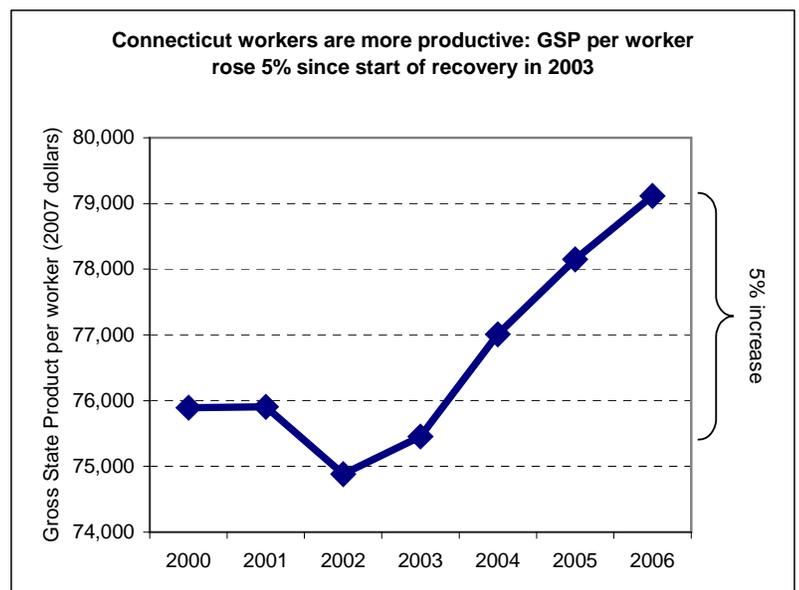


Table I-1 Source: CT Voices for Children and EPI analysis of CPS data.¹

2003, and wages across the distribution, even up to the 90th percentile, were lower over this period. The increase in worker productivity also outstripped wage growth over the longer-term. Since 1997, the productivity of Connecticut's workers increased, on average, at twice the rate of the growth in their wages.²

Real (inflation-adjusted) wages were up in 2007, but have not made up for the past several years of real wage decline *despite* our economic “recovery.” In contrast to the economic hardships that many families in Connecticut have experienced in 2008 and may continue to experience in coming months, the most recent yearly snapshot of Connecticut worker's wages brings good news: wages in 2007 were higher than in 2006 for the majority of the wage distribution, and large wage increases were recorded for women and African Americans.

Overall wage increases in 2007, however, were not enough to counteract longer-term trends. Wages across the spectrum did not gain back what had been lost since 2003, and for many workers earning wages below the median, wages in 2007 were lower than they were prior to the beginning of the last recession in 2000.

Indeed, Connecticut's low and middle income families are far more vulnerable today than they were heading into the 2000 recession. Unemployment is currently twice as high as it was in 2000, and incomes, hurt by persistent real wage erosion in spite of general economic growth, are now lower for the poorest Connecticut residents than they were at the end of the 1980s. Rising unemployment and the continued long-term decline of income among lower-income residents make them particularly vulnerable to economic turbulence and undercuts not only our societal values but also the current and future viability of our state economy.

Wages in Connecticut are among the highest in the country, but they do not make up for higher costs. In 2007, Connecticut was listed among the top ten states in the country for cost of living; in the first quarter of 2008 it was listed in the top two. In fact, according to one measure, Connecticut was listed in the top five most expensive states for every cost of living category, including groceries, housing, utilities, health care, transportation, and miscellaneous goods.³ While the median hourly wage in 2007 was \$18.51, the National Low-Income Housing Coalition found that in 2007-08 a family in Connecticut would have to earn \$21.11 per hour to be reasonably assured of quickly finding an affordable rental unit.⁴ For this reason, nearly half of Connecticut renters spend more than 30% of their income on housing, the seventh highest rate in the country.

Connecticut residents are quite accustomed to the idea that they live in a wealthy state, but the reality is that only a small portion of our state's population earns enough to outweigh the higher cost of our living expenses. Although Connecticut's median wage in 2007 was higher than the median wage in any other state in the country, when that wage is adjusted for our higher cost of living, it becomes the thirteenth *lowest*. The situation is more dire for workers at the bottom of the wage scale. Connecticut workers who earned wages at the 10th percentile (wages at which fully 90 percent of all workers earn higher wages) had the fourth highest wage in the country in 2007, but the fourth *lowest* when adjusted for Connecticut's high cost of living. The impact of high costs of living is one that is felt most strongly at low and middle parts of the wage distribution.

1 All wage data in this report, unless otherwise noted, comes from the Economic Policy Institute's analysis of the Census Bureau's Current Population Survey, which collects detailed wage and income data from a representative sample of the United States population every year.

2 1997 is used as a reference point because prior to that date, the bureau of Labor Statistics determined GSP using a slightly different methodology. GSP before 1997 is available, but cannot be validly compared to GSP at later dates.

3 Missouri Economic Research and Information Center.
http://www.missourieconomy.org/indicators/cost_of_living/index.stm

4 National Low-income Housing Coalition

The gap between high and low wages is wide and growing. Recently, the Institute for Policy Studies released a report that showed that the CEOs of S&P 500 corporations averaged salaries that were 344 times that of the average worker, and that the top 50 hedge and private equity fund managers earned 19,000 times the wages of the average worker.⁵ Connecticut is no stranger to gaps in income and wealth. From 1989 to 2007, the ratio of Connecticut workers' wages at the 90th percentile to the wages of workers at the 10th percentile rose from three and a half times to almost five times. This gap is the seventh highest in the country, and contributes to much wider gaps that exist in total income and wealth.⁶ In 2007, Connecticut ranked third highest among states in the ratio of millionaires to households, though almost one fifth of our households earned wages that left a family of four below the poverty line. The growth of inequality in wages is a particularly acute issue in Connecticut since, without adequate social supports, this widening gap contributes to a growing inequality of opportunity that threatens the fabric of Connecticut's communities and the well-being of many of its families.

Until the benefits of an expanding economy are enjoyed by *all* the people whose hard work creates that economic growth, we cannot truly say that Connecticut workers, Connecticut families, and Connecticut communities are being well served by that economy.

II. Overall Wage Trends

Most of the analysis in this report is based on real (inflation-adjusted) hourly wages as reported in the United States Census Bureau's Current Population Survey (CPS). To get a more comprehensive look at wage trends in the state, this report goes beyond using only median wage and examines several other points on the wage distribution. To ease readability, each of the points along the wage distribution examined in this report is given a descriptive label: very low-wage workers are those at the 10th percentile, low-wage workers are those at the 20th percentile, median-wage workers are those at the 50th percentile, high-wage workers are those at the 80th percentile, and very high wage workers are those at the 90th percentile. By definition, 10% of Connecticut workers earn wages below the "very low" wage level, while 10% of Connecticut workers earn wages above the "very high" wage level.⁷

⁵ Anderson S, Cavanagh J, Collins C, Pizzigati S. *Executive Excess 2008*. Institute for Policy Studies. August 25, 2008.

⁶ Douglas Hall, *Pulling Apart in Connecticut, 2007*, Connecticut Voices for Children, February, 2008; Joachim Hero, Douglas Hall, *Connecticut Family Asset Scorecard, 2008* Connecticut Voices for Children, December 2008.

⁷ Note that this report analyzes only wage income. As wealth increases, however, the proportion of total family or household income that comes from sources other than wages (e.g., capital gains, dividends, interest) also increases. Since this report does not include unearned income in its analysis, data presented regarding inequality *understate* Connecticut's income inequality.

Connecticut Wage Trends, by Percentile

| Percentile | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| 10th (very low) | \$8.55 | \$8.96 | \$9.00 | \$8.93 | \$8.84 | \$8.72 | \$8.35 | \$8.59 |
| 20th (low) | \$10.94 | \$11.49 | \$11.32 | \$11.14 | \$10.92 | \$10.73 | \$10.42 | \$10.61 |
| 50th (median) | \$18.03 | \$18.88 | \$18.77 | \$19.21 | \$19.02 | \$18.32 | \$18.26 | \$18.51 |
| 80th (high) | \$29.54 | \$30.62 | \$31.09 | \$32.83 | \$31.81 | \$31.72 | \$30.76 | \$31.40 |
| 90th (very high) | \$39.12 | \$39.52 | \$39.98 | \$42.39 | \$41.10 | \$40.83 | \$39.74 | \$40.85 |
| Highlighted boxes indicate the wage high-point in each row. | | | | | | | | |

Table II-1 Source: CT Voices for Children and EPI analysis of CPS

Wages in 2007. Connecticut's hourly wages at all levels are among the highest in the country.⁸ In 2007, the reported median hourly wage in Connecticut of \$18.51 was higher than in any other state. This is a 1.4% increase from 2006 and a 2.7% increase from 2000. Compared to wages in 2006, real wages of very low-wage workers in 2007 were 2.9% higher, as were wages of low-wage workers (1.8% higher), of high-wage workers (2.1% higher), and of very high-wage workers (2.8% higher).

2007 wages have not recovered from several years of decline. 2007's up-tick in wages runs counter to the yearly wage trend between 2003 and 2006, when wages fell across most of Connecticut's wage distribution. Despite real wage growth between 2006 and 2007, only median and very-high wage workers recovered wages lost from the year before, and no wage group earned back what had been lost since 2003. For many workers earning wages below the median, wages in 2007 are lower than they were prior to the *last* recession in 2000. Figure II-1 shows that low-wage workers earned 3% less in 2007 than they did in 2000, while median- and high-wage workers earned 2.7% and 6.3% more, respectively.

