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The State of Working Connecticut, 2008: Jobs Trends and the Labor Force

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I. Introduction

We now know that 2007 represented the last year of the past economic recovery. Continued grief in the stock markets appears to be driven by almost daily reminders that a recession is upon us: over 1,800,000 U.S. jobs lost since January (including 533,000 in November alone), declining business performance, declining consumption, rising unemployment, and high-profile business failures. Connecticut has not been insulated from national economic woes.

The first part of this two-part report, *The State of Working Connecticut, 2008: Wages Trends*, found that the lowest-earning members of Connecticut's workforce would be worse off, in terms of wages and benefits, going into a recession today than they were entering the 2001 recession eight years ago. Moreover, it showed that wage stagnation and decline occurred in spite of increased productivity over the latest economic recovery. *The State of Working Connecticut, 2008: Job Trends and the Labor Force*, part two of the State of Working Connecticut report, examines job growth, unemployment, and *under*employment in context of past trends, as well as the current and oncoming economic difficulties.

Connecticut's workforce is highly educated, older than in most other states, and slightly less racially and ethnically diverse than the U.S. average. Over time, Connecticut's workforce has become older, more diverse, and more educated. Connecticut's high and rising level of education in the workforce is a testament to the state's economic potential, but many challenges lay ahead. The following are highlights of what census data show about the trends and conditions of Connecticut's labor market.

Employment levels appear to have reached their peak in this economic cycle. The Connecticut Department of Labor recorded 1,698,800 jobs in October of 2008. The number of jobs in Connecticut has shown no signs of growth since December of 2007 when jobs were at their peak of 1,706,500. Nationally, jobs have been declining and employment in Connecticut has begun to follow. The continued erosion of manufacturing jobs, a tightening retail market, and high exposure to the deeply troubled financial sector are likely to be top contributors to Connecticut's employment challenges in the months ahead.

Connecticut continues to shed manufacturing jobs and add health and education jobs. The decline in manufacturing and the growth in educational and health services account for the lion's share of the compositional change in Connecticut's workforce since 1990, when there were close to 110,000 more manufacturing jobs and 90,000 fewer health and education jobs. Between October 2007 and October 2008, Connecticut lost 2,600 manufacturing jobs while adding 4,900 jobs in health and education services. During that time, Connecticut also lost 3,100 jobs in retail trade and 1,400 financial jobs, and gained 1,400 government jobs, 1,000 wholesale trade and 500 jobs in leisure and hospitality. Industry sectors where Connecticut has gained the most jobs in the past year pay less, on average, than industry sectors where Connecticut is losing jobs, indicating a troublesome shift in the Connecticut economy towards lower-salary jobs even as net jobs are in decline.

Unemployment is increasing, more volatile, and highly regionalized. Unemployment in Connecticut has risen quickly since the end of 2007. At 6.5% in October, unemployment is 1.7 percentage points higher than it was a year earlier and is likely to increase through the

recession. Unemployment is not only a potentially catastrophic event for families that face it, but can be a harbinger of broader economic troubles and declining state revenue. It is important, then, that economic policies focus on both providing assistance to workers who lose their jobs as well as aiding workers to gain the education and skills necessary to find new work.

Connecticut's unemployment rate has also been uncharacteristically volatile in recent months. Since January 2008 there have been three month-to-month unemployment shifts of greater than 0.5%, while shifts of this magnitude had not occurred at all between 1982 and the end of 2007.

Over the past year unemployment rates are almost universally higher across Connecticut's towns. Every labor market area has seen an unemployment increase of between 0.5% and 2.4% since October 2007 . However, some towns and regions feel the pain of rising unemployment more acutely than others. Connecticut's largest cities have unemployment rates that are much higher than the state average, led by Hartford's 11.4%, Waterbury's 9.8%, and Bridgeport and New Haven's 9.2%. These unemployment hotspots are often surrounded by other towns with higher than average unemployment rates.

Long-term unemployment in Connecticut is the highest in New England. One fifth (20.3%) of Connecticut's unemployed have been so for a period longer than 26 weeks, the point at which transitional aid from federal unemployment insurance is traditionally no longer available. This is three percentage points higher than the national average and the highest in New England. As economic conditions deteriorate, long-term unemployment will likely rise, meaning that many more unemployed families will lose their transitional unemployment benefits.

Connecticut was worse positioned entering into the current recession than it was going into the previous recession, which began in 2000. The cross-section of labor market indicators in 2007 presented in this report should be interpreted within a relevant historical context. The National Bureau of Economic Research officially declared that the United States economy has been in recession since December of 2007, making 2007 the last recovery year of the previous economic cycle. It is instructive, then, to compare economic indicators in 2007 with indicators in 2000, the last year of economic recovery before the recession of 2001. Several of these comparisons are discouraging. Connecticut's average unemployment rate in 2007 (4.5%) was double the unemployment rate in 2000 (2.2%), and unemployment has jumped dramatically in 2008. Moreover, underemployment—a measure that includes discouraged workers who have stopped looking for work and people who are involuntarily working part-time— was also twice as high in 2007 than in 2000. Total employment numbers were virtually the same in 2007 as they were in 2000, though in past economic cycles, Connecticut experienced net job gains. This underscores the pressing need to bolster safety nets and work assistance so that workers who fall on hard times can get back on their feet, provide for their families, and continue to contribute to the broader economy.

II. The Face of Working Connecticut

Any policies that seek to improve the strength of the workforce should be responsive to its composition and dynamics. A cross-section of the Connecticut workforce in 2007 shows that it is highly educated, older than in most other states, and slightly less racially/ethnically diverse than the U.S. average. Over time, Connecticut's workforce has been growing older, more educated, and more diverse. In age, the share of workers over the age of 55 has increased, while the share of younger workers has fallen. In education, the share of workers with more than a high school education has risen consistently and dramatically over the last few decades. In racial/ethnic composition, the growth of Hispanic and Asian/Pacific Islanders has slowly increased the diversity of the Connecticut workforce. The following section details Connecticut's workforce composition along lines of gender, race/ethnicity, education, and age.

Gender

Connecticut's labor force[1] in 2007 was 53% male and 47% female. Women make up a greater proportion of the labor force in Connecticut than they do in the nation as a whole, and the balance between the proportion of men and women is more equal in Connecticut than it is in the large majority of other states in the U.S.

Labor Force by Gender				
	Proportion		Participation Rates	
	Male	Female	Male	Female
UNITED STATES	54%	46%	73%	59%
NEW ENGLAND	53%	47%	75%	62%
CONNECTICUT	53%	47%	76%	62%

TABLE II-1 Source: CT Voices for Children and Economic Policy Institute analysis of Current Population Survey data

Men, however, are still much more likely to participate in the workforce than women. The labor force participation rate[2], which measures the proportion of a population that is either working or seeking employment, shows that the proportion of women who participate in the workforce is far smaller—nationally, regionally, and locally—than the proportion of men who participate in the workforce. (Table II-1.)

Both male and female participation rates in Connecticut exceed national rates by 3 percentage points. Among other states in New England, Connecticut's female labor force participation rate is about average, while its male labor force participation rate is slightly higher than average.

Figure II-1, below, shows that between 1979 and 1997, the state's gender gap in labor force participation declined by more than half, mirroring national trends. Since 1997, however, the gap has remained virtually constant, with male participation rates exceeding female participation rates by between 12 and 14 percentage points each year. Between 2005 and 2007, participation rates for men in Connecticut increased by 2.7 percentage points from 73.5% to 76.2%, and participation increased among women by 1.2 percentage points from 60.2% to 61.4%. With a larger proportion of Connecticut women in the workforce, the importance of family-friendly policies that maximize the ability of parents to assure

[1] The **labor force** includes all persons who are either employed or unemployed. Workers are classified as employed or unemployed based on their employment status during a "reference week," the week preceding the monthly sampling on which the Current Population Survey is based. As discussed further in section IV, there may be individuals without jobs who are not considered "unemployed" (e.g., because they have stopped looking for work). These people are thus not considered part of the labor force as defined here.

[2] The **labor force participation rate** measures the labor force as a proportion of the civilian, non-institutional population (defined as persons aged 16 years and older who are not on active duty in the Armed Forces and not inmates of institutions).

competent care of their children, while contributing to the economy, also has grown.

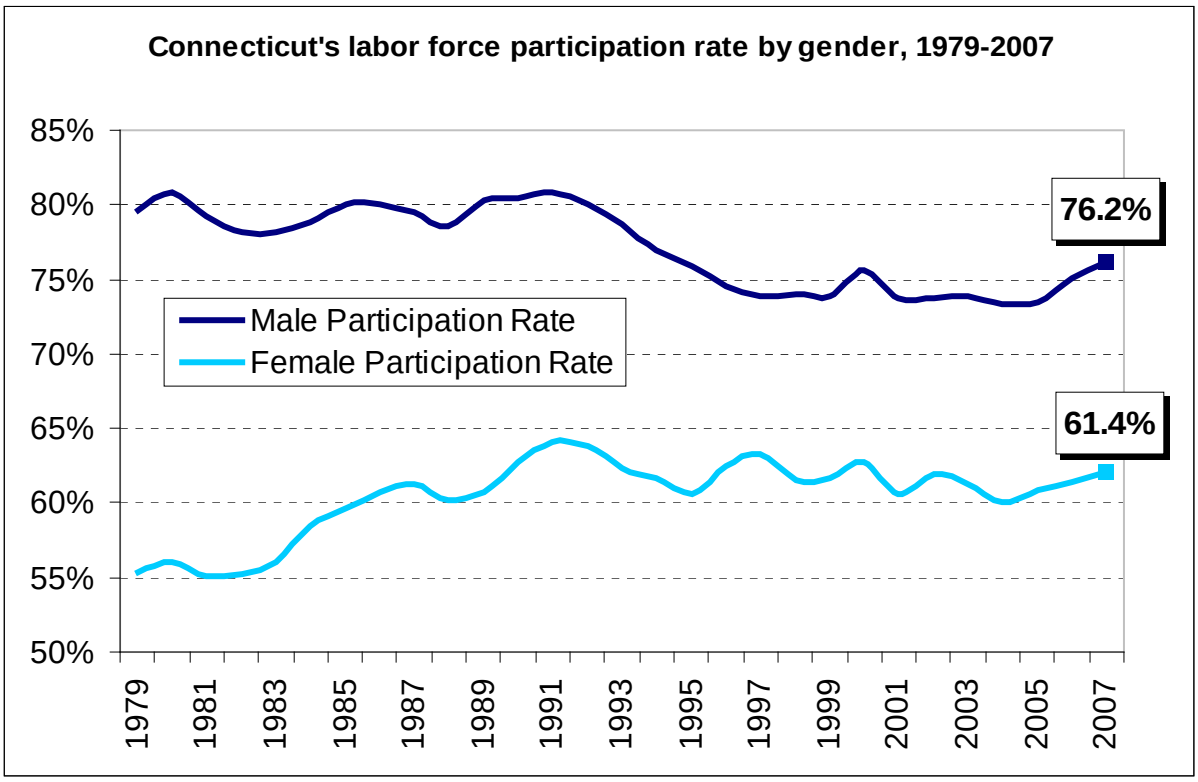


Figure II-1 Source: CT Voices and EPI Analysis of Current Population Survey Data

Race and Ethnicity

Connecticut's workforce is less racially and ethnically diverse than the national average but more diverse than is typical in New England, as shown in Figure II-2, below. Connecticut's labor force is 76% White, 9% African-American, 11% Hispanic, and 4% Asian/Pacific Islander, reflecting the racial/ethnic composition of Connecticut's total population. (Data released by the United States Census Bureau shows that in 2007, Connecticut's population was approximately 74% White Non-Hispanic, 9% Black Non-Hispanic, 12% Hispanic/Latino (of any race), and 3% Asian/Native Hawaiian and Other Pacific Islander.)[3] By comparison, the United States labor force is 69% White, 11% African American, 14% Hispanic, and 5% Asian/Pacific Islander.

[3] Labor force data on race and ethnicity are based on Economic Policy Institute (EPI) analysis of the Census Bureau's Current Population Survey (CPS). The CPS uses four race categories: White, Black, Asian or Pacific Islander, and American Indian, Aleut, Eskimo. A separate question determines Hispanic origin. In this report, "Hispanic" refers to any person with Hispanic origin, while "White", "Black", and "Asian / Pacific Islander" refer to non-Hispanic person of that race.

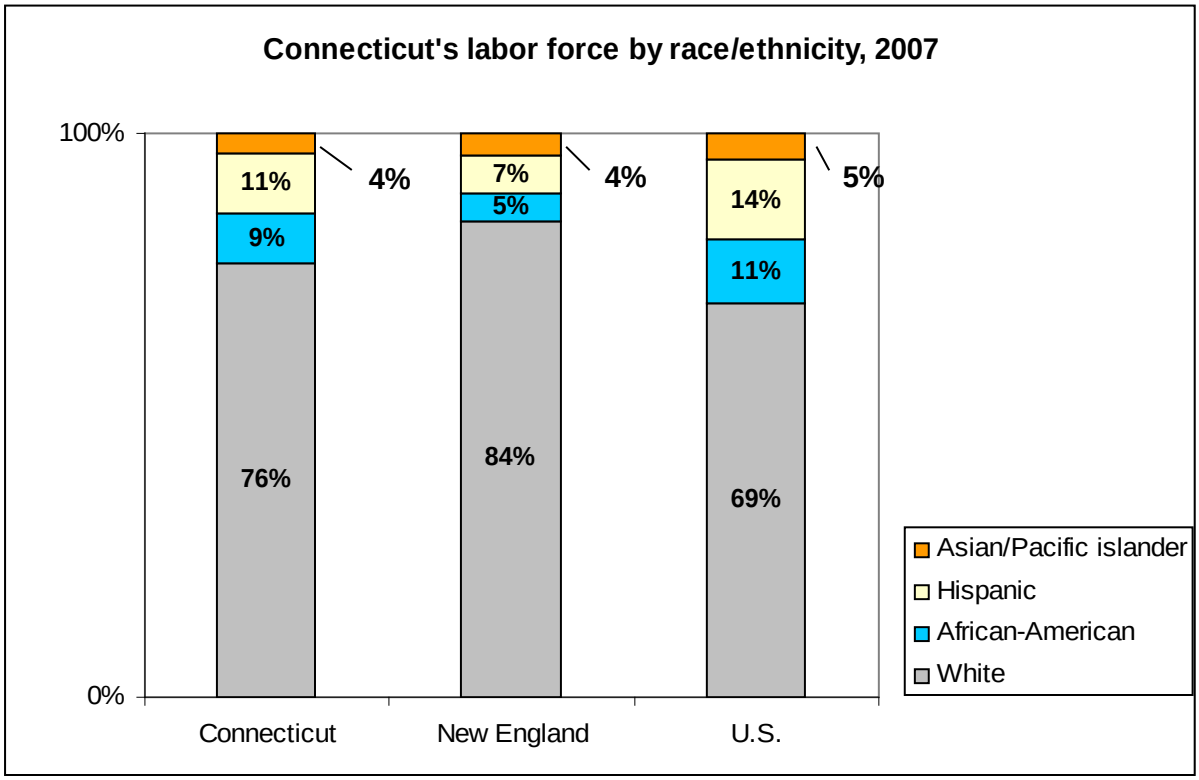


Figure II-2 Source: CT Voices and EPI Analysis of Current Population Survey Data

Racial and ethnic demographics in the workforce have been changing in Connecticut toward greater diversity over the past several decades. Since 1980, the White share of the Connecticut labor force has declined from 91.1% to 76.2%, while the Hispanic share has increased from 2.3% to 10.6%, the African-American share has increased from 6.0% to 8.6%, and the Asian/Pacific Islander share has increased to 3.2%.[4] The demographic shift in Connecticut generally mirrors the shift that has occurred throughout the United States, which has largely been driven by a growth in the Hispanic population. The growth in Hispanics in Connecticut, however, has been more rapid than the national rate since 1980. Connecticut's proportion of Hispanic workers grew by more than four and half times since 1980, while the national proportion has increased by close to three times. Figure II-3, below, shows the dynamics of Connecticut's labor force composition by race/ethnicity over the past quarter-century.

[4] The Asian/Pacific Islander share of the labor force in 1980 and 1985 was too small to meet sample size standards, though likely slightly higher than 0.0%.

