The State of Working Connecticut
Wages Stagnant for Working Families

Introduction

Labor Day is an opportune time to reflect on the state of Connecticut’s economy and the opportunities it offers working families to achieve financial stability and security.

For decades, we have seen income growth concentrated at the top of the income scale, while lower- and middle-income workers have seen wages stagnating. Slow economic growth since the recession, extreme income inequality, and wage stagnation have become defining and disturbing realities in Connecticut. The impact of these economic pressures on workers and their families is widespread and disproportionately affects women and people of color.

Despite some recent signs that Connecticut’s economy is growing and wages for low-wage workers are increasing, working families continue to struggle to reach a decent standard of living. We believe everyone who works full time should get paid enough to care for themselves and their children, and that Connecticut will prosper when everyone has the opportunity to participate fully, fulfill their potential, and achieve economic stability.

In this report on the state of working Connecticut, we look closely at trends in key measures of the state’s labor force, jobs, and wages. Although wages have begun to increase, they are still lower than many economists would predict given low unemployment, as well as lower than they were before the recession, and we investigate claims about why. Evidence does not support the claim that wages are low due to a skills shortage among workers, nor can the fact that the economy was adding proportionally more low-wage jobs early in the recovery explain continuing wage stagnation. Finally, we present two policy solutions: raising the minimum wage and restoring the Earned Income Tax Credit (EITC). Neither is a sufficient solution to growing income inequality and stagnant wages, yet each policy will help workers and their families achieve a better quality of life and encourage economic growth.
Economic overview

Unemployment at post-recession low, but still higher than neighboring states

Connecticut’s unemployment rate has declined since the end of the recession to a current value of 4.4 percent. Notably, this is still 0.4 percentage points higher than the national average unemployment rate of 4 percent. Since this time last year, Connecticut’s rate has declined two-tenths of a percentage point. It is the first year that Connecticut’s unemployment rate has decreased below its pre-recession (2007) value, but unemployment is still higher in Connecticut than in all neighboring states.

Source: Connecticut Department of Labor. Labor Market Information from the Department of Research https://www1.ctdol.state.ct.us/lmi/unemprateCTUS.asp
Although the unemployment rate is a common measure of untapped potential in the economy, the unemployment rate fails to account for workers who have stopped actively looking for work, either because they have given up or for some other reason. The employment-to-population ratio, the number of people age 16 or over who are employed, divided by the number in the civilian non-institutional population over 16, accounts for those who are not actively looking for work. A relatively low ratio suggests that there is a group of individuals who could be induced to re-enter the workforce if there were more jobs or jobs with higher pay. A possible downside of this measure is that it also includes individuals who have retired, meaning the ratio may get smaller as the population ages, regardless of the state of the economy. Nonetheless, it is considered one of the best indicators of whether the economy is operating at full capacity.\(^2\)\(^3\)

Connecticut’s current (as of 2017) employment-to-population ratio, of 63.3 percent, is in the middle in magnitude as compared to other New England states and, like other New England states, has not returned to its pre-recession high. This suggests that Connecticut’s economy may not be operating at full capacity. If there were a greater number of jobs or jobs with higher pay in the state, it is likely that more people would be working.

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**Connecticut’s employment-to-population ratio is lower than before the Recession**

While Connecticut has regained all of its private sector jobs since the recession, the state has bled public sector jobs. Public sector jobs, including teachers, mental health workers, nurses, police officers, and others, make up less than 15 percent of all jobs in the state. Since the recession, Connecticut has lost more public sector jobs than we have gained private sector jobs. Between 2008 and 2017, the state lost over 23,000 public sector jobs, a 9-percent decrease. The state gained over 16,000 private sector jobs, a 1 percent increase. Within government jobs, Connecticut lost 13 percent of state government jobs, 8 percent of local government jobs, and 7 percent of federal jobs.

Due to decades-long poor policy choices, the state government is struggling with a budgetary crisis, leading to spending cuts. However, the government jobs lost provided valuable services such as education, healthcare for vulnerable populations, behavioral health interventions, and government evaluation and accountability. The loss of these jobs caused a reduction in available services to vulnerable children and families.