⁸ Connecticut is also one of the most expensive states to live in by any standard. See section on wage adequacy later in this report.

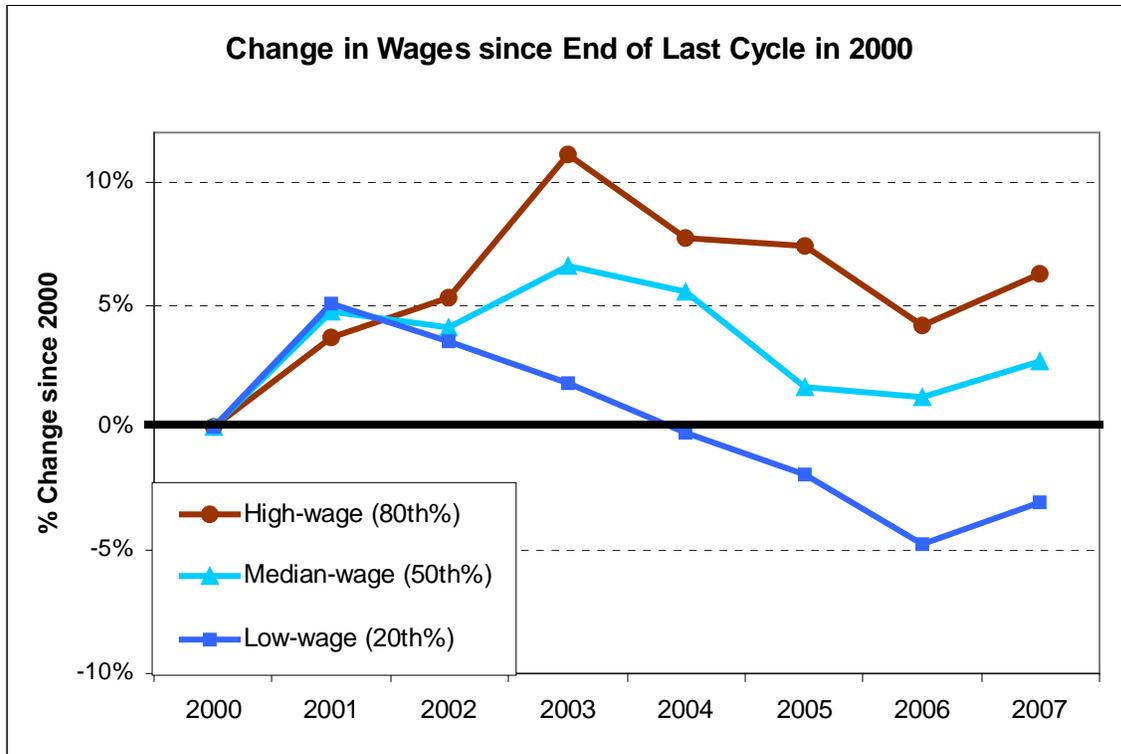


Figure II-1 Source: CT Voices for Children and EPI analysis of CPS

Longer-term trends show wage divergence and low-wage stagnation. Historical wage data also shows evidence of longer-term depreciation of real hourly wages below the median, contrasted with appreciation of real wages at the median and above. Figure II-2, below, shows parallel bar graphs that display the change in real wages since the beginning of the last recession in 2000 and the change in real wages since the start of the previous recession in 1989.⁹ Both the short-term and the long-term time frames show the real wage increases accruing to workers at the top of the wage scale, with wage depreciation or stagnation occurring for workers at the bottom. Since 1989, for instance, the three highest-earning wage groups received the largest wage *increases* as a proportion of their income; the three lowest-earning wage groups suffered real wage *decreases* as a proportion of their income.

For workers in the 10th through the 40th percentiles, as displayed in Figure II-2, Connecticut ranks in the bottom five states in wage growth since 1989. This means Connecticut's lower-wage workers have not fared as well as the lower-wage workers in most other states over this time period. By contrast, Connecticut's highest-paid workers have experienced higher wage growth than similar workers in most other states. Connecticut ranks 13th best among the states in wage growth for high-wage workers (80th percentile) and 11th best among the states in wage growth for very high-wage workers (90th percentile).

⁹ Recession start dates were selected based upon the determinations of the Connecticut Department of Labor.

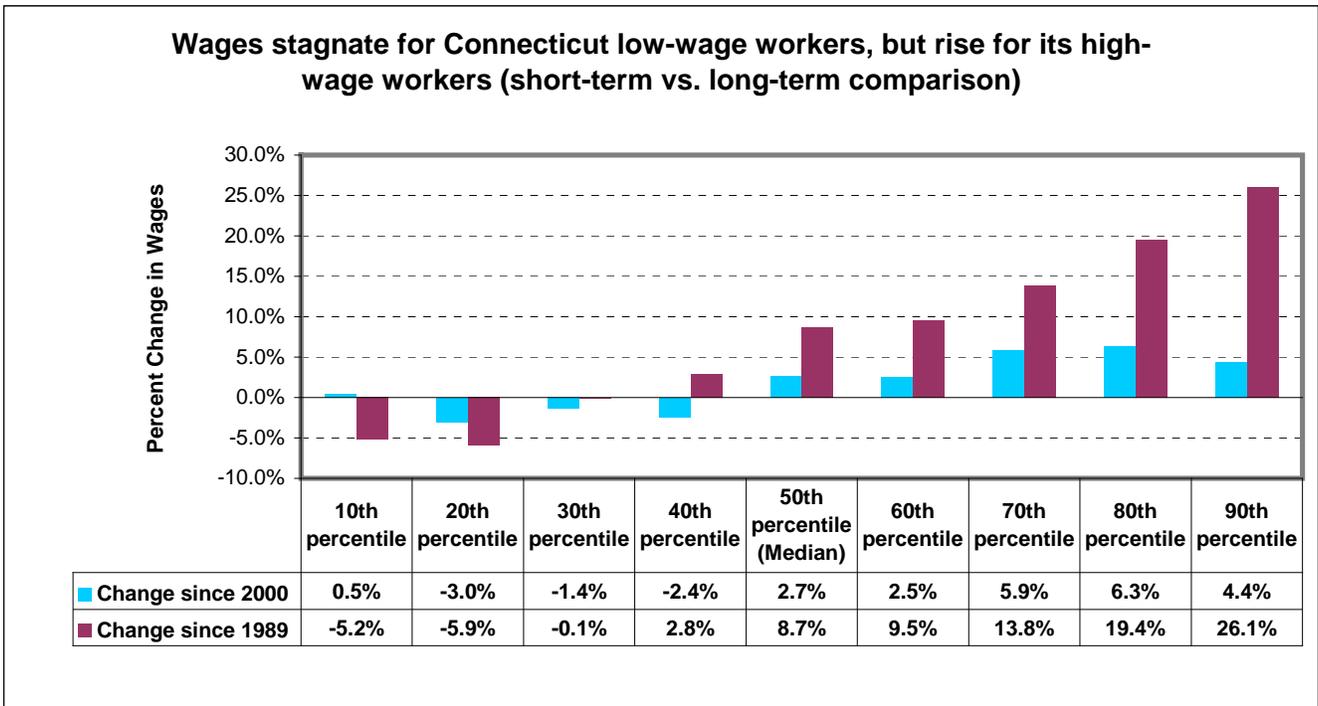


Figure II-2 Source: CT Voices for Children and EPI analysis of CPS

The difference between top and bottom incomes, which includes both earned (including wages) and unearned income (like capital gains and interest), grew more quickly in Connecticut over the past few decades than in any other state.¹⁰ The sustained and rapid divergence in wages in Connecticut over this time contributes heavily to Connecticut’s onerous distinction in widening income inequality.

Figure II-3, below, shows the ratio of very-high wages (90th percentile) to very-low wages (10th percentile) in both Connecticut and the United States. In 2007, very-high wages in Connecticut were 4.8 times its very-low wages. In Connecticut, this measure of wage inequality has risen steeply since 1989, when very-high wages were 3.6 times its very-low wages, and grossly outpaced the growth of wage inequality throughout the rest of the country.

Figure II-4, below, shows that Connecticut's poor performance in equitable income growth results from a decline (compared to national wages) in lower wages in Connecticut and a steep comparative increase of higher wages in Connecticut. That is, low wages in Connecticut have been losing ground while high-wage growth continues to out-strip the national high-wage growth rate.

¹⁰ Hero, Joachim. *Connecticut Leads the Nation in Multiple Measures of Income Inequality*. CT Voices for Children, 2007.