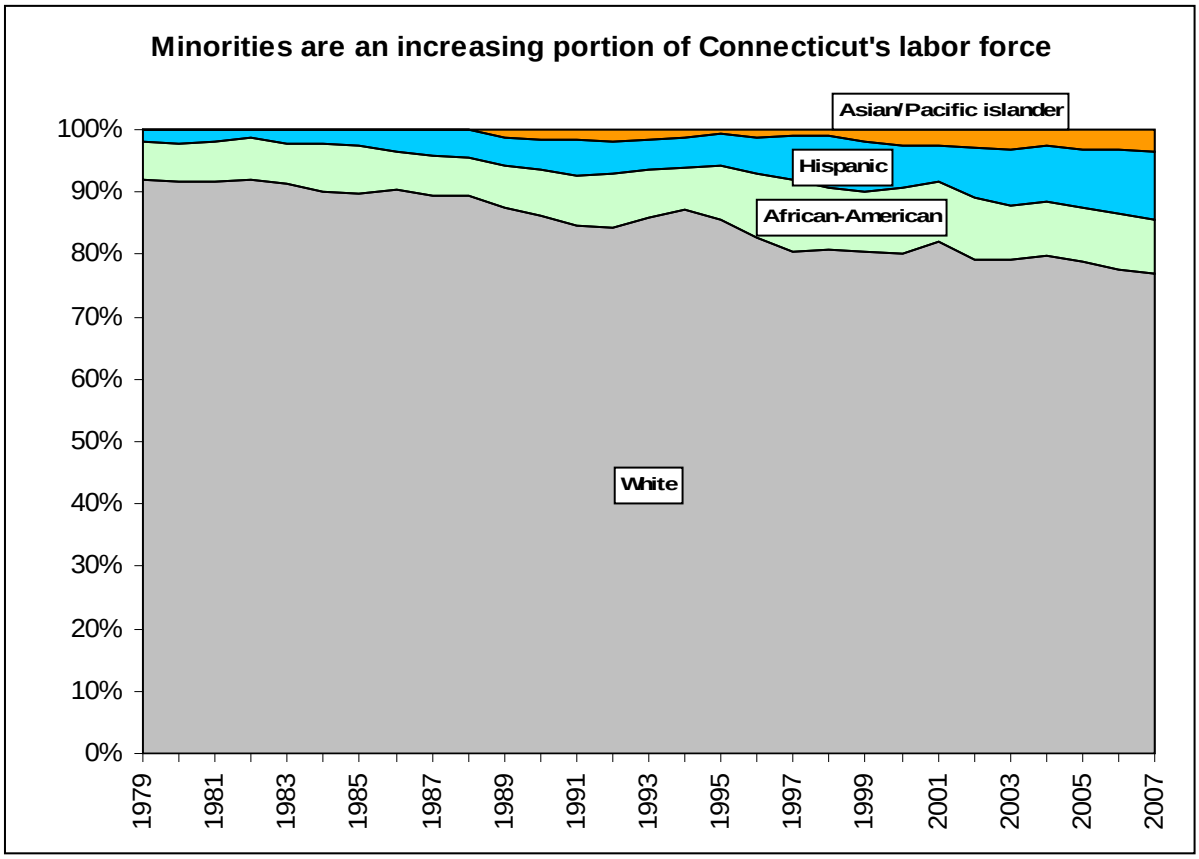


Figure II-3 Source: CT Voices and EPI Analysis of Current Population Survey Data

Educational Attainment

Labor Force by Educational Attainment				
	Less than high school	High school	Some college	Bachelor's or higher
UNITED STATES	12%	30%	29%	30%
NEW ENGLAND	9%	28%	25%	39%
CONNECTICUT	9%	27%	27%	38%

Table II-2 Source: CT Voices and EPI Analysis of Current Population Survey Data

Connecticut's labor force is highly educated: 38% of our workers hold bachelor's degrees or higher, 27% have some college education (but no degree higher than an associate's), and only 9% have less than a high school education, as illustrated in Table II-2. This compares favorably to national averages of 30% with bachelor's degrees or higher, 29% with some college, and 12% lacking a high school degree. Among the 50 states, only Massachusetts (with 44%) New Jersey (with 40%) and Colorado (with 38%) had higher shares of their workforce holding bachelor's degrees or higher in 2007.

Connecticut's labor force has become significantly better educated since 1980. The percentage of our labor force with no college education dropped by over 20 percentage points over the last 26 years, while the percentage of the labor force with at least some college increased by over 20 percentage points (see figure II-4, below). Though these trends are ubiquitous around the country and reflect the increasing value of a college education in a modern economy, Connecticut's labor force consistently has been more educated than the nation as a whole.

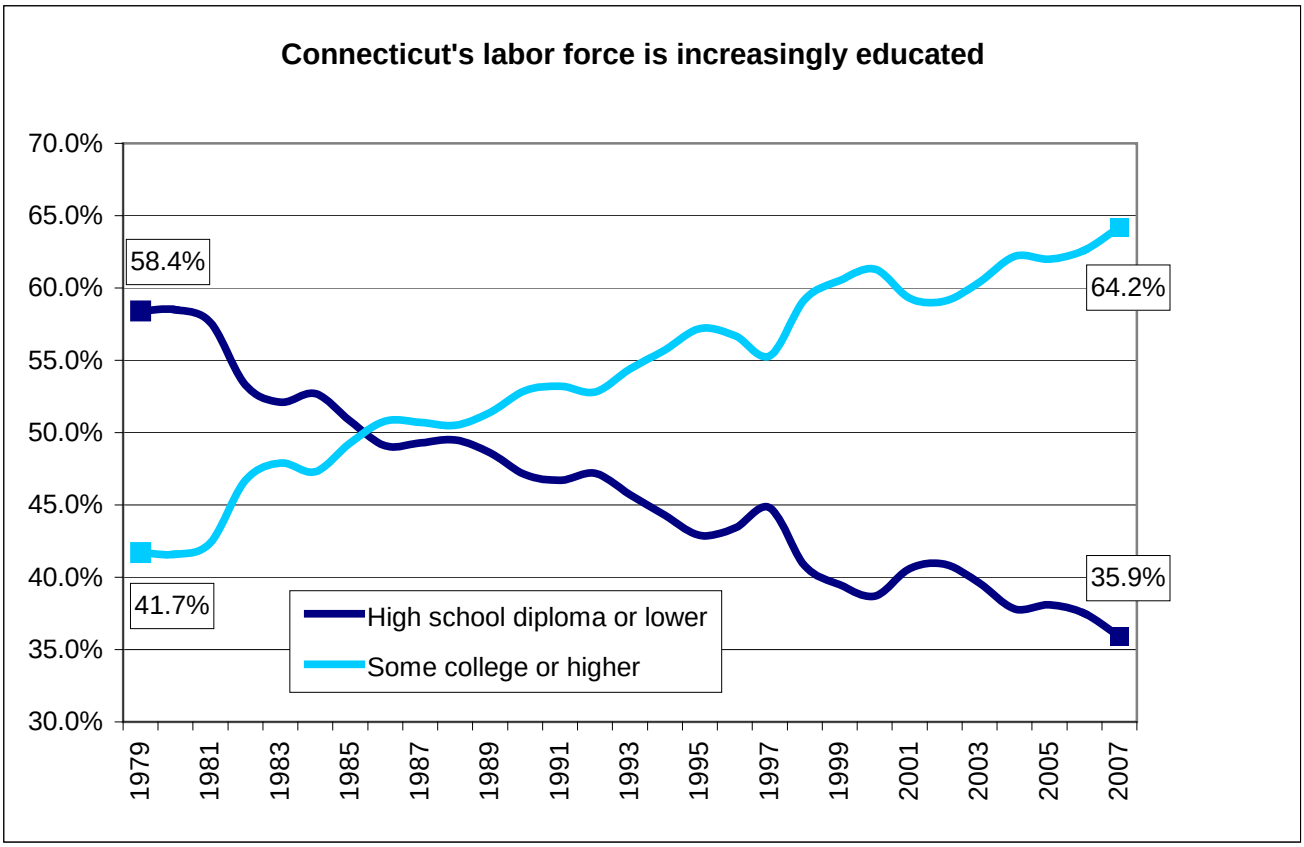


Figure II-4 Source: CT Voices and EPI Analysis of Current Population Data

Age

Connecticut's workforce is older than the national average and has consistently been so for many years. As seen in table II-3, Connecticut has a smaller share of the workforce who are young (16-24 years) than the national average (13% vs. 15%),[5] the same share of the workforce who are between 25 and 54 years old (68%), and a larger share of the workforce who are 55 years and older (19% vs. 17%).

Labor Force by Age			
	16-24	**25-54**	**55 +**
UNITED STATES	15%	68%	17%
NEW ENGLAND	14%	67%	19%
CONNECTICUT	13%	68%	19%

Table II-3 Source: CT Voices and EPI Analysis of Current Population Survey Data

[5] Connecticut has a greater proportion of young people going on to post-secondary educational institutions than the national average. This likely is one factor contributing to the relatively smaller share of our young population who are in the workforce.

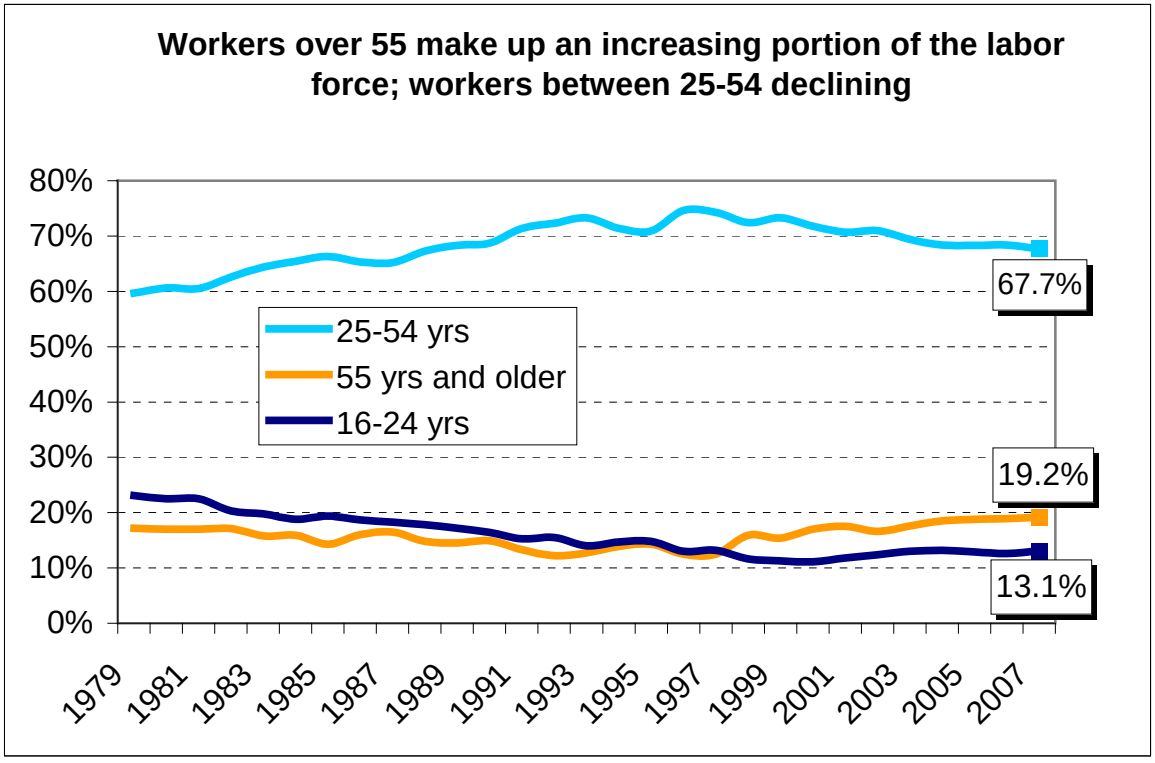


Figure II-5 Source: CT Voices and EPI Analysis of Current Population Survey Data

Trend data on the share of Connecticut's workforce by age group, shown in Figure II-5 above, reveal several noteworthy patterns. Between 1979 and 1996, both the younger (16-24) and older (> 55) age groups were a steadily declining proportion of Connecticut's labor force, while the middle age group (25-54) was a steadily increasing proportion of the labor force. At around 1996, these trends concurrently changed: the older age group began trending upward, the middle age group began trending downward, and the youngest age group leveled off. Between 1996 and 2007, workers aged 25 to 54 - the 'prime age' workforce - declined from 74.6% to 67.7% of Connecticut's labor force, a decrease of 9% (and 6.9 percentage points). During this same period, the share of Connecticut's workforce made up of older workers *increased by 54%* (from 12.5% of the labor force to 19.2% of the labor force). Figure II-6, on the following page, shows how time trends in labor force participation by age group had a similar transition point in 1996. In addition to accounting for more of the workforce, older people began to have increasing participation rates. At the same time, younger and medium-aged people began participating *less*. This suggests that the change in Connecticut's workforce composition is not solely due to changes in the underlying population composition.

One explanation for this change in workforce composition is likely the entry of the baby boom generation into the oldest age category. The earliest baby boomers turned 55 in the late nineties, which is when the proportion of workers in that age group began to increase. Under this explanation, we would expect the increase in the older worker's share of Connecticut's workforce to level off by around 2010 and then begin to decline around 2017[6].

The diverging trends of old and young present a challenge for the future, as a comparatively large elderly population will be dependent on a comparatively smaller younger population to support a variety of programs and services on which older populations rely more heavily. However, the growth of

[6] This prediction was made by designating anyone born between 1946 and 1964 (the post-war years when birth rates were exceptionally high) as a member of the baby boom generation and assumes an average retirement age of 65 years old.

Connecticut's generally younger immigrant population may help to mitigate this imbalance.[7]

Labor Force Participation Rates by Age

Examining trend data, we see a marked decline in the labor force participation rate of Connecticut's young people. As illustrated in Figure II-6, below, between 1979 and 2007, the labor force participation rate of 16-24 year olds in Connecticut declined by 11 percentage points, from 72% to 61% (in part reflecting increased enrollment in post-secondary education institutions). While the overall change in the labor force participation rate of older workers has not been dramatic over this time period – increasing from 39% in 1979 to 42% in 2007 – the more recent trend is noteworthy. The labor force participation rate of Connecticut workers aged 55 and older has grown significantly since hitting a 25-year low in 1997 of 30%. The 2007 participation rate for older workers represents a 12-percentage point increase since this 1997 low-point.

It seems quite likely that this number will continue to grow as the aging baby boomers move into what would normally have been considered their 'retirement years'. Better health and economic necessity (along with a desire to remain actively employed and to continue to enjoy a certain standard of living) will result in a higher proportion of this older workforce actively working. Additionally, recent damage to retirement accounts is causing many older workers to say that they intend to work longer before retiring and causing some retirees to return to the labor force.[8]

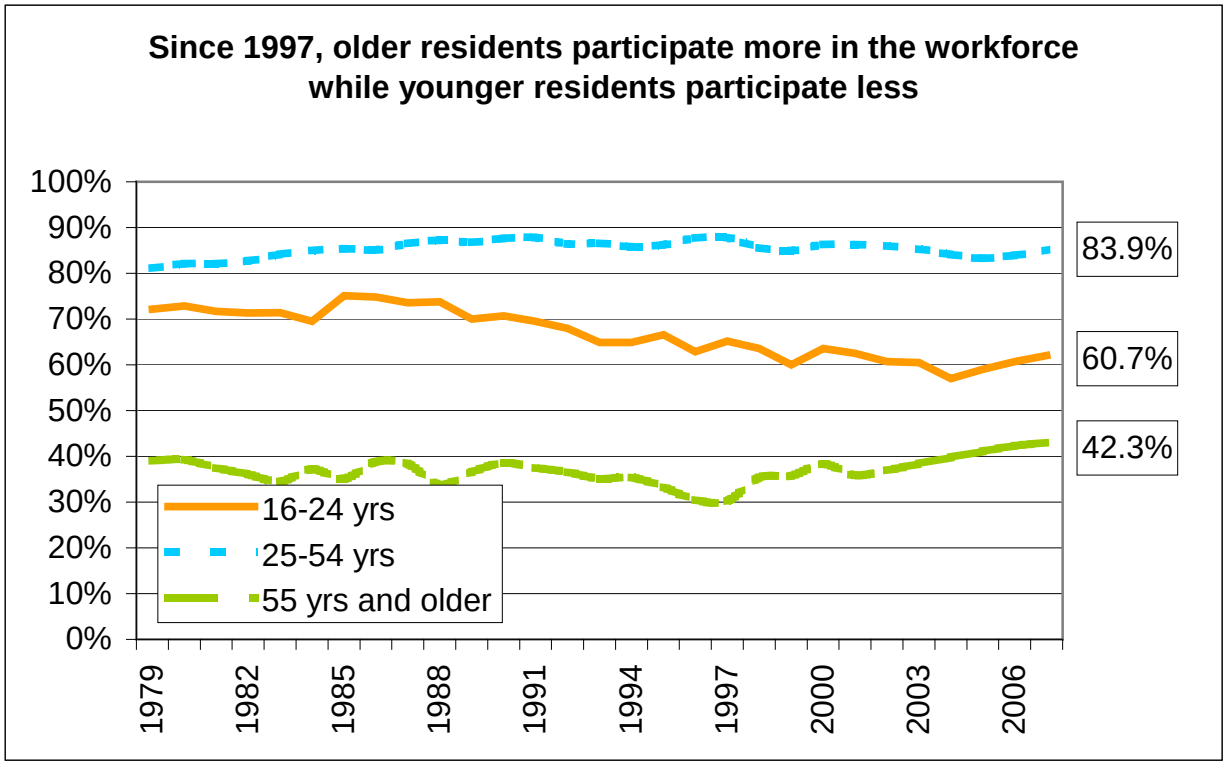


Figure II-6 Source: CT Voices and EPI Analysis of Current Population Survey Data

[7] See Rafael Mejia, Priscilla Canny, *Immigration in Connecticut, a Growing Opportunity*. Connecticut Voices for Children, 2007.