Furthermore, government job losses disproportionately affect women and people of color. Over two-thirds of state and local workers in Connecticut are unionized and therefore benefit from collectively bargained wages, benefits, and job protections. Nationally, women make up over half, and people of color make up one-third of unionized state and local government workers. Women and people of color in Connecticut face numerous and profound barriers to employment opportunities, and the loss of public sector jobs narrows one opportunity that has been open to them.
Wages

For decades, high-wage earners have seen real (inflation adjusted) overall yearly wage growth, while middle- and low-wage earners have seen their wages stagnate. Since the recession, this pattern has largely continued. Between 2007 and 2017, the wages of the 90th percentile increased by an average of 0.4 percent per year, median wages dropped by an average of 0.3 percent per year, and wages of the lowest decile increased an average of 0.05 percent per year.

Since 2014, real wages for lower deciles have been growing at a faster rate than wages for higher deciles, although not nearly enough to make up for decades of stagnation. Between 2007 and 2014, wages for the bottom decile dropped an average of 1 percent per year, but since 2014, they have been increasing, on average, by 2.6 percent per year. Since 2014, average wages for the top (90th) decile slowed less (0.06 percent per year on average), and wages for the 60th, 70th, and 80th deciles have started to slightly decrease.

The recent increase in wages for low-wage workers is likely attributable to two factors. First, it is what we would expect as the unemployment rate continues to fall and the labor market tightens up. Second, Connecticut instituted yearly minimum wage increases starting in 2014.

Real hourly wages in Connecticut increasing most for 90th percentile (in 2017 dollars**)


** using CPI-U-RS
and reached the current minimum wage of $10.10 in January of 2017. In addition to increasing wages below the minimum, these increases likely put upward pressure on wages at and just above the minimum as well. This small increase in equity, though welcome, does not come close to undoing decades of increasing inequality in wages.

**Average hourly wages by year by decile in Connecticut, in 2017 dollars**

<table>
<thead>
<tr>
<th>Year</th>
<th>10th percentile</th>
<th>20th percentile</th>
<th>30th percentile</th>
<th>40th percentile</th>
<th>50th percentile (Median)</th>
<th>60th percentile</th>
<th>70th percentile</th>
<th>80th percentile</th>
<th>90th percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$10.13</td>
<td>$12.55</td>
<td>$15.34</td>
<td>$18.22</td>
<td>$21.91</td>
<td>$25.46</td>
<td>$30.35</td>
<td>$37.09</td>
<td>$48.09</td>
</tr>
<tr>
<td>2009</td>
<td>$10.27</td>
<td>$12.66</td>
<td>$15.98</td>
<td>$19.35</td>
<td>$23.26</td>
<td>$28.08</td>
<td>$32.96</td>
<td>$40.07</td>
<td>$52.35</td>
</tr>
<tr>
<td>2010</td>
<td>$10.07</td>
<td>$12.47</td>
<td>$15.88</td>
<td>$19.01</td>
<td>$22.49</td>
<td>$27.10</td>
<td>$32.40</td>
<td>$39.89</td>
<td>$53.85</td>
</tr>
<tr>
<td>2011</td>
<td>$9.84</td>
<td>$12.61</td>
<td>$15.45</td>
<td>$18.45</td>
<td>$22.16</td>
<td>$27.14</td>
<td>$32.57</td>
<td>$39.28</td>
<td>$52.23</td>
</tr>
<tr>
<td>2014</td>
<td>$9.39</td>
<td>$11.33</td>
<td>$13.98</td>
<td>$16.78</td>
<td>$20.71</td>
<td>$25.32</td>
<td>$31.01</td>
<td>$37.60</td>
<td>$49.79</td>
</tr>
<tr>
<td>2015</td>
<td>$9.87</td>
<td>$12.16</td>
<td>$14.51</td>
<td>$17.58</td>
<td>$20.79</td>
<td>$25.75</td>
<td>$30.95</td>
<td>$38.15</td>
<td>$51.42</td>
</tr>
<tr>
<td>2016</td>
<td>$10.20</td>
<td>$12.34</td>
<td>$15.21</td>
<td>$17.47</td>
<td>$21.17</td>
<td>$25.56</td>
<td>$30.68</td>
<td>$38.40</td>
<td>$54.03</td>
</tr>
<tr>
<td>2017</td>
<td>$10.12</td>
<td>$12.44</td>
<td>$14.97</td>
<td>$17.89</td>
<td>$21.14</td>
<td>$24.96</td>
<td>$30.57</td>
<td>$37.00</td>
<td>$49.61</td>
</tr>
</tbody>
</table>

**Annualized percent change**

- 2007-2017: 0.05% 0.04% -0.18% -0.12% -0.33% -0.15% 0.10% 0.01% 0.40%
- 2007-2014: -1.03% -1.31% -1.26% -1.11% -0.77% -0.02% 0.34% 0.23% 0.54%
- 2014-2017: 2.56% 3.21% 2.35% 2.18% 0.69% -0.46% -0.47% -0.51% 0.06%