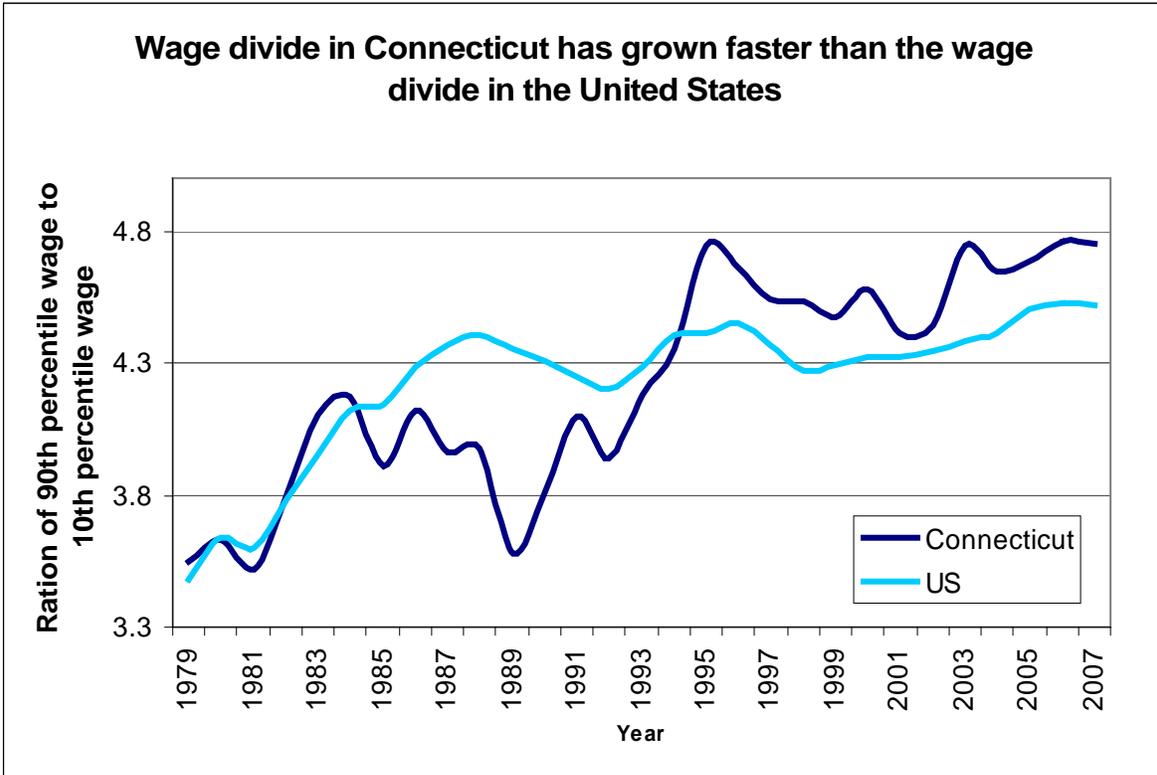


Figure II-3 Source: CT Voices for Children and EPI analysis of CPS data.

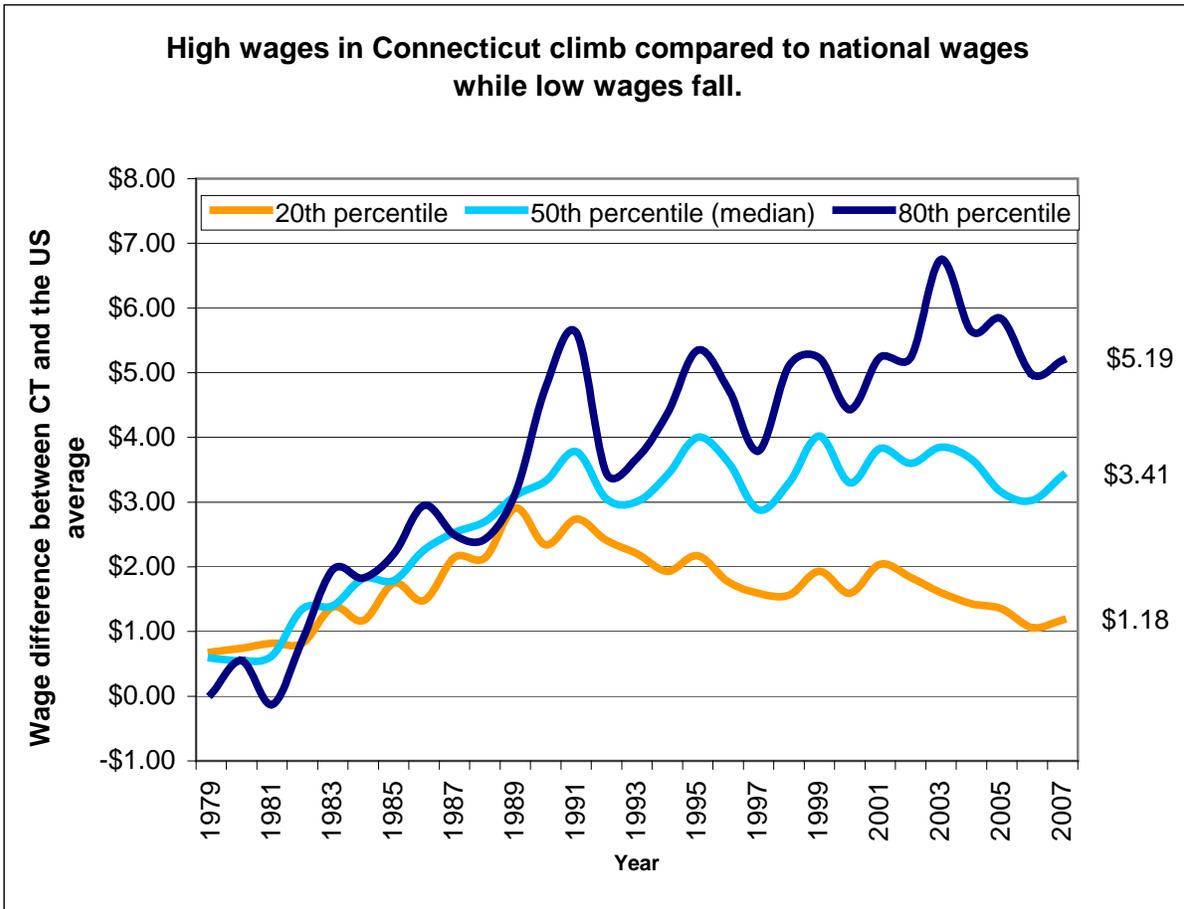


Figure II-4 Source: CT Voices for Children and EPI analysis of CPS data.

Importantly, the above measures of wage inequality markedly underestimate family income inequality in a state of Connecticut's wealth for a number of reasons. First, they fail to take into account the significant non-wage (e.g., dividend, interest, and capital gains) income of Connecticut's highest income families. Wealthier individuals have a larger share of Connecticut's non-wage income. Were unearned income included in income inequality measures, it would push the income gap even wider.¹¹ Second, "very high" wages in this report refers to the average wages of the worker at the 90th percentile. That is, fully 10% of Connecticut's workers earn more than the "very high" wage reported here and, in some cases, much more. In a state like Connecticut, which has very significant individual income and wealth, there is likely a long "tail" in the upper levels of our income distribution. Tracking trends only in the 90th percentile wage fails to capture fully the changes in wages and incomes at these very high levels.

III. Hourly Wages and Demographics

Table III-1, to the right, displays 2007 median hourly wages by gender, race/ethnicity, education, and union status. Wide variation exists among the median hourly wages of these demographic categories. Some of this variation follows along undesirable lines, like race and gender, and is indicative of societal ills that persist in Connecticut and the rest of the country. Other wage variation follows along the lines of valuable skills and institutions, like education and union status, which demonstrates opportunities to promote broad-based wage growth if widespread access to those skills and institutions exists.

Wages by Gender

In 2007, the median hourly wage for men, at \$20.09, was 22% higher than the median wage for women, at \$16.49. Wages between men and women in Connecticut remain far short of parity, but the gap between men and women has been slowly narrowing over the past several decades. The progression towards equal pay between men and women in Connecticut appears to have slowed since the late nineties, but between 2006 and 2007, an increase in the median wage of women and a decrease in the median wage of men caused the largest narrowing of the male-female gap in recent history.

| Demographic | 50th percentile (Median) |
|-------------------------|--------------------------|
| All | \$18.51 |
| Gender | |
| Male | \$20.09 |
| Female | \$16.49 |
| Race / ethnicity | |
| White | \$19.95 |
| African American | \$14.44 |
| Hispanic | \$12.19 |
| Education | |
| Less than high school | \$10.13 |
| High school | \$15.11 |
| Some college | \$16.12 |
| Bachelor's or higher | \$27.85 |
| Org. labor | |
| Union | \$22.97 |
| Non-union | \$17.34 |

Table III-1

Source: CT Voices for Children and EPI analysis of CPS data.

Figure III-1, below, shows the ratio of female to male median hourly wages in Connecticut since 1979. The female median wage was 82% of the male median wage in 2007, which was sharply up from 2006, when the female median wage was 76% of the male median wage. 82% is almost twenty percentage points higher than the last recorded low-point in 1984, when the female median wage was 64% of the male median wage.

The 2007 improvement of female median hourly wages compared to male median wages was caused by a combination of female median wages increasing 6% between 2006 and 2007 and male wages falling 3% over the same period. Figure III-2 shows male and female wages since 2000. Notably, over this longer period the wages of both have declined: the female median wage in 2007 was down 3% from its high point

¹¹ Mishel L, Bernstein J, and Allegretto S. *The State of Working America, 2006/2007*. ILR Press, 2007. Table 1.20

in 2003 (when the female median wage was \$16.94) while the male median wage in 2007 also was down, by 8% from its high point in 2004 (at \$21.83).