[8] Colette Thayer. *Retirement Security or Insecurity? The Experience of Workers Aged 45 and Older.* AARP Knowledge Management. October 2008. http://assets.aarp.org/rgcenter/econ/retirement_survey_08.pdf;
Dave Carpenter. *Putting off Retirement can Make a Huge Financial Difference.* The Hartford Courant. September 29th.

III. Payroll Employment

Total Payroll Employment[1]

In October 2008, non-farm employment in Connecticut was officially recorded at 1,698,800 jobs, just below non-farm employment at the peak of the previous economic cycle in July 2000. Figure III-1, below, shows changes to Connecticut's total non-farm employment between July 2000 and October 2008, which includes the entirety of the last economic cycle[2]. Over this eight-year period, Connecticut lost, and then regained, about 60,000 jobs. Employment appears to have crested since December and will likely fall as the nation proceeds though the present recession. If this is the case, employment in Connecticut will

Employment in Connecticut:
July 2000 to October 2008 (in 000s)

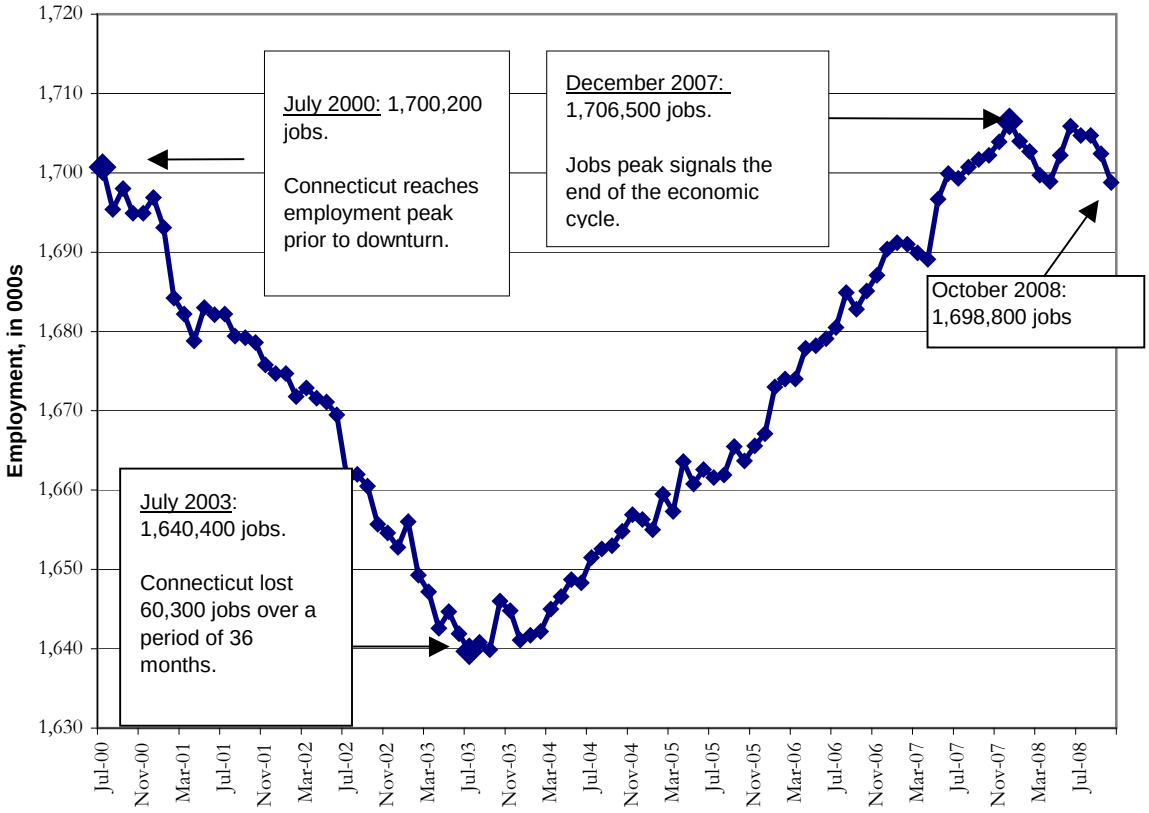


FIGURE III-1 Source: Connecticut Department of Labor, Labor Market Information Data, October 2008.

[1] "Payroll Employment" is the number of employed persons on established payrolls, working full or part-time, but excludes the self-employed and farm and agricultural workers. Persons who are on the payroll of more than one establishment are counted as employed at each site (i.e., multiple times). Increased payroll employment indicates some combination of job growth, population growth, and changes in people's willingness to work. Similarly, decreased payroll employment would result from a contracting job market, as well as impacts from decreased population growth, and reduced willingness of people to work. Source: Bureau of Labor Statistics, Current Employment Statistics (CES) data.

[2] Defined as between July 2000 and December 2007 by the National Bureau of Economic Research.

have barely recovered from job losses earlier this decade before entering the latest downward trend.

Over the last economic cycle, Connecticut's performance in job growth has been poor compared to the rest of the nation. It took the United States four years from the bottom of the economic cycle to recover all the jobs lost in the previous recession, but in Connecticut it has taken twice as long. By July 2007, the nation had recovered three times the number of jobs lost in the national recession. By comparison, in July 2007, Connecticut had just caught up to pre-recession employment levels. As the national economy headed back into decline in December of 2007, the Connecticut job market had just come up for air.

This divergence between national employment trends and employment trends in Connecticut is illustrated in Figure III-2, below, which plots employment levels in Connecticut and the U.S. as a percentage of employment in July 2000. To date, Connecticut employment is less than its July 2000 level, while national employment is just under 104% of its July 2000 level. If Connecticut had recovered jobs at the same rate as national trends since its employment recovery began in July 2003, there would be more than 27,000 additional jobs in Connecticut today. Connecticut's slow job growth compared to the rest of the country may be partially explained by lagging population growth among the working-age population (16-64). According to the U.S. Census Bureau, Connecticut's working-age population has grown by 5.7% since 2000, while in that time the working age population has grown by 8.3% nation-wide. Slow population growth in this age group, however, could be symptomatic of a less attractive job market in Connecticut than in other states. Job growth in Connecticut is also lower than national job growth in spite of differences in population growth.

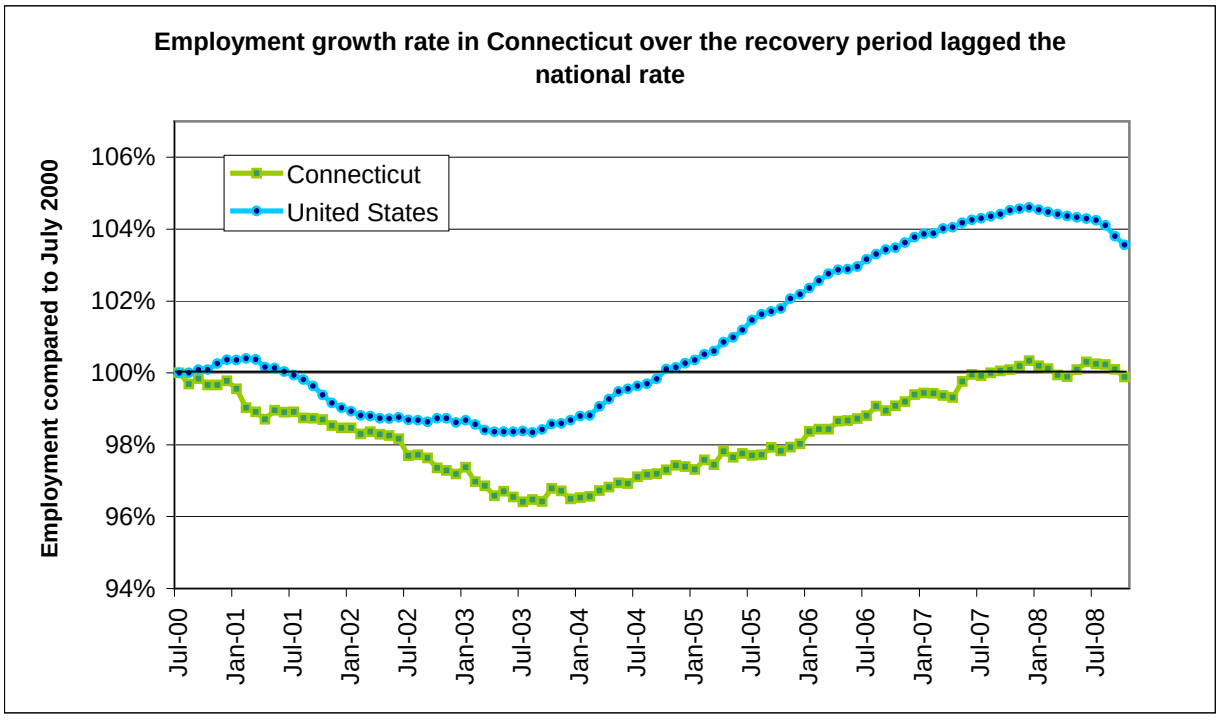


Figure III-2 Source: Connecticut Voices for Children analysis of Bureau of Labor Statistics and Connecticut Labor Market Information data, 2008.

Connecticut's Employment Changes over the Past Year and over the Last Economic Recovery Compared to the Nation, and the Region

Change in payroll employment: Comparing U.S., New England, and Connecticut				
	Over past year, Oct 2007 - Oct 2008		Over Recovery, July 2003 - December 2007	
	Employment change (#000s)	Employment change (%)	Employment change (#000s)	Employment change (%)
United States	-1277.0	-1.0%	8214.0	6.3%
New England	-17.1	-0.2%	225.9	3.3%
Connecticut	-3.4	-0.2%	66.8	4.1%

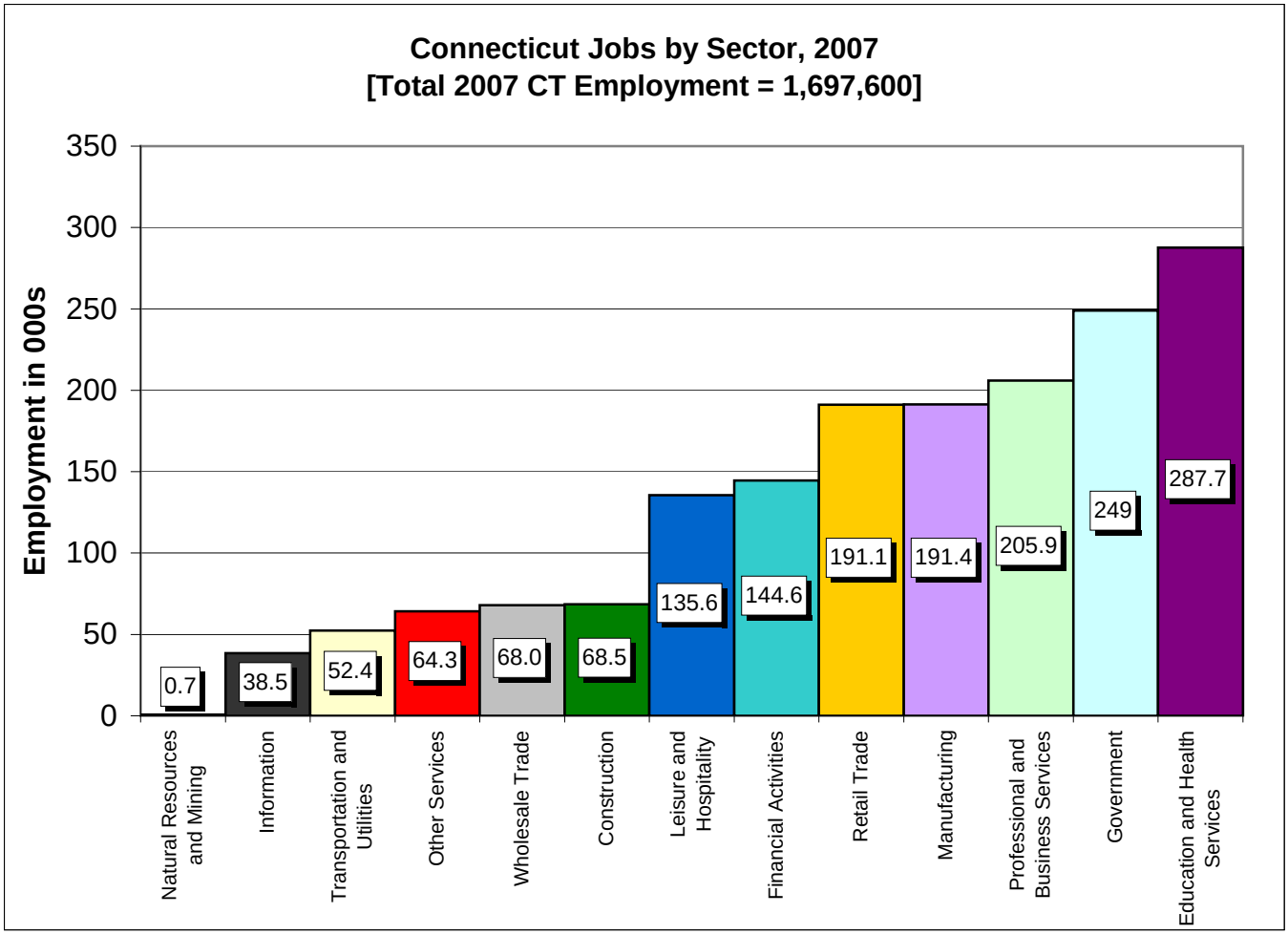
Table III-1 Source: Connecticut Voices for Children and Economic Policy Institute analysis of Bureau of Labor Statistics data, 2008.

Table III-1, above, compares shorter- and longer-term employment changes in Connecticut with employment changes in New England and the United States. As of October 2008, Connecticut and, more broadly, New England have not seen employment declines that are as drastic as national declines. Connecticut lost jobs at a rate equal to New England's rate of job decline (0.2% over the past year) and slower than the national rate of job loss (1.0% over the past year). However, as noted above, Connecticut and New England lagged national growth over the preceding recovery period from July 2003 through December 2007. Comparing growth since Connecticut's recession ended in July 2003, we see the state's growth rate (4.1%) trailed the national rate (6.3%) by two percentage points, but exceeded New England employment growth (3.3%).

Employment by Sector

Changes in Types of Jobs Available. Figure III-3, below, shows the distribution of jobs in Connecticut in 2007 by sector. Connecticut's largest employment sector in 2007 was Education and Health, with 287,700 jobs (17% of all non-farm employment). Other sectors are Government, (including Indian tribal government employment[3]) (15%), Professional and Business Services (12%), Retail Trade (11%), Manufacturing (11%), Financial Activities (9%), Leisure and Hospitality (8%), Construction (4%), Wholesale Trade (4%), Other Services (4%), Transportation and Utilities (3%), and Information (2%).

[3] Indian tribal government employment also includes persons employed at Connecticut's casinos at Foxwoods and Mohegan Sun.



Short term employment changes by sector. Figure III-4, below, shows sectoral employment changes in Connecticut between October of 2007 and October of 2008. Some of the changes over the past year reflect persistent trends that have been observable in Connecticut for years. The manufacturing sector shed 2,600 jobs, continuing a decline that is decades long. Education and Health Services (+4,900 jobs), Government (+1,400 jobs), and Leisure and Hospitality (+500 jobs)—sectors that have steadily grown over the years—each gained jobs since October 2007.

Employment shifts over the past year also seem to reflect, to some extent, the troubles that have beset the U.S. economy since the middle of 2007. Retail Trade was down 3,100 jobs, or 1.6 percent, as American consumers have cut back. Construction jobs shed 1,700, 2.5 percent, as the housing market has waned. Financial Activities jobs were down 1,400, 1.0 percent, as financial markets have been in crisis. Job loss in Connecticut in these three sectors was milder than in the nation, where Retail Trade was down 2.1%, Construction was down 6.7%, and Financial Activities was down 1.5%.