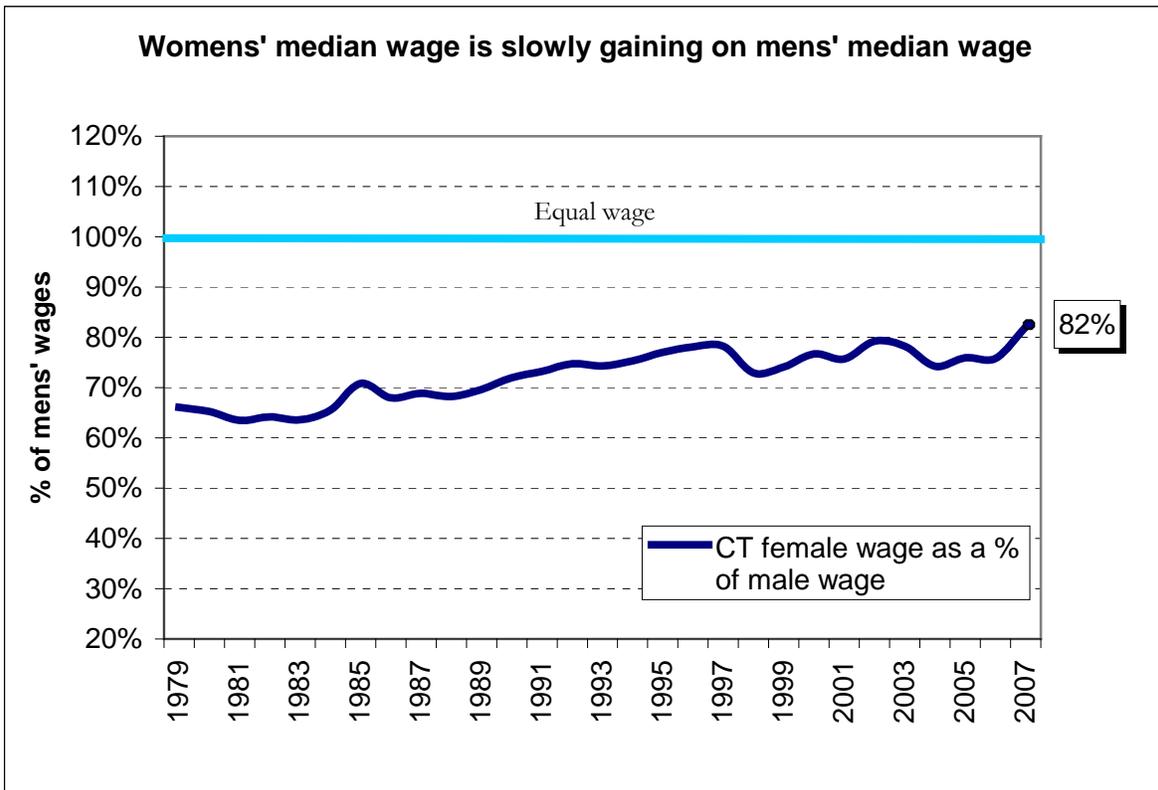


Figure III-1 Source: CT Voices for Children and EPI analysis of CPS



Table III-2 Source: CT Voices for Children and EPI analysis of CPS data.

Parity between male and female wages in Connecticut is not a pipe dream. While no states have yet achieved complete parity, in Arizona the female median hourly wage was 92% of the male median wage and in Rhode Island it was 87%. Several U.S. cities, like New York, Dallas, and Los Angeles, have even seen wages for young women aged 21 and 30 *surpass* wages for young men of that age.¹² Although Connecticut's current 82% is slightly higher than the national average, the better record in several other states, including neighboring Rhode Island, shows that Connecticut has room for improvement in gender equity.

Hourly Wages and Educational Attainment

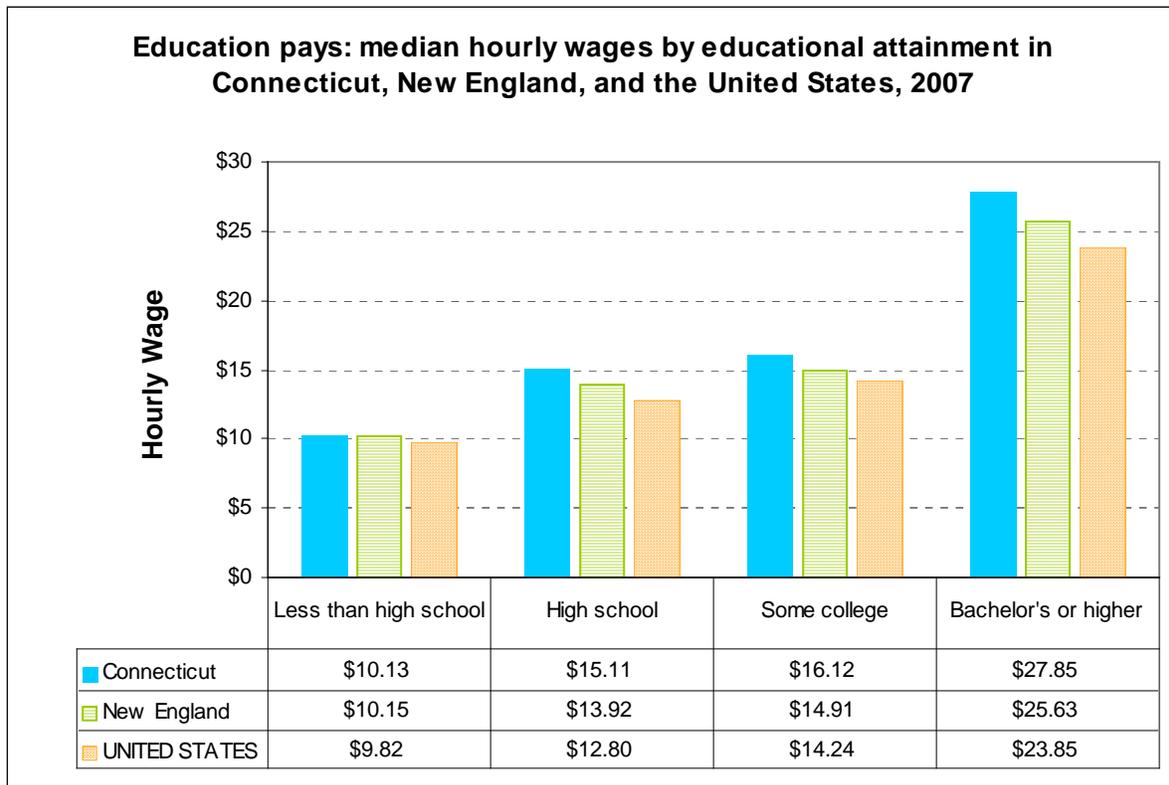


Figure III-3 Source: CT Voices for Children and EPI analysis of CPS data.

Education is a strong predictor of wages in Connecticut. Those with a bachelor’s degree or higher enjoy median wages, at \$27.85 per hour, that are more than double the \$10.13 paid to workers lacking a high school education. Compared with national and regional averages, median wages are higher in Connecticut for every educational category except for workers who did not earn a high school degree (where Connecticut's wages are slightly higher than the nation's but slightly lower than wages for New England). See Figure III-3, above.

Data from 1979 show that the difference in median hourly wages among Connecticut workers with varying levels of education has been enlarging. Figure III-4, below, shows that the real median wage of Connecticut’s highest educated has grown from \$20 an hour to close to \$28 an hour. However, for its least educated, real hourly wages have fallen from \$13 to about \$10 an hour. Workers with only a high school

¹² Sam Roberts, “For Young Earners in Big City, a Gap in Women’s Favor,” *The New York Times*. August 3, 2007.

education and workers with “some” college have remained steady, rising slightly from just below \$15 an hour to slightly above \$15 an hour.

The increasing median income of people with a bachelor’s degree or higher does not appear to be caused by a change in the level of educational attainment in this population group. Census data show that the composition of the highest educational bracket in Connecticut did not change much between 1990 and 2000. In 1990, 40% of the highest education category held a master's degree or higher, and in 2000 that percentage rose only slightly to 42%. Barring other possible explanations, it appears that the value of a college education in Connecticut has steadily risen since 1979, while the cost of not attaining a high school degree also has increased.