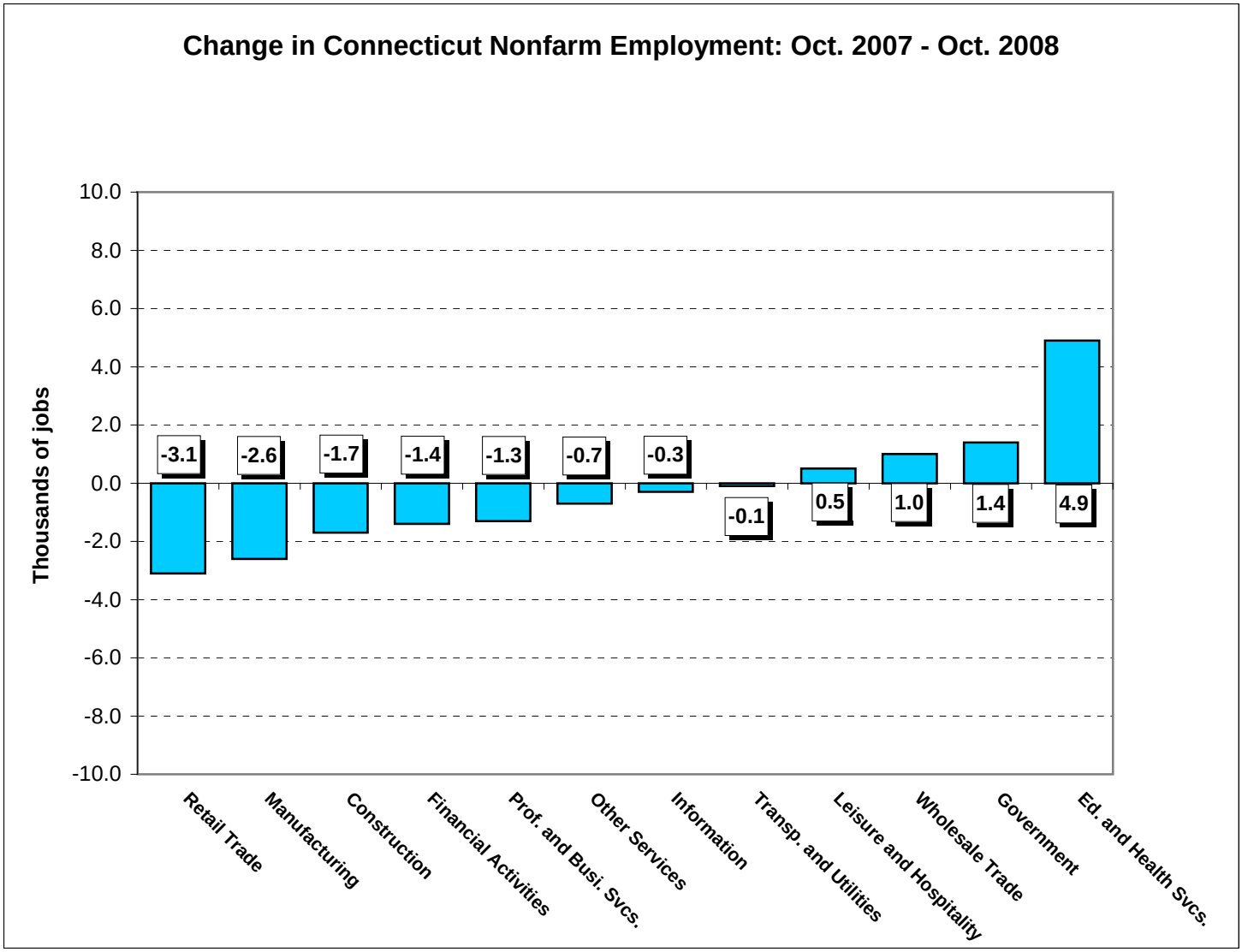


Figure III-4 Source: CT Voices and EPI analysis of BLS data, 2008.

Long-term employment changes by sector. Figures III-5 and III-6, below, show sector-by-sector changes in employment during two time periods. The first is from 2000 to 2007, which is roughly the period of the last economic cycle. The second presents a longer timeline, from 1990-2007, to place the more recent changes in context. In both these periods, the continued erosion of Connecticut's manufacturing sector is striking.

As shown in Figure III-5, below, between 2000 and 2007, Connecticut lost 44,300 manufacturing jobs.[4] Significant losses also occurred in Professional and Business Services (-10,000), Information (-7,900) and Trade, Transportation and Utilities (-6,300). These losses were offset by modest gains in Financial Activities (+1,600), Construction (+4,000), and

[4] The Manufacturing sector is discussed in greater detail in a later section.

Other Services (+3,300), as well as significant gains in Government (+7,200)[5], Leisure and Hospitality (+14,500) and Education and Health Services (+42,500).

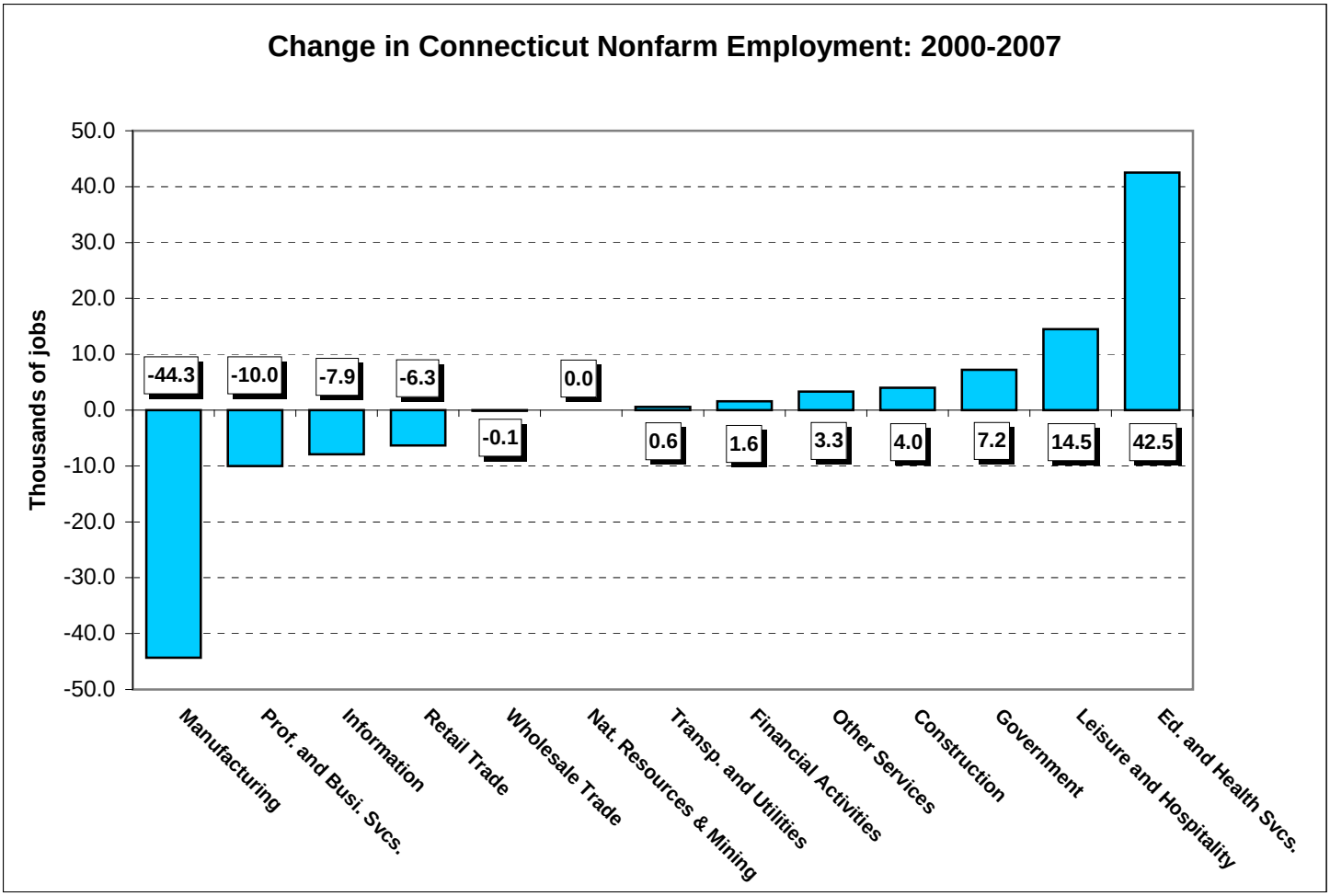


Figure III-5 Source: CT Voices and EPI analysis of BLS data, 2008.

Longer-term trends, illustrated in Figure III-6, below, show that losses in Manufacturing have taken a significant bite out of Connecticut's total employment, while Education and Health Services represent a large segment of total employment growth. Connecticut shed 109,400 manufacturing jobs between 1990 and 2007, representing 83% of total job loss over that time. Connecticut gained 90,100 education and health services jobs over the same period, which represents 43% of total job growth.

Comparing trends since 2000 to trends since 1990, only a few sectors seem to have changed much in their overall growth or contraction trajectories. The Professional and Business Services sector has seen relatively large gains over the longer time frame (1990-2007), growing by 36,800 jobs. However, over the more recent time frame (2000-2007),

[5] As noted elsewhere in this report, Government employment includes Native American tribal employment (e.g., persons employed at Connecticut's casinos).

Professional and Business services had the second largest job *loss*, decreasing by 10,000 jobs. The Information sector, which includes businesses like publishing, broadcasting, and film-making, has also done poorly since 2000, down 7,900 jobs, whereas it had gained 4,300 jobs between 1990 and 2000.

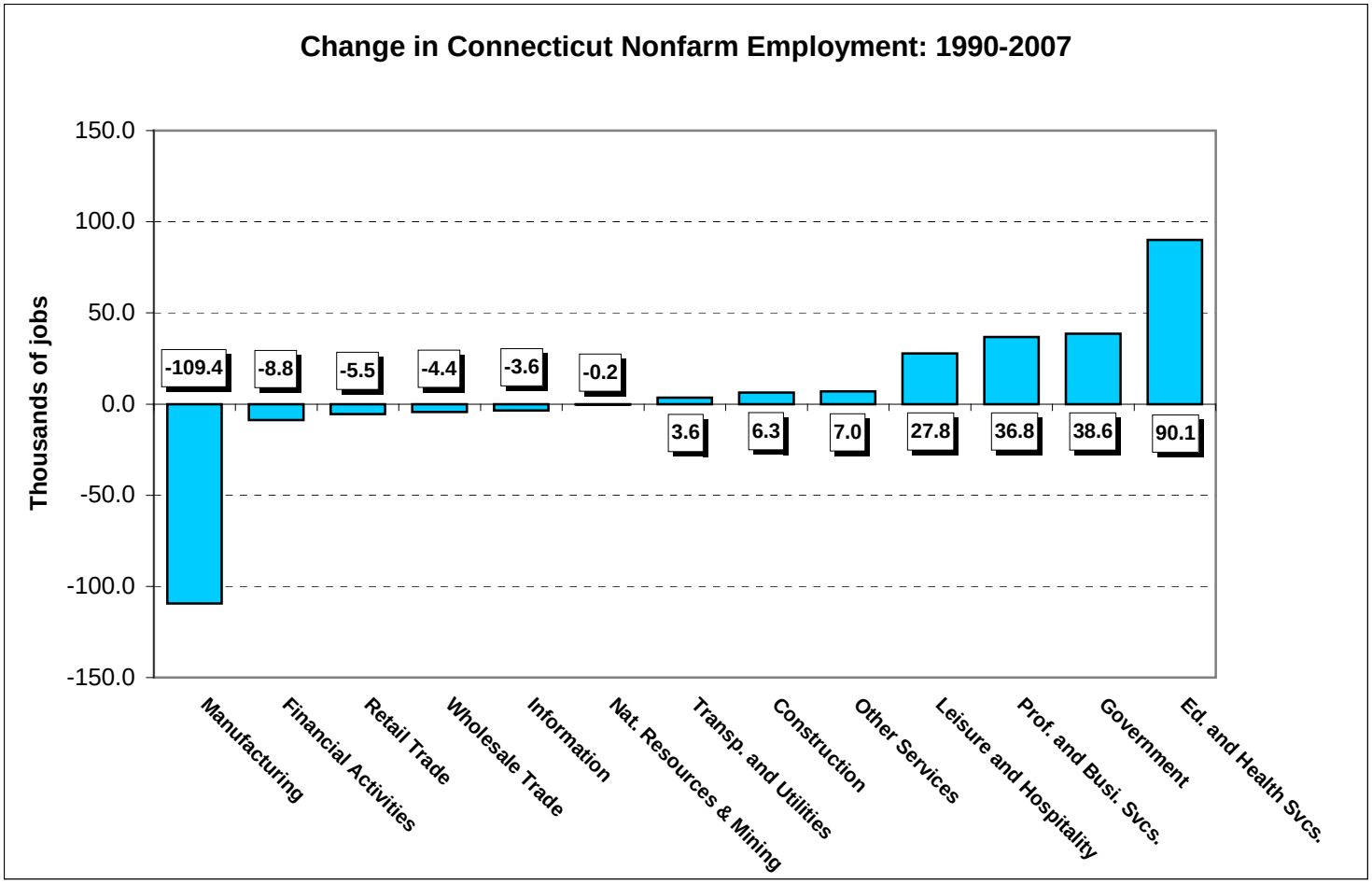


Figure III-6 Source: CT Voices and EPI analysis of BLS data, 2008.

The decline in manufacturing and the growth in Education and Health Services account for the lion's share of compositional change in the Connecticut workforce since 1990. Figure, III-7, below shows the seven largest employment sectors (82% of the total workforce) and the proportion of the workforce that each represents in 1990 and in 2007. In 1990, Manufacturing jobs accounted for almost 20% of the total non-farm workforce in Connecticut, while Education and Health sector jobs accounted for 12%. By 2007, Manufacturing jobs had declined to 11% of the non-farm workforce (almost half the proportion in 1990), while jobs in the Education and Health sector grew to account for 17% of the non-farm workforce. Within the Education and Health sector in 2007, 83% of the jobs were in health services, and the remaining 17% were in education.

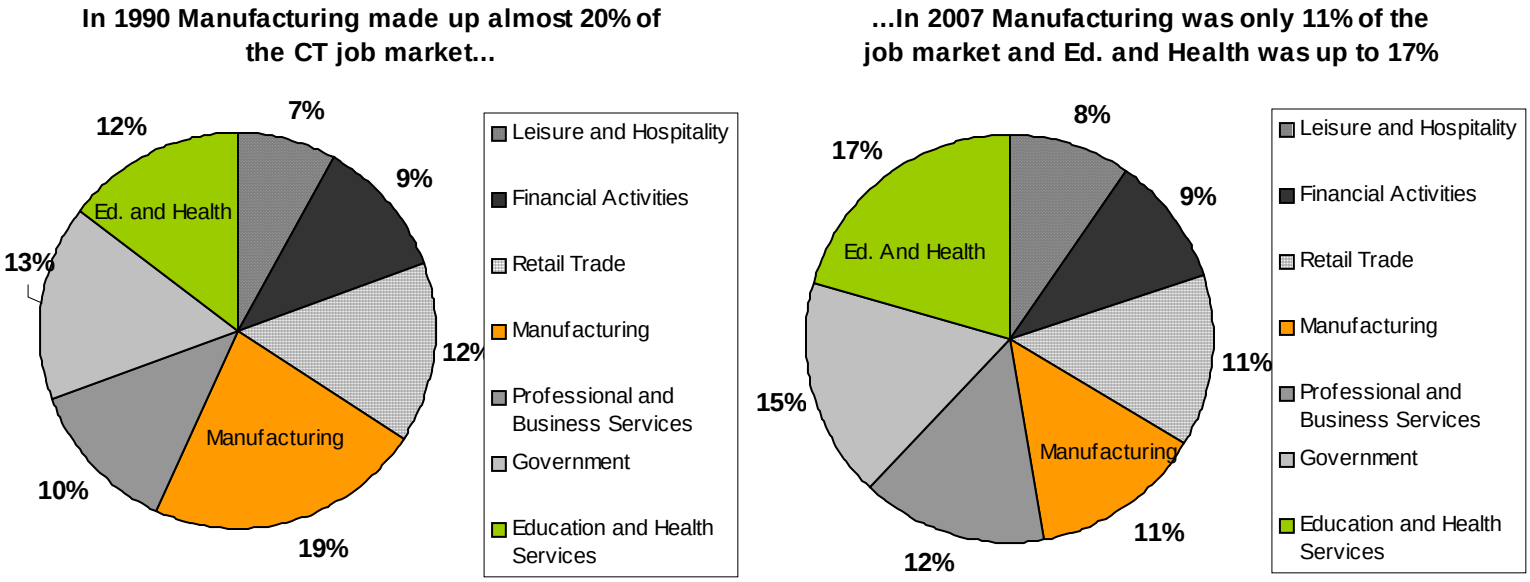


Figure III-7 Source: CT Voices and EPI analysis of monthly BLS data, 2008.

A closer look at the Manufacturing sector. Connecticut's loss of manufacturing jobs in the last year continues a decades-old trend.[6] However, as seen in Figure III-8, below, in the last few years Connecticut appears to be experiencing a period of relative employment stability in this sector, still shedding manufacturing jobs, but just not as rapidly. Connecticut's October 2008 manufacturing employment stood at 188,300, down 2,600 since October 2007. Connecticut's 1.4% rate of decline compares to a national rate of decline of 3.9%.

Overall, between January 1990 and October 2008, Connecticut lost 118,900 manufacturing jobs[7] (38.7% of the manufacturing jobs in Connecticut in January 1990). Between the July 2000 peak in Connecticut's overall employment and October 2008, Connecticut lost 48,600 manufacturing jobs (20.5% of its July 2000 total).

[6] University of Connecticut economist Steven Lanza notes that manufacturing's share of Connecticut employment has declined from 63% of payroll employment after World War II to less than 15% of total employment at the turn of this century. By 2007, as shown in figure III-7, manufacturing accounted for just 11% of total non-farm employment in Connecticut.

[7] This is a larger number than appears elsewhere in the report due to the use of to-the-month job numbers rather than yearly averages.

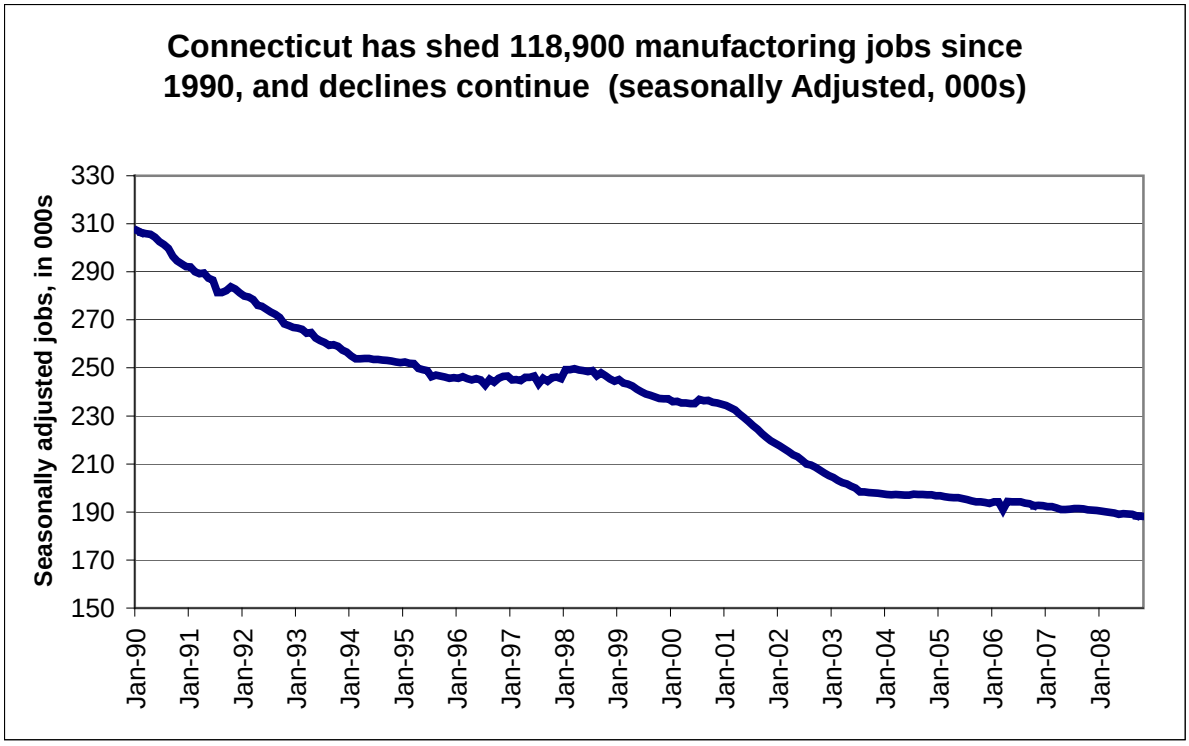


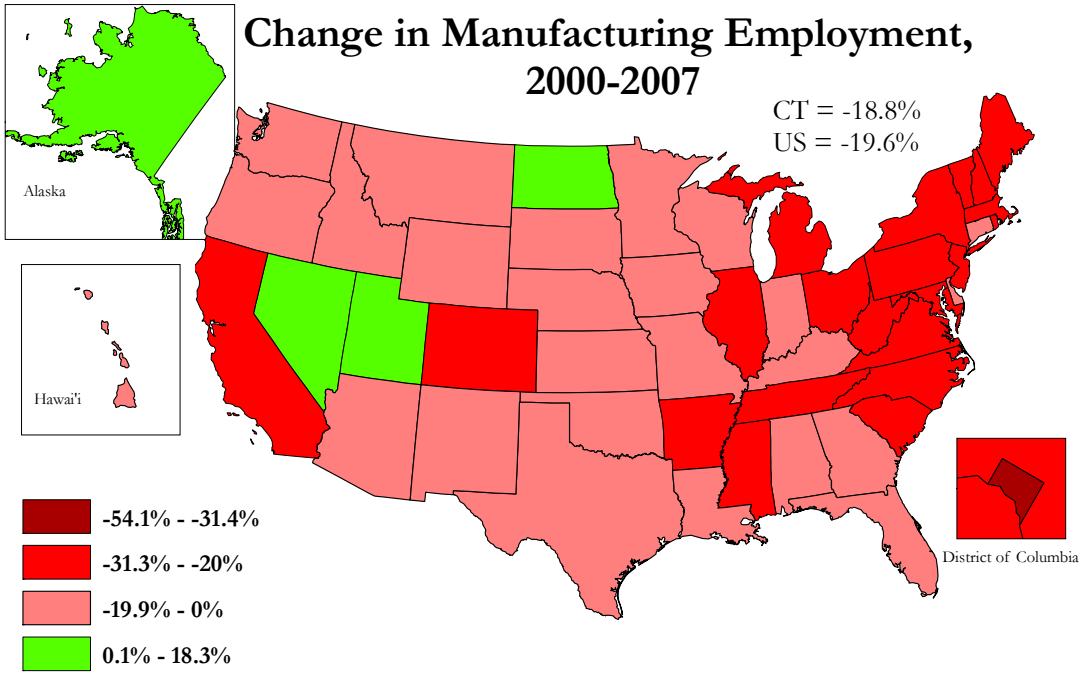
Figure III-8 Source: CT Voices and EPI analysis of BLS data, 2008.

Map III-1, below, illustrates the decline in Connecticut's manufacturing employment compared to other states since 2000. Importantly, as a percentage of its 2000 manufacturing employment, Connecticut's decline of 18.8%[8] is comparable to the national rate of manufacturing job loss over this period of 19.6%. Connecticut fares better than *all* of its New England neighbors, as well as New York, New Jersey, and Pennsylvania. These states saw declines ranging from 22% in Vermont to almost 29% in Rhode Island.[9]

Although the Northeastern states have continued to lead the list of states losing manufacturing employment, Map III-1, below, shows that virtually the entire nation has been undergoing significant restructuring of its employment base since the turn of this century.

[8] In order to make state-to-state comparisons, this percentage compares the yearly employment average in 2000 to the yearly average in 2007. The 20.5% in the previous paragraph compares manufacturing employment in the month of July 2000, to the more recent data.

[9] Manufacturing employment losses among Connecticut and its neighbors over this period are as follows: Connecticut, a 18.8% decline in manufacturing jobs; Vermont, 22.2%; Pennsylvania, 23.9%; New Hampshire, 24.0%; Maine, 25.7%; New Jersey, -25.8%; New York, -26.3%; Massachusetts, 26.7%; and Rhode Island, 28.6%.



Map III-1 Source: CT Voices and EPI analysis of BLS data, 2008.

Wages and Wage Growth by Industry

Table III-2, below, shows, by industry sector, average Connecticut annual wages, and changes in those wages between 2006 and 2007. The statewide average in wages across all sectors increased by 2.8%, the largest real increase since 2000, when average real wages increased by 3.4%.[10] Year-to-year average wage growth statistics have been low in recent years, with growth in four of the past six years at less than 1% and with a 2.3% wage decline between 2001 and 2002.

Connecticut is relying increasingly on service jobs for employment, which includes a wide range of both high- and low-paying jobs. At the high end of the wage scale are service jobs such as in Management of Companies and Enterprises (median wage of $157,494/year), Finance and Insurance ($146,288/year) and Utilities ($105,462/year). At the low end are service jobs such as Retail Trade ($30,154/year) and Accommodation and Food Services ($17,823/year).

[10] The use of a statistical average inflates estimates of the wages received by a typical worker due to the disproportionate influence of wages at the very top of the wage spectrum. The median wage, although not perfect, is more representative of wages for the typical worker. In 2008, the median yearly wage was $38,500, over $20,000 less than the average yearly wage. For an in-depth analysis of wages in Connecticut, see our previous report, *The State of Working Connecticut, 2008: Wage Trends,* at: http://www.ctkidslink.org/pub_detail_426.html

NAICS Description of Employment Sector	Average Real Wages 2006	Average Real Wages 2007	% Change 06 to 07
Statewide	**56,466**	**58,019**	**2.8%**
Total private	**57,658**	**59,173**	**2.6%**
Goods-producing	**63,588**	**65,083**	**2.4%**
Service-providing	**55,113**	**56,699**	**2.9%**
Management of companies and enterprises	141,962	157,494	10.9%
Finance and insurance	139,422	146,288	4.9%
Utilities	99,975	105,462	5.5%
Professional and technical services	80,450	83,372	3.6%
Wholesale trade	79,581	79,903	0.4%
Manufacturing	67,698	69,360	2.5%
Information	67,691	68,964	1.9%
Mining	63,221	61,143	-3.3%
Real estate and rental and leasing	51,156	53,587	4.8%
Total government	49,575	51,294	3.5%
Educational services	47,879	48,614	1.5%
Transportation and warehousing	43,709	46,762	7.0%
Health care and social assistance	44,300	44,339	0.1%
Administrative and waste management	34,782	36,536	5.0%
Retail trade	30,383	30,154	-0.8%
Other services, except public administration	29,154	29,222	0.2%
Arts, entertainment, and recreation	27,865	28,153	1.0%
Agriculture, forestry, fishing and hunting	27,632	27,680	0.2%
Accommodation and food services	17,775	17,823	0.3%

Table III-2 Source: Connecticut Department of Labor data, as analyzed by CT Voices for Children.

Wage gains between 2006 and 2007 were larger in industries with higher average wages. The average wage gain among the five best-paid industries (Management of Companies and Enterprises, Finance and Insurance, Utilities, Professional and Technical Services, and Wholesale Trade) was just over 5%, while the average wage gain for the five lowest-paid industries (Retail Trade, Other Services, Arts and Entertainment, Agriculture, and Accommodation and Food Services) was just under 2%. Figure III-9, below, plots each industry by its average wage and its wage growth between 2006 and 2007. The trend line suggests a clear correlation between industry sector average pay and wage growth. This wage divergence is indicative of the rapidly growing income inequality that has characterized Connecticut over the past few decades.

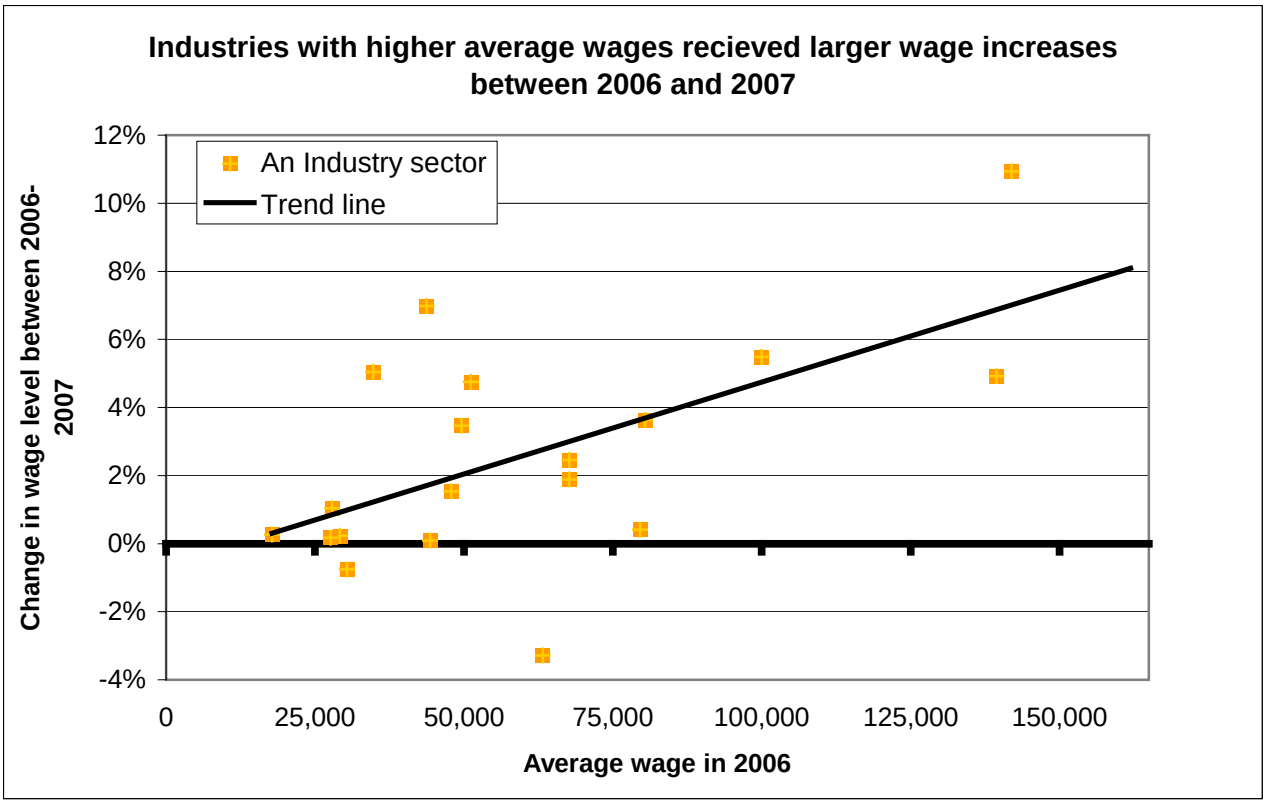


Figure III-9 Source: Connecticut Department of Labor data, as analyzed by CT Voices for Children.

Impact of Connecticut's Recent Job Gains and Losses on Wages and Annual Income

The decline in the number of Connecticut jobs in higher-wage sectors such as Manufacturing ($69,360/year), Financial Activities ($132,747/year), and Professional and Business Services ($72,875/year) limits the ability of families to find work that provides self-sufficiency. Annual wages in these sectors significantly surpass the state average wage of $58,019/year.[11] Losing jobs in Manufacturing and these higher-end service sectors exacts a toll not only on Connecticut families, but also on the communities in which such jobs are concentrated and on the overall state economy.

Consistent with the pattern of recent years, as seen in Table III-3, below, the industry sectors in which Connecticut *lost* the most jobs between October 2007 and October 2008 pay *more*, on average, than the industry sectors in which Connecticut had the greatest job *gains* over this period. The average 2007 wage in the five employment sectors showing largest employment *losses* was $64,301, compared with an average wage of just $49,036 for jobs in the four sectors with the highest employment *gains* since October 2007.

[11] Connecticut Departments of Labor and of Economic and Community Development, "Connecticut Industry – 2006 and 2007," *The Connecticut Economic Digest*, Vol. 13, #8 (August 2008), pp 2, 3.