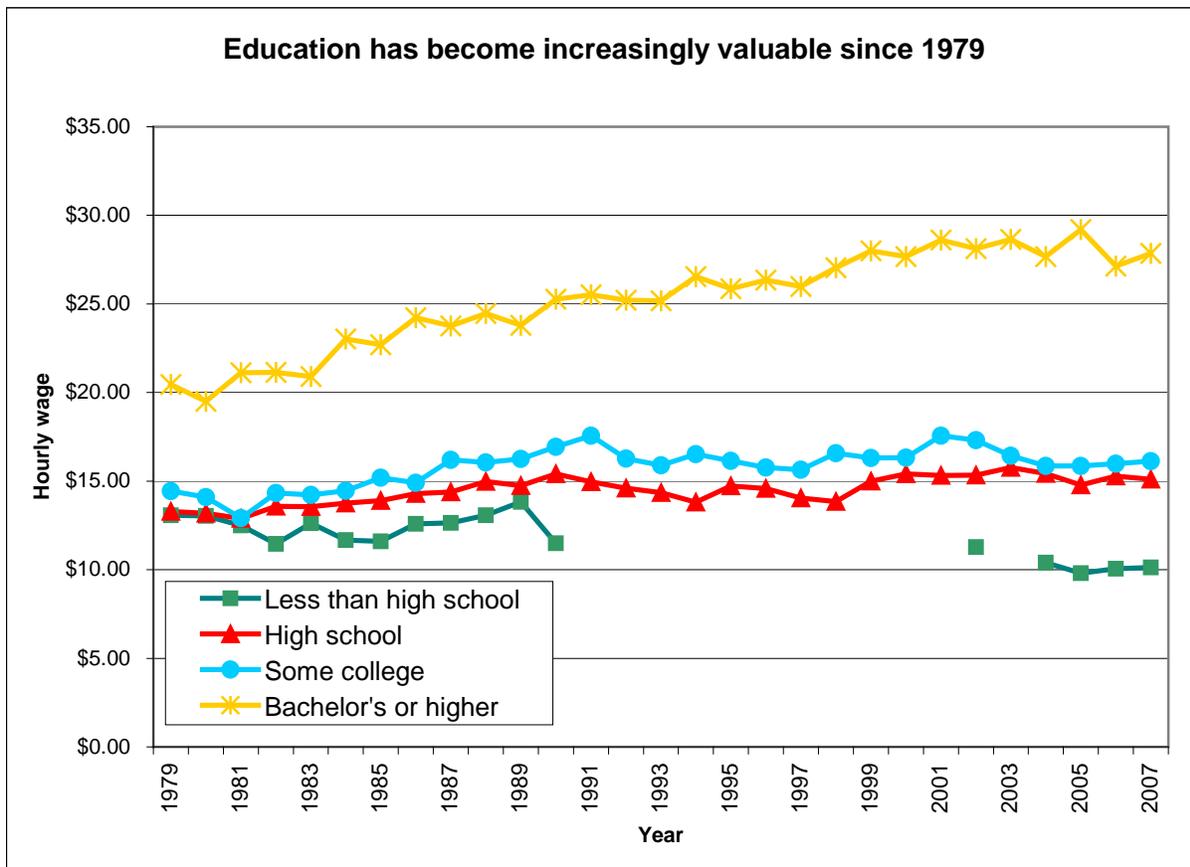


Figure III-4 Source: CT Voices for Children and EPI analysis of CPS data.

Interestingly, there is no substantial wage difference between median wage earners with “some college” and wage earners with only a high school degree. Since the “some college” category includes both people with Associates Degrees (25%) and people who started college but never received a degree (75%), analytical conclusions on these data are limited. However, the near-insignificant wage advantage for the “some college” category suggests the importance of college completion in general, and of a completing at least a four-year degree in particular.

Figure III-5, below, shows that having a bachelor's degree or higher has a significant effect on wages earned across the entire wage distribution, but that it is associated with more pronounced wage benefits at upper income levels. Workers with a bachelor's degree or higher who are earning low wages (20th percentile) earned close to \$16.00 an hour which was 60% higher than workers at the same wage percentile who had not completed a four-year degree but had graduated from high school. Workers with a bachelor's

degree or higher who were earning high wages (80th percentile) earned \$42.27 an hour, which was 85% higher than workers at the same percentile who had not completed a four-year degree but had graduated from high school.

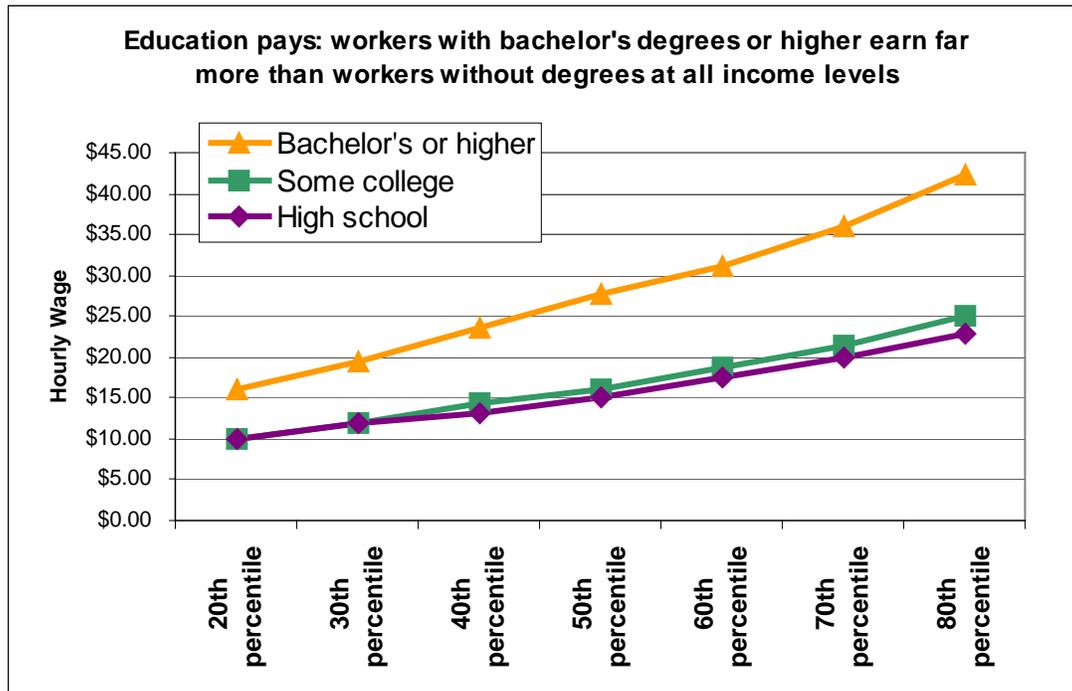


Figure III-5 Source: CT Voices for Children and EPI analysis of CPS data.

Hourly Wages and Race/Ethnicity

Figure III-6, below, shows wage disparities for Connecticut, the United States, and New England, by race and ethnicity. While the wage advantage enjoyed by white workers is striking at the state, regional, and national levels, it is particularly noteworthy in Connecticut where the median hourly wage for white workers is \$19.95 compared to \$14.44 for African American workers and \$12.19 for Hispanic workers. Although median wages in Connecticut are higher than regional and national averages at the median in all race/ethnicity categories, Connecticut's disparities by race/ethnicity at the median wage level exceed such disparities at the median wage level nationally. Connecticut's racial wage disparity for African Americans equals that of New England, while Connecticut's racial wage disparity for Hispanics is larger than that of New England.

Figure III-7, shows that the disparity between whites and Hispanics is particularly wide in Connecticut, where Hispanics earn just 61% of whites at the median wage. The gap between the white median wage and the African American median wage in Connecticut is smaller than the gap between whites and Hispanics, with the African American median wage at 72% of the white median wage. Notably, real median wages for African Americans in Connecticut increased sharply between 2006 and 2007 (from \$13.36 in 2006 to \$14.44 in 2007), an increase of 8% that helped to narrow the race gap between black and white.

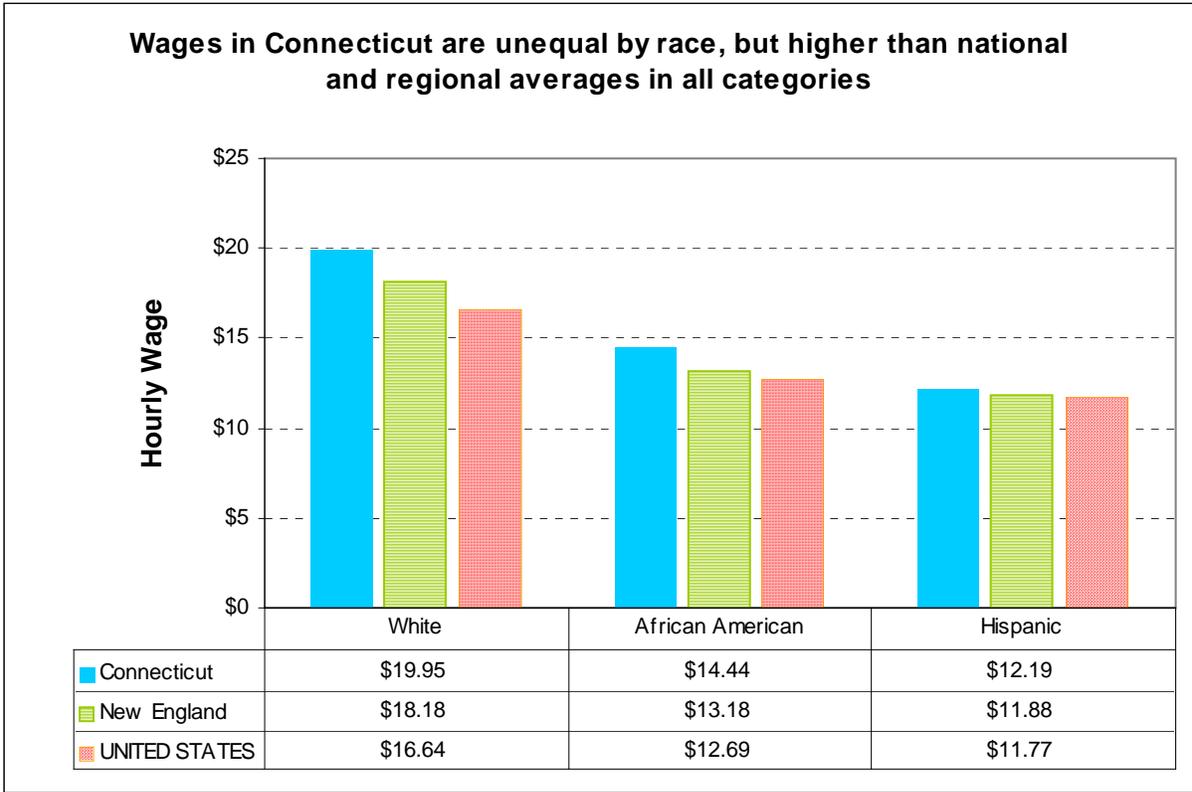


Figure III-6 Source: CT Voices for Children and EPI analysis of CPS data.

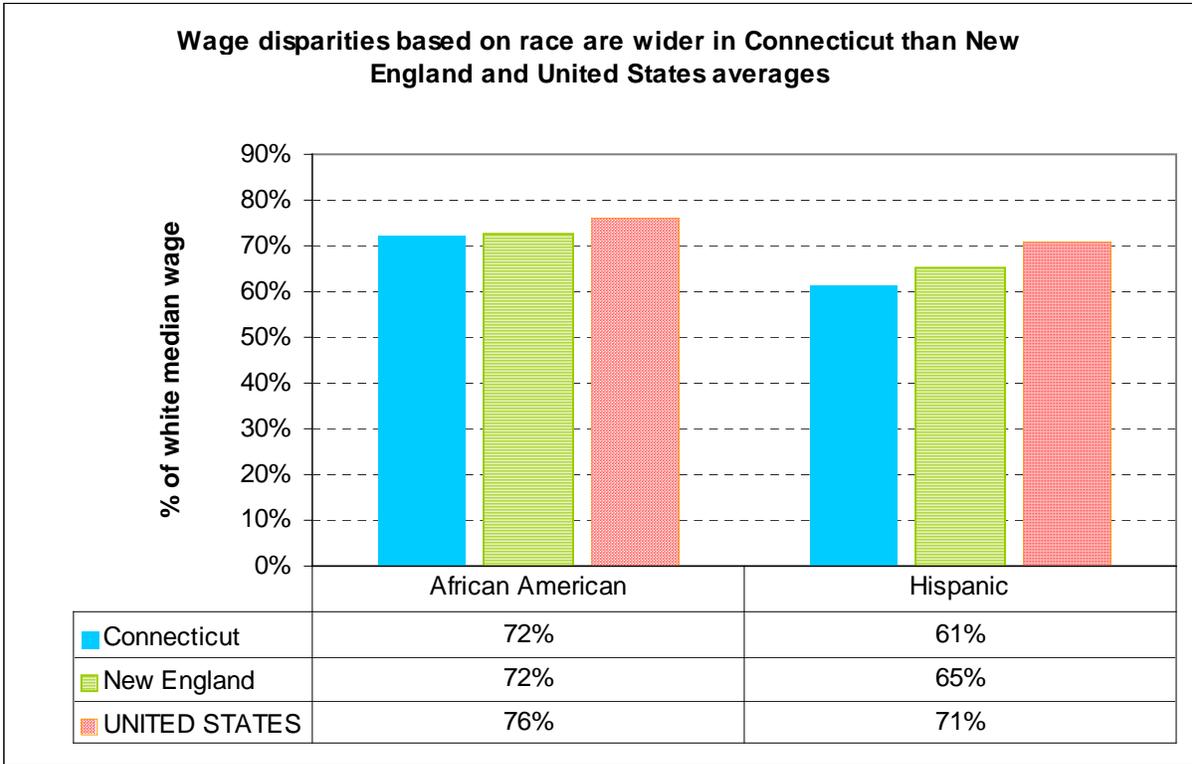


Figure III-7 Source: CT Voices for Children and EPI analysis of CPS data.

IV. Benefits

Health Insurance and Pensions

Job benefits can be a big help to a family's budget. The average yearly premium for an employer-sponsored¹³ family health plan in Connecticut in 2006 was \$12,416, a significant amount of money for almost any family. In that year, employers in Connecticut that offered health insurance covered an average of 76% (\$9,469) of these family health plan costs, bringing the average employee contribution down to just under \$3,000 dollars a year.¹⁴ Similarly, jobs that offer pensions can add tens of thousands of dollars a year to an employee's family budget once they enter retirement.

Worker benefits in Connecticut's private sector have been eroding, however. Since the period of 1998-2000, the percentage of workers in the private sector with employer-provided pension and health insurance has been in decline. Figure IV-1, below, shows that employer-provided pensions have decreased 5 percentage points --from 56% of the private sector workforce to 51%, and that employer-provided health insurance has decreased 5 percentage point -- from 65% of the private-sector workforce to 60%. Union coverage has remained flat since 2003 at 16.6%, but this is down from a high of 20.7% in 1995.

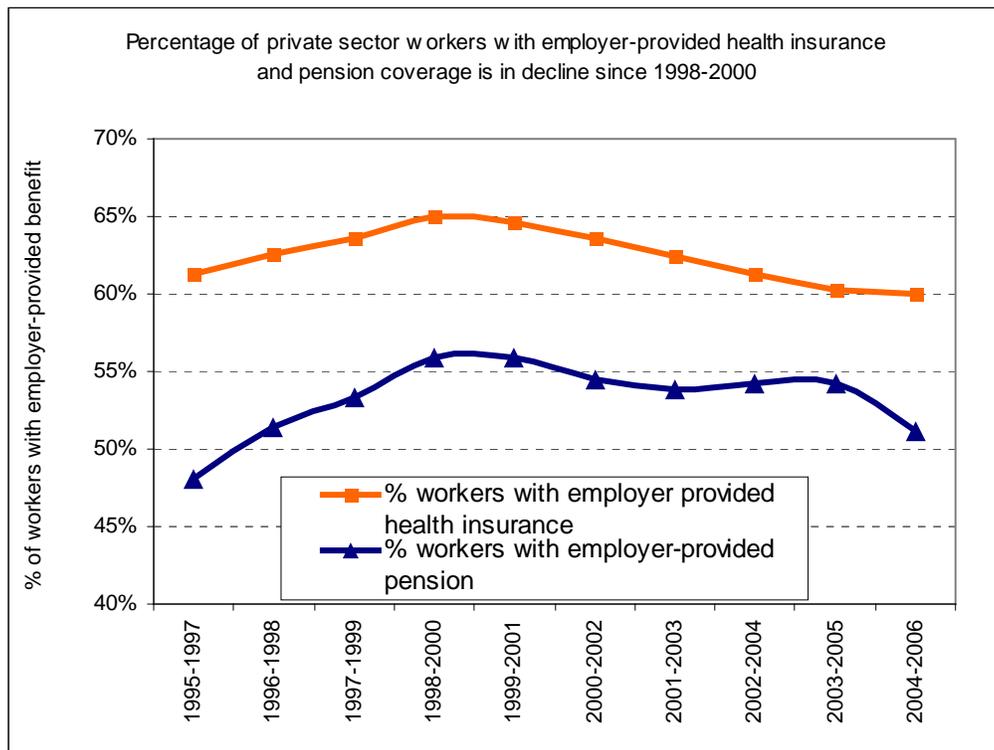


Figure IV-1 Source: CT Voices for Children and EPI analysis of CPS data.

Union Coverage

The collective bargaining power of labor unions allows union members to demand higher wages and better benefits for themselves and others in their collective bargaining unit. Unions historically have been able to

¹³ This excludes government jobs at the state, local, and federal level.

¹⁴ Agency for Healthcare Research and Quality. *Average total family premium in dollars) per enrolled employee at private-sector establishments that offer health insurance by firm size and State* (Table II.D.1) Medical Expenditure Panel Survey Insurance Component Tables.

secure wages and benefits that exceed those of workers in comparable jobs in non-unionized settings. Unionized jobs in Connecticut had a median hourly wage in 2007 that, at \$22.97 per hour, was 32% higher than the median wage of non-unionized jobs in that year, at \$17.34 per hour.

The percentage of workers who are members of unions or who receive union benefits has been in decline in Connecticut, as in the rest of the country. Figure IV-2, below, shows that union coverage has fallen from a high of over 20% of workers in 1995, down to 16.6% in 2007. Union coverage in the years following the last recession has been flat, with 2007's rate at just two tenths of a percentage point higher than in 2003.