NAICS Description of Employment Sector	Oct 2007 – Oct 2008 Employment Change (# of jobs)	2007 Average Wages	Annual Aggregate Sectoral Wage Gain/Loss
I: Largest Employment Losses by sector			
Retail Trade	-3100	30,154	($93,477,400)
Manufacturing	-2600	69,360	($180,336,000)
Construction	-1700	55,912	($95,050,400)
Financial Activities	-1400	132,747	($185,845,560)
Professional And Business Services	-1300	72,875	($94,738,070)
Top Five Employment Losing Sectors: Total Job Loss, Average Wage, & Total Annual Wage Loss	**-10,100**	**64,301**	**($649,447,430)**
II: Largest Employment Gains by Sector			
Education and Health Services	4,900	45,089	$220,936,730
Government	1,400	51,294	$71,811,600
Wholesale Trade	1,000	79,903	$79,903,000
Leisure and Hospitality	500	19,668	$9,834,042
Top Four Employment Gaining Sectors: Total Job Gain, Average Wages, & Total Annual Wage Gain	**12,634**	**49,036**	**$382,485,372**

Table III-3 Source: Connecticut Department of Labor data, as analyzed by CT Voices for Children.

Union Membership and Coverage

In 2007, 16.6% of the Connecticut workforce was covered by unions,[12] up slightly from 2006's 16.5% coverage rate.[13] As shown in Figure III-10, below, Connecticut's rate of union coverage has steadily declined between 1989 and 2007, following regional and national trends of eroding union coverage. Compared to the rest of the country, union coverage in Connecticut is still on the high end, above the coverage percentage of 40 other states and over 3 percentage points higher than the national average of 13.3%. Connecticut's union coverage level, however, is still far below the level of neighboring New York, where union coverage was 26.3%

Because unions bargain collectively for wages and benefits, unions historically have been able to secure wages and benefits for their members that exceed those of workers in

[12] The proportion of workers who are "covered" by unions includes workers who are union members as well as workers who are covered by collective bargaining agreements but who may not themselves be union members.

[13] Union membership data for 2005 and 2006 are not strictly comparable with data for 2004 and earlier years because of the introduction in January 2005 of revised population controls used in the CPS. The effect of the revised population controls on the union membership estimates is unknown.

comparable jobs in non-unionized settings. However, declining union membership has gradually weakened union bargaining power and has eroded some of the wage and benefit advantages. National data show that over the course of the past six years, growth in total compensation (wages, salaries and benefit costs) for union workers has not kept up with growth for non-union workers.[14] As reported by the Bureau of Labor Statistics, nationally the total gain in compensation (wages, salaries and benefit costs) for union workers over the year ending June 2008 was 2.7%. Over the same period, compensation for nonunion workers increased by 3.0%. In fact, non-union workers saw higher increases in compensation than union workers in three of the last six years.

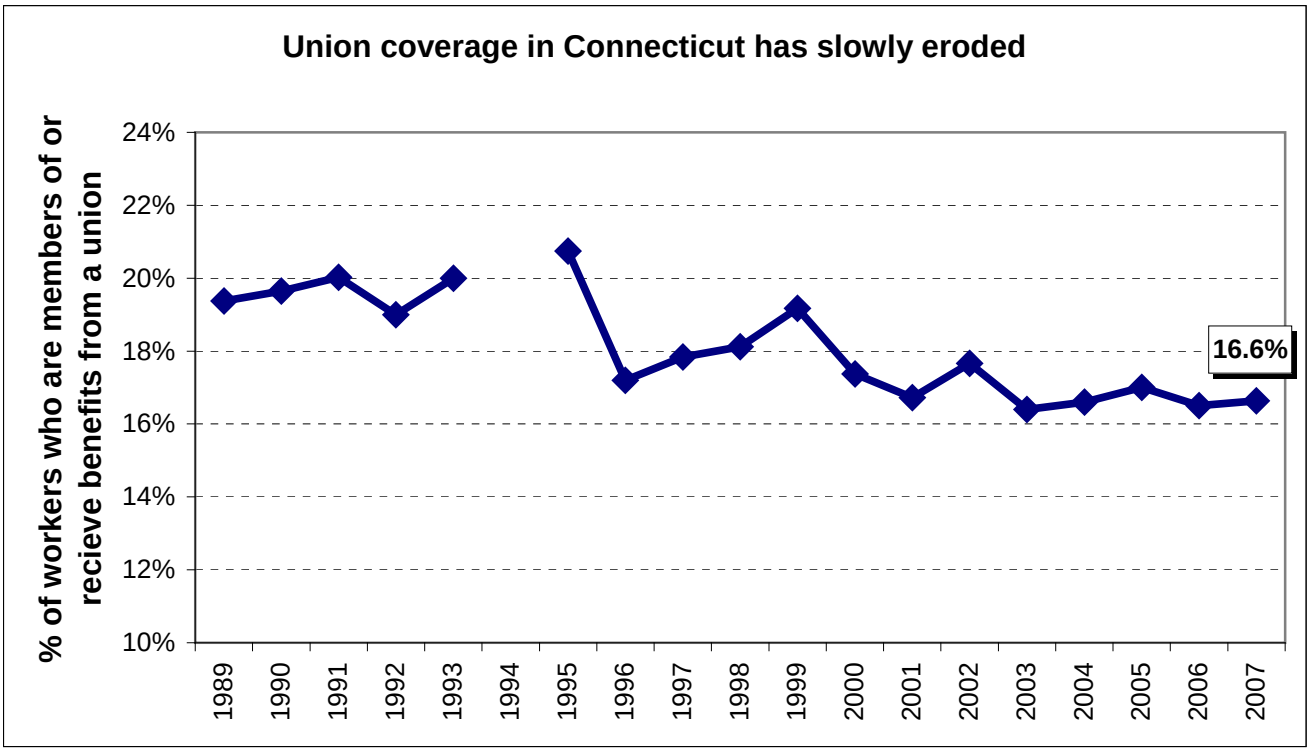


Figure III-10 Source: CT Voices for Children and EPI analysis of BLS data.

[14] United States Bureau of Labor Statistics, *Employment Cost Index*, June 2008, available at: www.bls.gov/news.release/pdf/eci.pdf.

IV. Unemployment

The unemployment rate measures the number of people over working age (16 years old) who do not have jobs and who are seeking work. The unemployment rate in Connecticut has risen quickly since the end of 2007, and between July and August the Connecticut Department of Labor logged one of the largest monthly increases in unemployment in the past several decades (0.7% increase). Between August and September, the unemployment rate in Connecticut fell to 6.1%, but rose back to 6.5% in October. Connecticut's October unemployment rate was equal to the national unemployment rate in October.

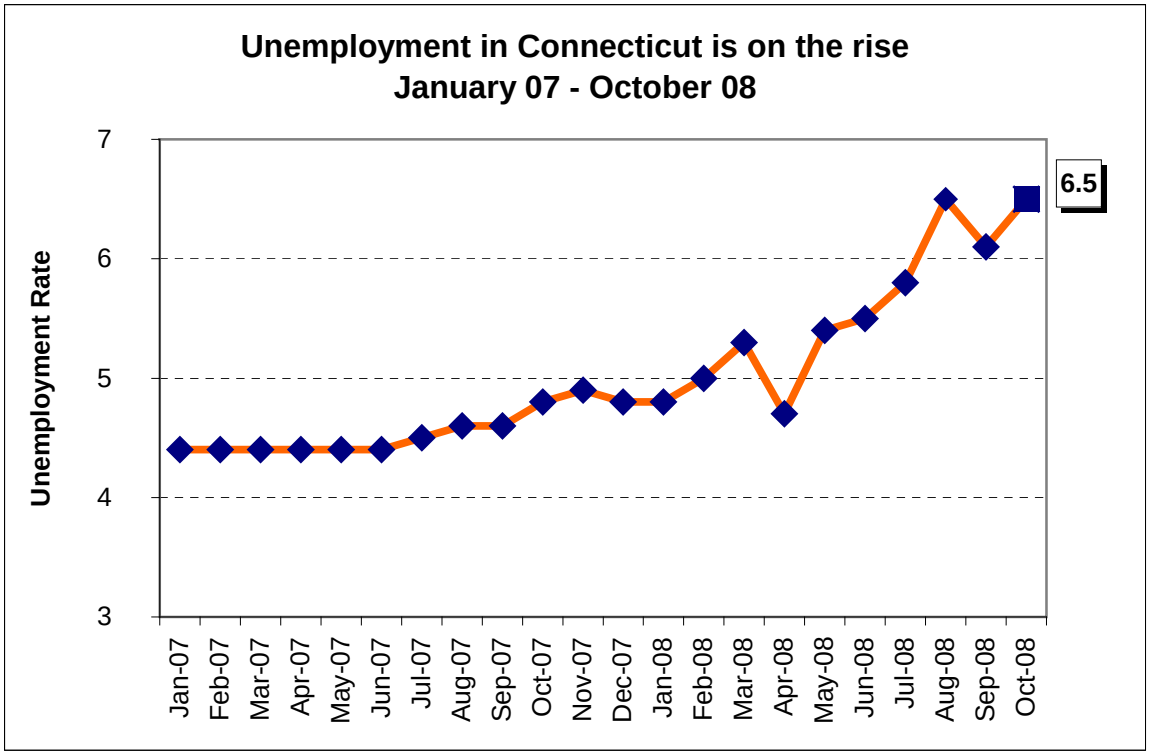


Figure IV-1 Source: CT Department of Labor, Labor Market Information, 2008

Figure IV-1 also shows that, barring some sort of error in the measurement of unemployment over the past few months, Connecticut's unemployment rate has been unusually volatile in 2008. Between 1982 and the end of 2007, there was not a single recorded month-to-month unemployment change of greater than 0.5%. However, since January 2008, there have been three such changes: between March and April (-0.6), between April and May (+0.7), and between July and August (+0.7).

Rising unemployment is a concern for a number of reasons beyond the stresses that joblessness can place on households. First, unemployment has been a consistent indicator of broader economic troubles. Unemployment in Connecticut spiked during the duration of recessions in the early 1980s, the late 1980s and early 1990s, and the early 2000s (figure IV-2, below), which fed into lower production and overall economic growth. Second, unemployment is tightly linked with the poverty rate, which tends to fall when

unemployment falls and rise when unemployment rises.[1] Finally, high unemployment places increased stress on state budgets as laid-off workers qualify for unemployment insurance and state-administered healthcare programs that step in to help tide families over through periods of economic uncertainty.

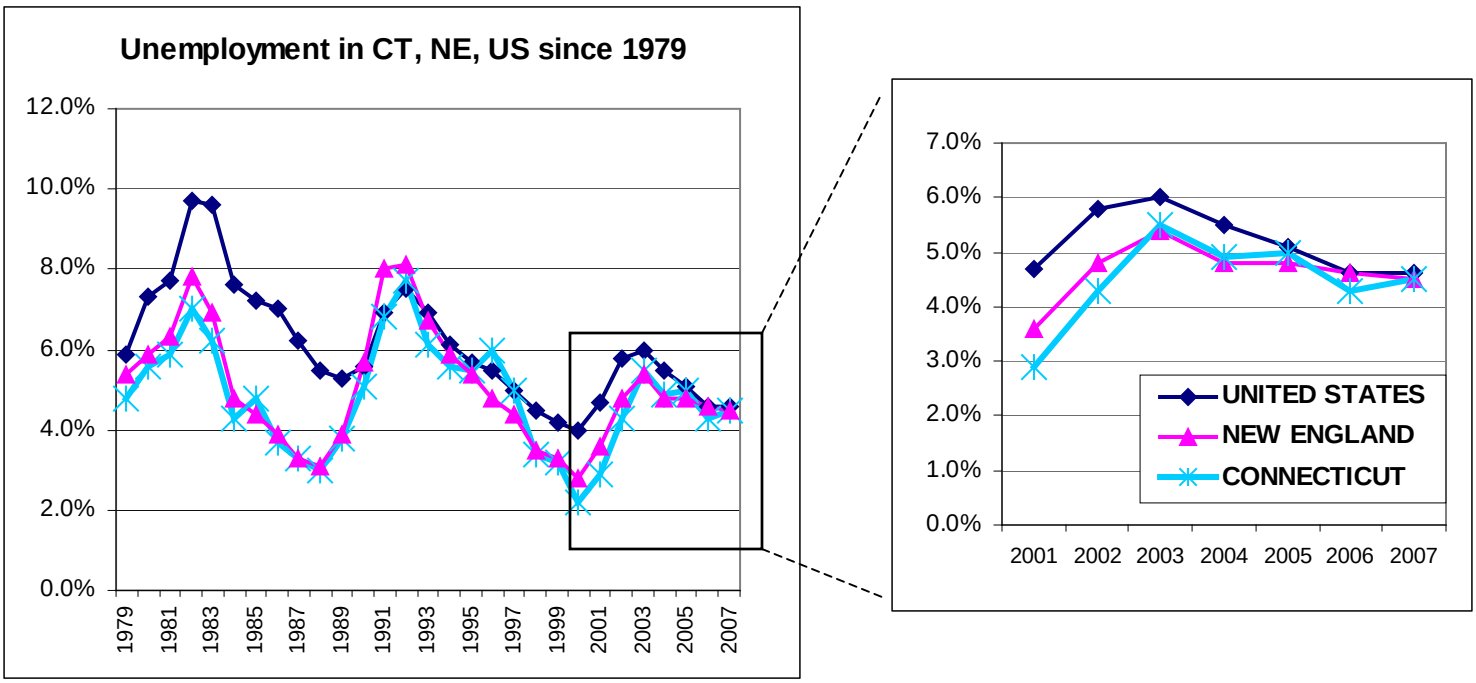


Figure IV-2 Source: Connecticut Voices for Children and Economic Policy Institute analysis of Current Population

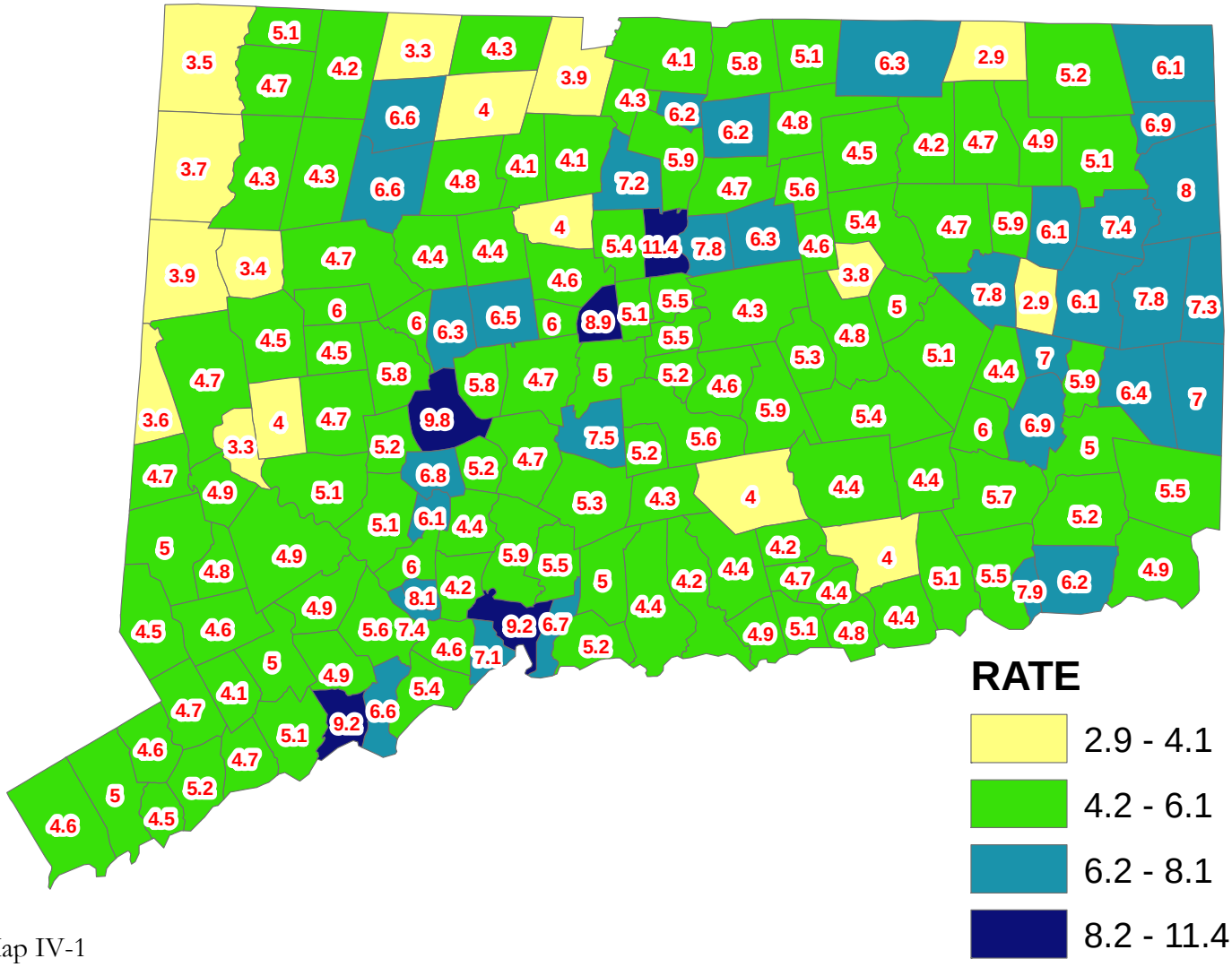
Figure IV-2, above, shows unemployment in Connecticut, New England, and the United States since 1979. Unemployment rates have gradually fallen over this time frame, but have cycled through high and low unemployment periods. Unemployment in Connecticut and New England was significantly lower than national unemployment through the 1980's and during the late 1990's/early 2000s. In recent years, Connecticut's unemployment rate has converged to be roughly equal to the national average in 2007, and, in monthly tracking, has occasionally surpassed the national average in 2008. In 2000, Connecticut's monthly unemployment rate averaged 1.8 percentage points lower than the national average. By 2007, Connecticut's monthly unemployment rate averaged 0.1 percentage points lower.