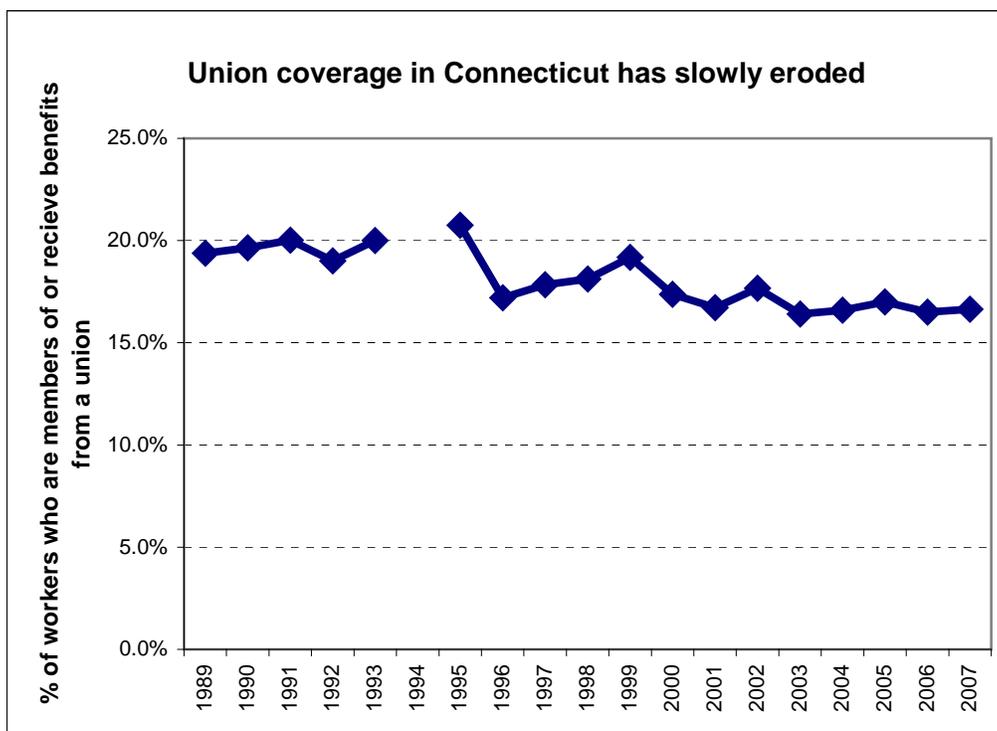


Figure IV-2 Source: CT Voices for Children and EPI analysis of CPS data.

V. Wage Inadequacy

Many Connecticut families who work in full-time, year-round jobs earn wages that leave them below the Federal Poverty Level (FPL) (\$21,650/ year for a family of four in 2007¹⁵). In 2007, 19.1% of Connecticut workers did not earn enough to generate an income that meets the federal poverty threshold for a family of four, the highest rate since 1998. Connecticut nonetheless compares favorably to workers in the Northeast (21.1% poverty-threshold) and nationally (26.8% – more than one in four workers). Poverty-wage rates in Connecticut, the Northeast, and the United States generally have declined since the high rates of the early 1980's. However, the proportion of workers earning a poverty wage turned sharply upward between 2006 and 2007 in Connecticut and in most other states. Unfortunately, a poverty-level wage falls far short of meeting a family's basic needs, particularly in a high cost state like Connecticut.

¹⁵ The Federal Poverty Threshold, by comparison, varies both by size and composition of a family. The weighted average number results in a single number for all family compositions at a single family size. The unweighted FPL for a four-person family composed of two parents and two related children is \$21,027.

Wages in Connecticut do not go as far toward meeting basic needs as in other states. Although Connecticut workers at all wage percentiles earn more than workers in other states at comparable percentiles, Connecticut residents also must pay more for basic essentials. In 2007, Connecticut was listed among the top ten states in the country for cost of living; in the first quarter of 2008 Connecticut was listed as having the second highest cost of living in the continental United States.¹⁶ The same index found that, in the contiguous United States, Connecticut was the most expensive state in the price of groceries, the fifth most expensive state in housing expenses, the most expensive state in the price of utilities, the fourth most expensive state in health care costs, and the fifth most expensive state in transportation costs.

Many Connecticut residents pay more than 30% of their income for housing

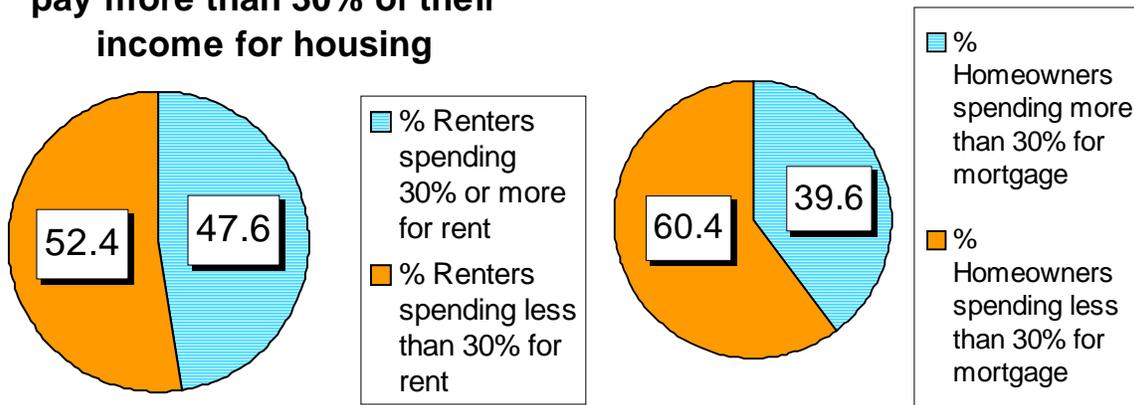


Figure V-1
Source: CT Voices for Children and EPI analysis of CPS data.

The National Low-Income Housing Coalition found that in 2007-08 a family in Connecticut would have to work full-time, full-year at at least \$21.11 an hour to be reasonably assured of quickly finding an affordable rental unit.¹⁷ This is close to 15% higher than the median wage in Connecticut in 2007. No wonder, then, that close to half of Connecticut's renters spend more than 30% of their income on rent and close to 40% of homeowners spend more than 30% of their income on mortgage costs. According to the Department of Housing and Urban Development, people who spend more than 30% of their income on housing costs are cost-burdened and may have difficulty affording other necessities.

By using the cost-of-living index for all states, it is possible to adjust wages so that the purchasing power of wages earned in each state is the same. A cost-of-living adjustment to wages in Connecticut dramatically changes how wages here compare to the cost-of-living adjusted wages of other states. Table V-1, to the right, shows how the median wage, which in Connecticut is the highest in the country, falls to the 36th highest (i.e. 13th lowest) median wage

| | Connecticut's State Ranking | | |
|-------------------------------|-----------------------------|--------------------------|------------------------------|
| | 20th percentile (Low Wages) | 50th percentile (Median) | 80th percentile (High Wages) |
| Unadjusted for Cost of Living | 3rd | 1st | 3rd |
| Adjusted for Cost of Living | 44th | 36th | 32nd |

*State rankings exclude Hawaii and Alaska

Table V-1 Source: CT Voices for Children and EPI analysis of CPS data.

¹⁶ Missouri Economic Research and Information Center.

http://www.missourieconomy.org/indicators/cost_of_living/index.stm

¹⁷ Out of Reach 2007-2008. National Low Income Housing Coalition. Last viewed, 8/27/08.

<http://www.nlihc.org/oor/oor2008/data.cfm?getstate=on&state=CT>

in the contiguous states when adjusted for the cost of living. Connecticut workers earning low wages (20th percentile) fare even worse, with their cost-of-living adjusted wages ranking 44th out of the contiguous states (or 5th lowest). Even higher wages in Connecticut rank poorly compared to other states when adjusted for the cost of living, although the exclusion of unearned income (capital gains, dividends, interest, rents, etc.) greatly complicates the interpretation of wage adequacy at the top of the wage spectrum.

Self-Sufficiency Standard

The wide variation in cost of living among states is one of several reasons why the federal poverty threshold is often criticized as an inadequate measure for income adequacy. Income in high-cost states cannot be accurately compared to income in low-cost states using a national standard that does not take into account regional differences in expenses. In Connecticut, where costs are among the highest in the country, the federal poverty threshold is likely to greatly underestimate the number of people who have less income than they need to meet their essential needs.

To address some of the shortcomings of the federal poverty threshold as a standard, Connecticut's Self-Sufficiency Standard was developed and originally released by the Office of Policy and Management in 1999. The Standard presents self-sufficiency wages for multiple family types and for 12 regions in the state, accounting for family composition and regional differences in the cost of basic needs.¹⁸ An updated Self-Sufficiency Standard was released in 2005, this time through the Connecticut Office for Workforce Competitiveness (OWC).¹⁹

The Connecticut Self-Sufficiency Standard is now widely viewed as a more accurate measure of what it takes to “get by” in Connecticut than the federal poverty threshold. The federal poverty threshold is based on the cost of a single item (food) and assumes a fixed ratio between food and non-food expenses (food costs are assumed to be 1/3rd of all expenses, an outdated notion). Moreover, the federal poverty threshold is a national measure; it fails to take into account significant differences in the cost of living both between and within states. The threshold also does not take into account the expenses associated with parental employment.

The Self-Sufficiency Standard, by comparison, includes costs for housing, childcare, food, transportation, health care, taxes, and miscellaneous expenses. (The estimated expenses for a single parent family with one infant and one school-aged child are shown in Figure V-2, below). It assumes that working adults (whether married or single) work full-time, and therefore includes costs associated with employment (transportation, taxes, and for families with young children, child care). It takes into account the fact that many costs differ not only by family size and composition, but also by the age of the children in the family. It incorporates regional and local variation in costs and includes the net effect of taxes and tax credits.

¹⁸ Pearce and Brooks, *The Self-Sufficiency Standard for Connecticut* (1999). The Economic Policy Institute produces similar numbers using their *basic family budget calculator*. Updated basic family budget data were released September 1, 2005 for over 400 communities nationwide. See http://www.epi.org/content.cfm/datazone_fambud_budget.

¹⁹ Diana Pearce, *The Real Cost of Living in 2005: The Self-Sufficiency Standard for Connecticut* (2005). <http://www.cga.ct.gov/pcsw/Publication%20PDFs/2005/FESS%20Executive%20Summary.pdf>

Monthly Costs, Single Parent, One Infant and One School Aged Child, Hartford Suburbs, 2005 (adjusted to 2007 dollars)

* Incorporates federal child tax credit (\$167) and child care tax credit (\$100)

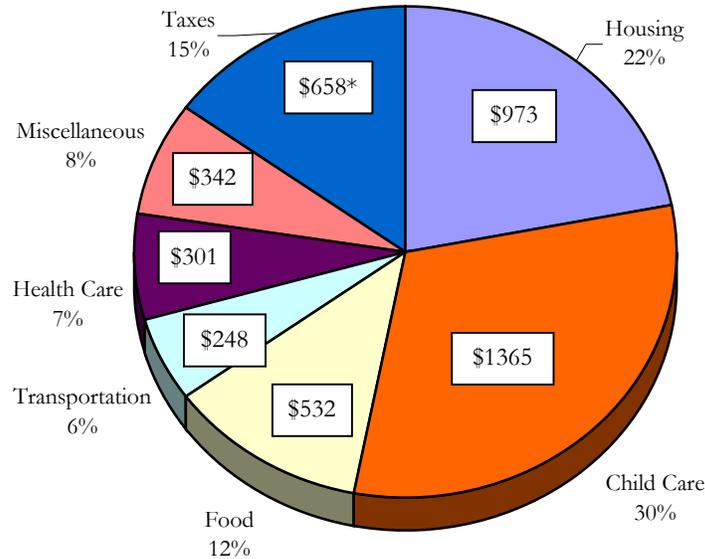


Figure V-2. Source: Diana Pearce, The Real Cost of Living in 2005: Self-Sufficiency Standard for Connecticut (2005).

Table V-2, below, shows the Self-Sufficiency Standard for two family types: a single-parent family with one infant and one school-aged child; and a two-parent family with two school-aged children. Even in the most ‘affordable’ regions of the state (Hartford for a two-parent family with two school-aged children, and Windham for a single-parent family with an infant and a school aged child), the annual income needed to achieve self-sufficiency is more than double the Federal Poverty Threshold (FPT). For a two-parent family with two school-aged children, the income required to meet self-sufficiency needs ranges from more than double the FPT in the Hartford region (2.2 times FPT) to more than triple the FPT in Upper Fairfield (3.2 times FPT). For a single-parent family with one infant and one school-age child, the income required to meet self-sufficiency ranges from more than double the FPT in Windham (2.6 times FPT) to more than four times the FPT in Lower Fairfield (4.0 times FPT).

| Connecticut's Self-Sufficiency Standard, 2005 (\$ 2007) | | |
|---|-----------------------------------|--|
| | Adult + Infant + School Age | 2 Adults + 2 School Age Children |
| Waterbury | \$49,350 | \$52,300 |
| Greater Waterbury | \$58,970 | \$61,658 |
| Danbury | \$56,786 | \$59,313 |
| Greater Danbury | \$59,616 | \$62,039 |
| Northwest Corner | \$51,850 | \$54,279 |
| Bridgeport | \$51,023 | \$49,475 |
| Stratford | \$57,120 | \$59,185 |
| Stamford | \$62,923 | \$60,699 |
| Naugatuck Valley | \$56,515 | \$58,585 |
| Upper Fairfield | \$66,077 | \$67,455* |
| Lower Fairfield | \$67,501* | \$65,229 |
| Hartford | \$45,399 | \$45,322** |
| Hartford Suburbs | \$54,546 | \$57,582 |
| North Central | \$53,351 | \$56,512 |
| New Haven | \$46,947 | \$46,126 |
| Upper Connecticut River | \$52,968 | \$55,526 |
| Greater New Haven | \$54,414 | \$57,341 |
| Lower Connecticut River | \$53,728 | \$56,286 |
| Windham | \$43,064** | \$46,529 |
| Greater Windham | \$46,975 | \$49,914 |
| New London | \$43,196 | \$46,731 |
| Greater New London | \$45,415 | \$48,594 |
| Federal Poverty Threshold | \$16,705 | \$21,027 |

Table V-2

Note: Highest(*) and Lowest(**) standards are bolded for each family type. Source: Diana Pearce, *The Real Cost of Living in 2005: The Self-Sufficiency Standard for Connecticut* (2005).

Table V-3, below, shows the relationship between Connecticut's 2007 average wages at the various percentiles (10, 20, 50, 80, 90) and the wages required to meet the family self-sufficiency needs in each of the twenty-three regions specified in the Self-Sufficiency Standard for Connecticut. As is evident from this table, the hourly wages of at least 1 in 5 Connecticut workers is less than is needed for a family of four to be economically self-sufficient -- even if both parents work full-time, full-year. The hourly wages of *at least half* of Connecticut's workers is less than is needed for a family of three to be economically self-sufficient - even if the single parent is working full-time for the full year.

| 2007 Connecticut Hourly Wages (\$ 2007) | | |
|--|---|--|
| Very Low wage workers (10 th percentile) | \$8.59 | |
| Low wage workers (20 th percentile) | \$10.61 | |
| Median wage workers (50 th percentile) | \$18.51 | |
| High wage workers (80 th percentile) | \$31.40 | |
| Very high wage workers (90 th percentile) | \$40.58 | |
| Region/City | Hourly Wage Needed by Each Adult to Achieve Self-Sufficiency | |
| | Family Type: Adult + Infant + School Age | Family Type: 2 Adults + 2 School Age Children |
| Waterbury | \$23.37 | \$12.38 |
| Greater Waterbury | \$27.92 | \$14.60 |
| Danbury | \$26.89 | \$14.04 |
| Greater Danbury | \$28.23 | \$14.69 |
| Northwest Corner | \$24.55 | \$12.85 |
| Bridgeport | \$24.16 | \$11.71 |
| Stratford | \$27.05 | \$14.01 |
| Stamford | \$29.79 | \$14.37 |
| Naugatuck Valley | \$26.76 | \$13.87 |
| Upper Fairfield | \$31.29 | \$15.97* |
| Lower Fairfield | \$31.96* | \$15.44 |
| Hartford | \$21.50 | \$10.73** |
| Hartford Suburbs | \$25.83 | \$13.63 |
| North Central | \$25.26 | \$13.38 |
| New Haven | \$22.23 | \$10.92 |
| Upper Connecticut River | \$25.08 | \$13.15 |
| Greater New Haven | \$25.76 | \$13.58 |
| Lower Connecticut River | \$25.44 | \$13.33 |
| Windham | \$20.39** | \$11.02 |
| Greater Windham | \$22.24 | \$11.82 |
| New London | \$20.45 | \$11.06 |
| Greater New London | \$21.50 | \$11.50 |

Table V-3

Note: Highest(*) and Lowest(**) standards are bolded for each family type.
Source: Diana Pearce, *The Real Cost of Living in 2005: The Self-Sufficiency Standard for Connecticut* (2005).

VI. Conclusion

To better ensure that Connecticut's economy more fully contributes to the quality of life we want for *all* our families and communities, and that prosperity and opportunity are more widely shared, Connecticut Voices for Children recommends that Connecticut:

Greatly increase our public investment in education. Since post-secondary education clearly is a key to higher earnings and steady employment, barriers to college must be reduced including by investing more in pre-school and K-12 education to reduce the state's enlarging achievement gap, targeting interventions to curb the number of youth who drop out of high school, increasing funding for college scholarships, and expanding financial support to our public colleges and universities to limit tuition increases. Assuring that Connecticut's workforce remains one of the most highly educated in the nation not only helps Connecticut families, but also keeps Connecticut economically competitive.

Re-think the state's economic development strategy; implement a comprehensive economic development plan that focuses on increasing higher-wage jobs and assuring a well-educated, healthy workforce. In the last decade, the state's economic development efforts have been fragmented, lacking a cohesive strategy. There also has been little competent assessment of the economic returns to current state economic development investment, particularly in itinerant economic activity (e.g., the entertainment tax credits) and the creation of low-wage jobs. The success of state economic development initiatives (whether through grants, loans or tax benefits) should be measured by the number of higher-wage jobs created and the preparedness of our workforce; not just increased productivity. Economic development resources not achieving these purposes should be re-deployed.

Ramp up supports for the families of lower wage workers and workers who have lost their jobs. With household costs rising and wages shrinking, the state must do more to help lower wage families make ends meet. Restoring funds cut in the last recession for programs that reduce family expenses (e.g., child care subsidies, housing subsidies, energy assistance), assuring affordable health insurance for all who are uninsured or underinsured, making the state tax code more equitable (e.g., providing income tax deductions for dependent children, a refundable state earned income tax credit), expanding the supply of housing that is affordable for lower wage families and curbing predatory lending practices all will reduce the economy's adverse impacts on children living in families earning lower wages. Expanding the coverage and benefits of our unemployment insurance program, and providing wage insurance for workers who lose their jobs, also can help cushion families from economic catastrophe.