Map IV-1, below, shows town-level variation in unemployment rates throughout the state. Towns colored in blue and dark blue have unemployment rates that are higher than the state average.

[1] Hoynes H, Page M, Stevens A. *Poverty in America: Trends and Explanations.* NBER Working Paper No. 11681. Oct 2005. This can be verified in Connecticut by tracking Connecticut's historical unemployment rate along with its historical poverty rate as estimated by the Current Population Survey.

Connecticut Unemployment Rates, October 2008

(Connecticut = 6.1%, Not Seasonally Adjusted)



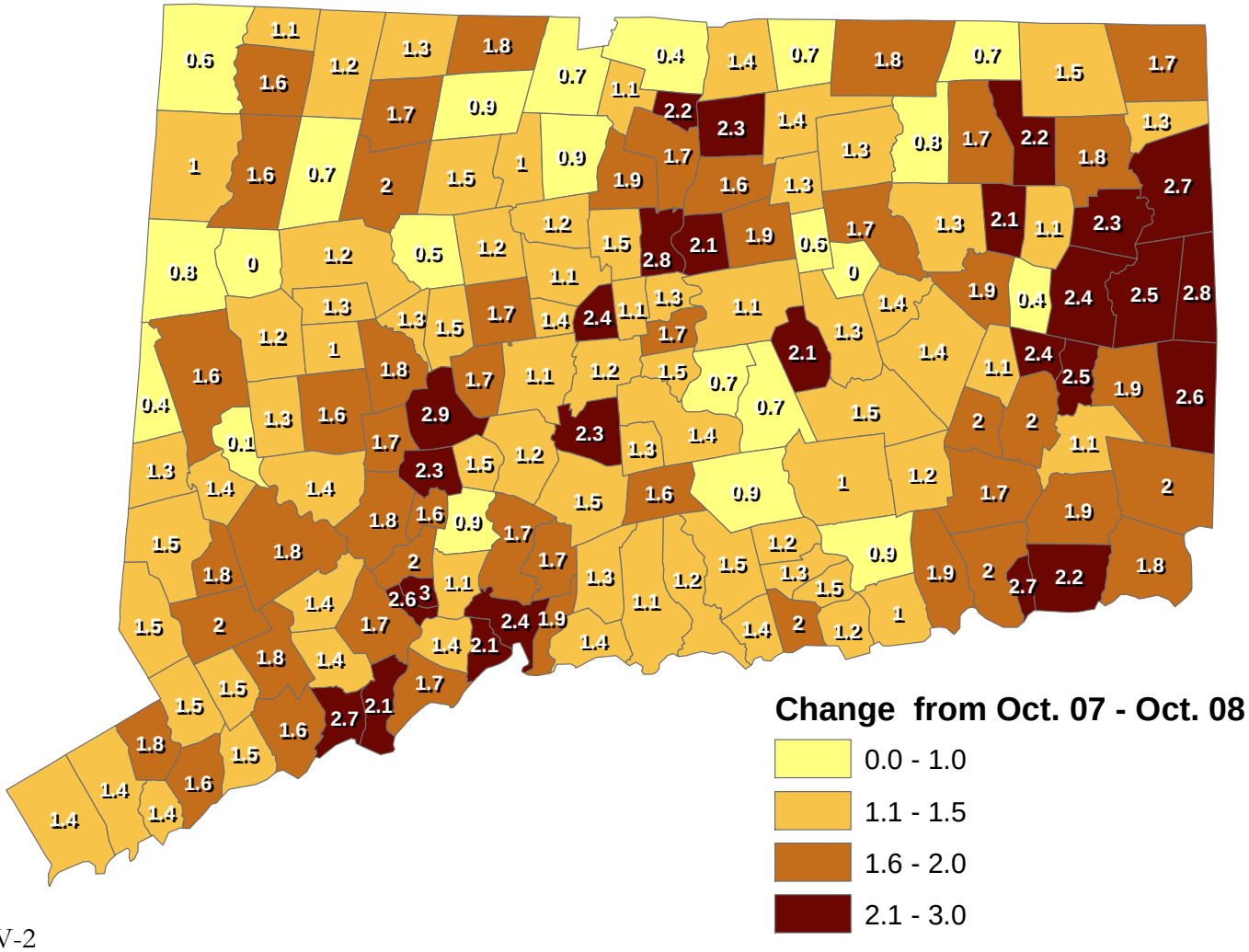
Map IV-1

Source: Connecticut Department of Labor, Office of Research, "Connecticut Labor Force Data for Labor Market Areas & Towns, October 2008", Novermber 2007. Data Not Seasonally Adjusted

Map IV-2, below, shows town-level changes in unemployment between October 2007 and October 2008. Virtually all towns have experienced an increase in unemployment, though some regions have experienced steeper increases than others. Regions of pronounced unemployment growth include the Naugatuck Valley region, the Hartford and North Central region, and the Eastern and Southeastern regions.

Change in Unemployment Rates, Oct. 07 to Oct. 08

(Connecticut= +1.8. Not Seasonally Adjusted)



Map IV-2

Source: Connecticut Department of Labor, Office of Research, "Connecticut Labor Force Data for Labor Market Areas & Towns, October 2008." November 2007. Data Not Seasonally Adjusted.

Some of Connecticut's largest cities have unemployment rates that are much higher than the state average, led by Hartford's 11.4%, Waterbury's 9.8%, and Bridgeport and New Haven's 9.2%. Moreover, there has been significant consistency over time in the Connecticut towns with the highest levels of unemployment. Seven of the top ten cities this year have been ranked in the top ten for several years in a row.

Significant clusters of relatively high unemployment speak to the regional nature of unemployment in Connecticut. High unemployment towns are often in close proximity to other high unemployment towns. Hartford, New Haven, the Naugatuck Valley, and Plainsfield in Eastern Connecticut, for example, are all surrounded by towns with higher than average unemployment rates.

Top Ten Unemployment Rates Among CT Cities/Towns, October 2008	
Town	**October 2008 Unemployment Rate**
Hartford	11.4%
Waterbury	9.8%
Bridgeport	9.2%
New Haven	9.2%
New Britain	8.9%
Ansonia	8.1%
Killingly	8.0%
New London	7.9%
East Hartford	7.8%
Plainfield	7.8%

Table IV-1
Source: CT Department of Labor, LMI, 2008

Unemployment by Education. There is a strong association between the level of educational attainment among workers and the rates of unemployment in Connecticut, New England, and nationally. Specifically, the lower the level of educational attainment, the more likely it is that a worker will be unemployed. This correlation is roughly the same in Connecticut as it is in the region and nationally. The unemployment rate in Connecticut among workers with only a high school education, however, is higher than the national unemployment rate among this population by roughly one percentage point.

Unemployment rates are sharply higher among the less educated				
	2007 unemployment rates by education			
	Less than high school	**High school**	**Some college**	**Bachelor's or higher**
Connecticut	10.5%	6.3%	3.7%	2.4%
New England	10.1%	5.8%	4.2%	2.4%
United States	10.3%	5.4%	4.0%	2.2%

Table IV-2 Source: CT Voices and EPI analysis of Current Population Survey Data.

In Connecticut, those lacking a high school degree experienced unemployment rates that were over four times greater than unemployment rates among persons with bachelor's degrees or higher. Table IV-2, above, shows unemployment by education in Connecticut, New England, and the U.S. Unemployment among those without a high school education is

10.5% in Connecticut, while unemployment among those with a bachelor's degree or more is only 2.4% in Connecticut.

Connecticut unemployment rates for those who have not finished high school appear to have been climbing over the past quarter century, while unemployment rates for all other educational categories have remained flat. Figure IV-3, below, shows this trend, as well as the pronounced volatility of unemployment among the least educated, which over the years has ranged between 5% in 1988 to over 16% in 1996. This demonstrates the high sensitivity of the uneducated to fluctuations in the economy. Given the spike in overall unemployment in 2008, one can expect that unemployment among uneducated workers, often the first to lose jobs in a poor economy, will see a sharp increase over the next couple years.

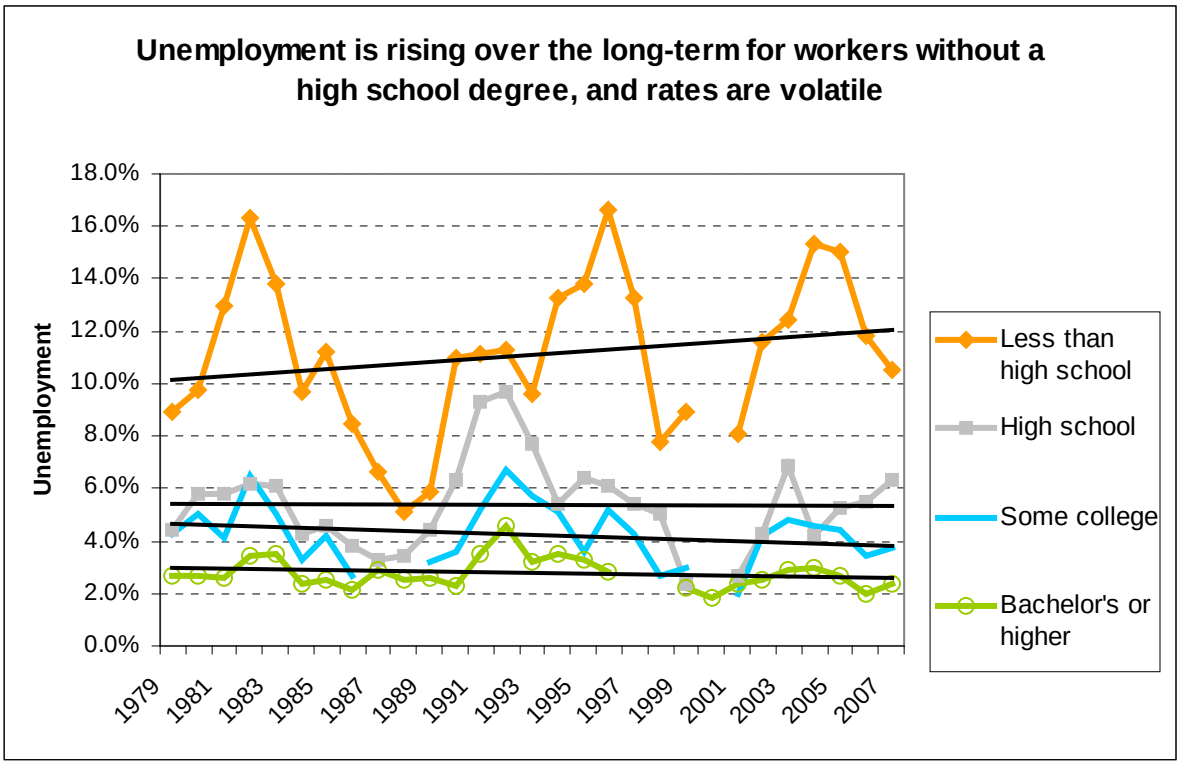
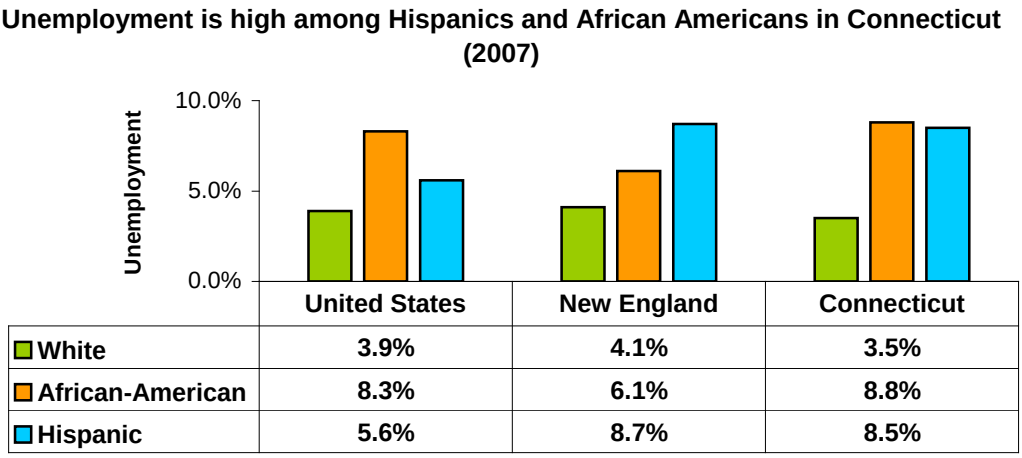


Figure IV-3 Source: CT Voices and EPI analysis of Current Population Survey Data.

Unemployment by Race/Ethnicity. Figure IV-4, below, shows unemployment by race in Connecticut, New England, and the United States. Minorities, particularly African-Americans, experience higher unemployment rates than Whites, both in Connecticut and the nation. Unemployment rates for African-Americans and Hispanics in Connecticut are two and a half times higher than the rate for Whites. It is noteworthy that the unemployment rate of Hispanics is markedly higher in Connecticut and New England, at 8.5% and 8.7%, than the national average of 5.6%. Looking back, Connecticut and other states in New England have had higher rates of Hispanic unemployment than national and regional rates since 1993[2].

[2] These differences may reflect racial/ethnic differences in a variety of job-related factors such as educational attainment, educational requirements of available jobs, and location of available jobs.



	United States	New England	Connecticut
White	3.9%	4.1%	3.5%
African-American	8.3%	6.1%	8.8%
Hispanic	5.6%	8.7%	8.5%

Figure IV-4 Source: Source: CT Voices and EPI analysis of Current Population Survey Data.

Figure IV-5, below, shows that although there are large unemployment disparities by race, the differences have been narrowing since 1979.

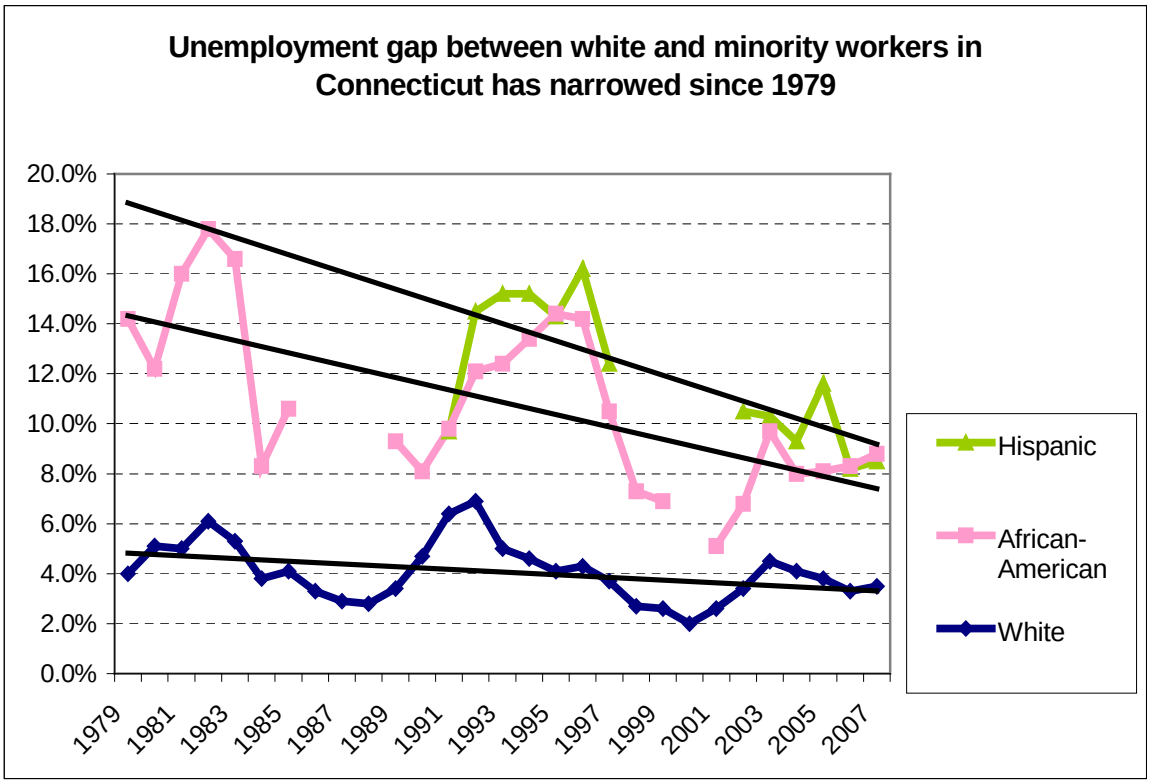


Figure IV-5 Source: CT Voices and EPI analysis of Current Population Survey Data.

Long-Term Unemployment

Long-term unemployment is a measure of the proportion of unemployed persons who have been unemployed for a period of more than 26 weeks. Connecticut's rate of 20.3% is unchanged from last year, but remains close to three percentage points higher than the national rate and is the highest in New England.

Long-term unemployment is, in many ways, a more precise measure of worker hardship and labor inefficiency than regular unemployment. A large portion of the general unemployment rate consists of workers who are in transition from one job to another, and more than half of unemployment spells that occur nationwide last less than five weeks.[3] Shorter-term periods of joblessness are easier to endure and are often covered by transitional insurance that can soften the impact of lost wages and benefits. Many workers, however, remain without a job for longer than 26 weeks, the point at which transitional aid from federal unemployment insurance is no longer available.[4] These workers can experience a devastating loss of income, valuable work experience, and benefits.

Regional Long-Term Unemployment Rates

	2007
UNITED STATES	**17.6%**
NORTHEAST	**19.5%**
New England	**18.2%**
Maine	**14.2%**
New Hampshire	**11.5%**
Vermont	**16.2%**
Massachusetts	**19.5%**
Rhode Island	**17.1%**
Connecticut	**20.3%**
Middle Atlantic	**19.9%**
New York	**22.4%**
New Jersey	**20.9%**
Pennsylvania	**15.3%**

Table IV-3
Source: CT Voices and EPI analysis of Current Population Survey Data.

Since 2007 likely represents the last year of the most recent economic expansion, Connecticut's long-term unemployment rate in that year probably represents a low-point. Unfortunately, long-term unemployment is almost certainly higher going into the present downturn than it was going into the downturn in 2000. Historical long-term unemployment data for Connecticut is incomplete, extending only as early as 1994, and missing four important years between 1998 and 2001. Taking this into account, 2007's rate falls in the middle of a range of Connecticut long-term unemployment rates that spans from a high of 26.0% in 1994 to a low of 16.3% in 1997.

Underemployment

The *underemployment* rate is a more comprehensive measure of prevailing conditions in the labor market than the unemployment rate. The underemployed include not only the unemployed, but also discouraged workers (people who looked for work at some point over the previous year but have given up due to lack of prospects), involuntary part-timers (those working part-time who would rather be working full-time, but cannot find full-time work), and a smaller group of *conditionally interested workers* who want to work but who have not

[3] Congressional Budget Office. Long-Term Unemployment. October 2007. Paper No. 2765

[4] In response to rising unemployment rates, unemployment benefits across the country were temporarily extended by 13 weeks starting May 2008, though this extension is set to expire in March of 2009 barring renewal. Since Connecticut's unemployment rate is above 6.0%, workers in this state are eligible for an additional 20 weeks of unemployment insurance, for a total of 33 weeks on top of the 26-week baseline coverage period.

looked for work recently because they face a barrier to employment, such as lack of transportation or child care.

Figure IV-6, below, compares Connecticut to the New England and the rest of the United States when looking at total underemployment, which is represented by the unemployed (in blue) in addition to the other previously mentioned measures of underutilized labor (in orange). We see that Connecticut has an underemployment rate of 8.2%, which is 0.6% greater than the underemployment rate in New England and statistically the same as the national underemployment rate of 8.3%.

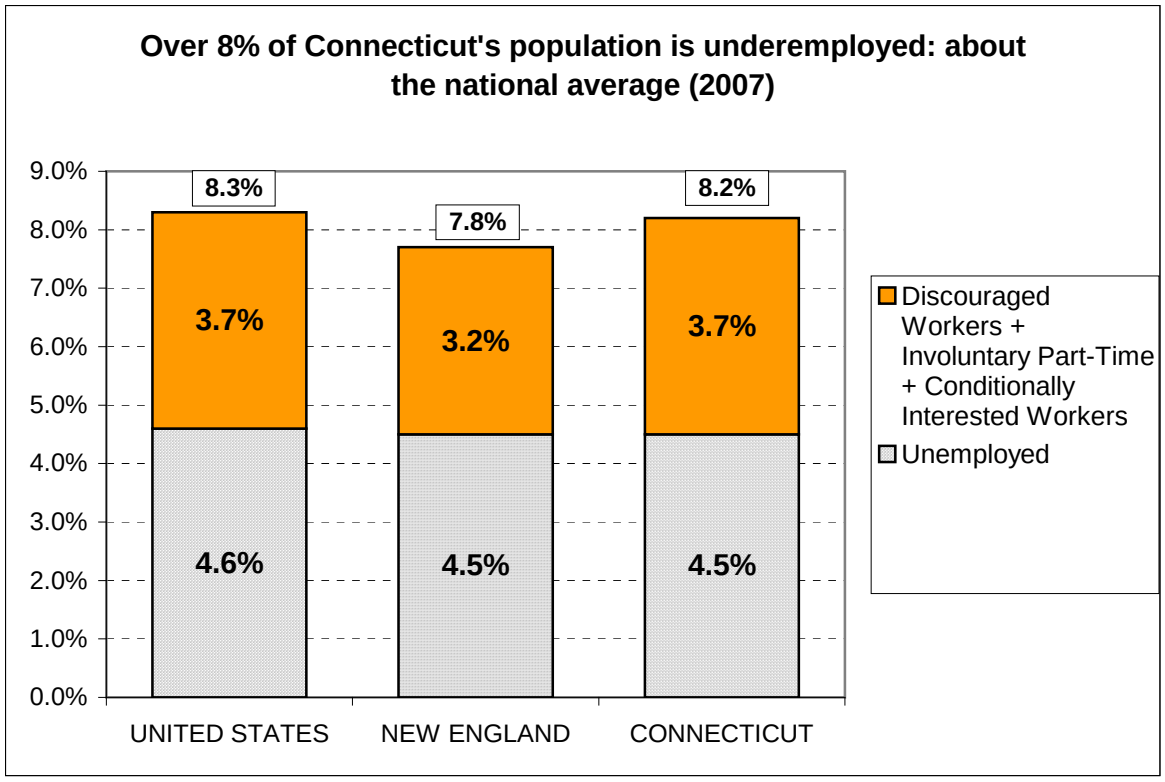


Figure IV-6 Source: CT Voices and EPI analysis of Current Population Survey Data.

Connecticut's underemployment rate in 2007 is close to double what it was in 2000, prior to the last recession. Figure IV-7, below, shows how underemployment increased dramatically between 2000 and 2003, while the Connecticut economy was in a downturn, and has fallen since then (though ticking upward between 2006 and 2007). However, this decline did not make up for even half of the increases between 2000 and 2003. So with the economy in recession, underemployment rates are set to increase from a starting point that is far higher than it was in 2000.

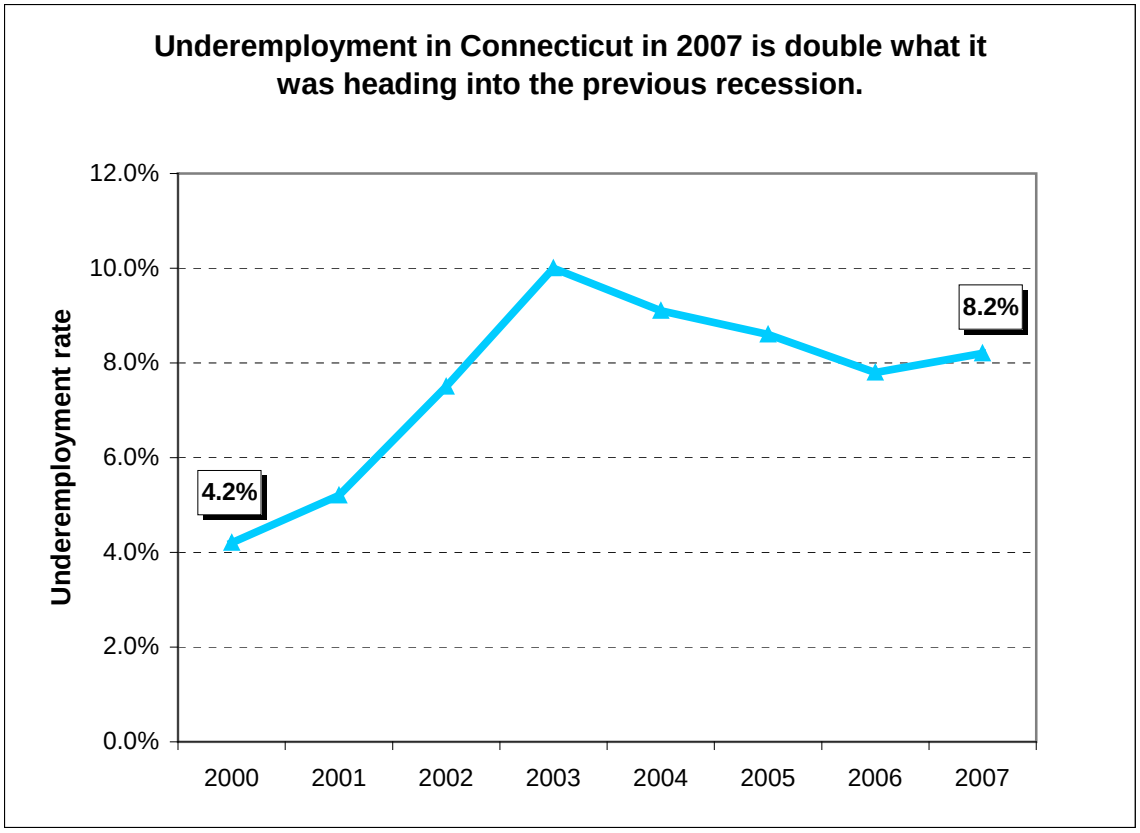


Figure IV-7 Source: CT Voices and EPI analysis of Current Population Survey Data.

Underemployment by gender, age, race and ethnicity, and level of educational attainment. Table IV-4, below, shows differences in Connecticut's underemployment rates by gender, age, race/ethnicity, and level of educational attainment.

Disparities in underemployment rates mirror disparities in unemployment. For example, in 2007, the underemployment rates for Connecticut's African American and Hispanic workers were 15.8% and 15.7%, respectively, compared to 6.3% for white workers. Minority underemployment in Connecticut is *greater* than the national and New England averages, while white underemployment is *lower* than the national and New England averages. The underemployment gap between minorities and non-minorities is therefore more pronounced in Connecticut, where African American and Hispanic underemployment rates are two and a half times greater than the white underemployment rate.

Of particular concern are the underemployment rates that exceed 10%: younger workers (17.2%), African-American and Hispanic workers (15.8% and 15.7%), and workers with no more than a high school (11.0%) or less than a high school education (18.7%). The underemployed are workers who, by definition, want to do more to support themselves and their families. Their inability to do so not only leaves them less well off, but it also represents important underutilization of capacity in the Connecticut economy.

Underemployment Rates by Demographic Groups, Connecticut, New England, and United States, 2006			
	United States	**New England**	**Connecticut**
All	**8.3%**	**7.7%**	**8.2%**
Gender			
Male	**8.4%**	**8.0%**	**8.4%**
Female	**8.3%**	**7.3%**	**8.1%**
Age			
16-24 yrs	**17.3%**	**15.3%**	**17.2%**
25-54 yrs	**7.0%**	**6.4%**	**7.3%**
55 yrs and older	**6.1%**	**6.3%**	**5.5%**
Race / ethnicity			
White	**7.0%**	**6.9%**	**6.3%**
African-American	**13.5%**	**10.8%**	**15.8%**
Hispanic	**11.1%**	**14.5%**	**15.7%**
Asian/Pacific islander	**5.9%**	**6.0%**	**(a)**
Education			
Less than high school	**17.7%**	**16.3%**	**18.7%**
High school	**10.0%**	**9.9%**	**11.0%**
Some college	**7.3%**	**7.3%**	**7.0%**
Bachelor's or higher	**4.0%**	**4.3%**	**4.6%**

Table IV-4 Source: CT Voices and EPI analysis of Current Population Survey Data.

Connecticut's underemployment rates by educational attainment further highlight the state's "education premium," the employment advantage provided by higher educational attainment. Among Connecticut workers with less than a high school diploma, nearly one fifth were underemployed in 2007, a rate that is more than five times greater than the underemployment rate of those with a bachelor's degree or higher.

V. Conclusion

With Connecticut heading into what promises to be a prolonged recession, Connecticut's recent employment and unemployment trends provide a valuable perspective on Connecticut's economic malaise. Equally important, the current economic situation highlights the critical role that the state can play in both stimulating the economy and providing supports to families facing the upheaval of either short or long-term unemployment.

Connecticut's economy has reached a watershed point, continuing a trend away from manufacturing employment that traditionally paid wages sufficient to support a family, to an economy increasingly dependent on the service sector. With growth in high-wage service sector employment unable to keep pace with declines in the manufacturing sector, Connecticut has increasingly relied on less-skilled service sector employment characterized by lower average wages. Connecticut's "comparative advantage" in educational attainment has sustained growth in certain sectors (such as education and health), though emerging warning signs suggest that Connecticut needs to do more to ensure that all Connecticut children are fully prepared to engage in the economy.

Heading into this recession, there is much that the state should do to stimulate the state economy while supporting struggling Connecticut families who are facing the highest long-term unemployment in New England. To 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:

- *Avoid state budget cuts that would further undermine the economy and reduce supports for the working families and the unemployed.* The Center for Economic and Policy Research (CEPR) released a report recently documenting the potential harm that states can do to their economies by pursuing budget cuts rather than revenue enhancements to meet growing budget deficits. They estimate that for the current fiscal year, Connecticut would lose 2,200 jobs if we relied on budget cuts to close 40% of the budget gap, and 5,400 jobs if we relied on budget cuts to close the entire budget shortfall.[1] The detrimental impact on the state of closing much larger budget deficits in FY10 and FY11 could prove devastating if Connecticut chose to address the deficit with cuts (rather than revenues) in those fiscal years. For example, Connecticut's education and health job sector, heavily dependent on public investment, is the largest job sector in the state, with the greatest amount of growth, even during the recession. Severe cuts to state spending in this area could undermine an area of progress in the state economy, and weaken one of Connecticut's economic advantages – its well-educated workforce. With household costs rising and jobs shrinking, the state must also do more to help low-wage families make ends meet. The state should also avoid budget cuts for programs that reduce family expenses (e.g., child care subsidies, housing subsidies, energy assistance), and provide affordable health insurance for the unemployed and uninsured. The state should also

[1] Matthew Sherman, *The Effect of Budget Belt-Tightening on Employment*, (Center for Economic and Policy Research, 2008).

make the state tax code more equitable (e.g., providing income tax deductions for dependent children, a refundable state earned income tax credit), expand the supply of housing that is affordable for low-wage families, and curb predatory lending practices. Expanding the coverage and benefits of our unemployment insurance program to help both the short- and long-term unemployed, and providing wage insurance for workers who lose their jobs, also can help cushion families from economic catastrophe.

- *Rethink the state's economic development strategy, particularly the state's heavy use of business tax credits.* Each year, hundreds of millions of dollars in tax credits and other tax preferences are given to businesses for economic development. The identities of all these businesses are not disclosed, nor is there an adequate evaluation of the benefits to taxpayers. The loss of state revenues from corporation business tax credits alone (an estimated $306 million in Fiscal Year 2009) has increased 113-fold since 1987. There is no comprehensive economic development plan that guides the adoption of new tax credits. Indeed, more than one-third of the projected FY 2009 revenue loss results from three new "film industry" credits. Facing a major state budget deficit and a rise in unemployment, we must ensure that all of our state dollars are invested wisely and effectively. To make such an evaluation possible, there must be public disclosure of corporate tax credits and an evaluation of their benefits in the number of higher-wage jobs created.

- *Expand our public investment in education and training.* 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.