*Source: Economic Policy Institute and CT Voices analysis of Current Population Survey data

** Using CPI-U-RS.

Average families continue to struggle

Despite slowly increasing wages in lower deciles, Connecticut’s families continue to struggle. The Economic Policy Institute’s Family Budget Calculator calculates what monthly expenses for individuals and families would be to reach a “modest but comfortable” standard of living, given local costs. According to this budget calculator, a single mother in Bridgeport would require $6,000 per month to reach this living standard, once rent, child care, food, transportation, health care, other necessities, and taxes were taken into account. At 40 hours per week, only 20-30 percent of wage earners make the $36/hour that would be required to achieve this living standard. A single mother making the state’s median wage of $22 per hour, then, would have to work over 65 hours per week to reach this living standard. A single mother making the minimum wage of $10.10 would have to work an impossible 142 hours/week.
With wages so low, parents struggle to provide for their families. When parents work in low wage jobs, the basic costs of having a family — health insurance, child care, housing, food — are unaffordable, and children are then faced with impossible barriers to health, development, and equity.

### Majority of wage earners do not make enough to comfortably support a family

<table>
<thead>
<tr>
<th></th>
<th>Monthly costs*</th>
<th>Implied hourly wage at 40 hours/week**</th>
<th>Percent wage earners in state making less than that hourly wage (approximate)***</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bridgeport Metro Area</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family of four, two wage earners</td>
<td>$8,387</td>
<td>$24.38</td>
<td>50-60%</td>
</tr>
<tr>
<td>Family of four, one wage earner</td>
<td>$8,387</td>
<td>$48.76</td>
<td>&gt;90%</td>
</tr>
<tr>
<td>Single parent and child</td>
<td>$6,176</td>
<td>$35.91</td>
<td>70-80%</td>
</tr>
<tr>
<td><strong>New Haven/Meriden Metro Area</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family of four, two wage earners</td>
<td>$7,818</td>
<td>$22.73</td>
<td>50-60%</td>
</tr>
<tr>
<td>Family of four, one wage earner</td>
<td>$7,818</td>
<td>$45.45</td>
<td>&gt;90%</td>
</tr>
<tr>
<td>Single parent and child</td>
<td>$5,815</td>
<td>$33.81</td>
<td>70-80%</td>
</tr>
</tbody>
</table>

*Source: EPI family budget calculator [https://www.epi.org/resources/budget/](https://www.epi.org/resources/budget/)

* Calculated based on EPI’s Family Budget Calculator: [https://www.epi.org/resources/budget/](https://www.epi.org/resources/budget/)

**Assuming 4.3 weeks per month

*** Based on Economic Policy Institute and CT Voices analysis of Current Population Survey data
Persistent inequality

In the 1950s, the top one percent in the United States and the top one percent in Connecticut each held about ten percent of the income in the country and in the state, respectively. Currently, the top one percent of income earners in Connecticut makes an astonishing 37 times what the bottom 99 percent makes, making Connecticut the third most unequal state in the nation, behind only New York and Florida. As of 2015, nationally, the top one percent of income earners holds 22 percent of the income, while the top one percent in Connecticut holds an even greater share—27.3 percent—of income in the state. Connecticut is a wealthy state, but our economy has become increasingly bifurcated between the “haves” and the “have nots.”

The share of all income held by top 1 percent

![Graph showing the share of income held by the top 1% in Connecticut and the United States from 1917 to 2015. The graph displays the percentage of income held by the top 1% over time, with Connecticut consistently having a higher share than the United States.]()


Inequality by race/ethnicity and gender

People of color and women in Connecticut continue to face persistent barriers to equal wages. Blacks and Latinos make less than 65 cents to the dollar of what Whites make. Women make 87 cents to the dollar of what men make.

Although the survey sample sizes are too small in Connecticut to calculate wage differences by race and gender simultaneously, nationally, Black women make less than Black men and Latino women make less than Latino men, and all groups make less than White men. Barriers to equal pay for women and, particularly, for women of color include lower earnings in occupations traditionally done by women, including care-giving roles; lack of paid family leave; lack of affordable child care; and discrimination.
Median hourly wages by gender (in 2017 dollars**)

<table>
<thead>
<tr>
<th></th>
<th>Median Hourly Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>$22.93</td>
</tr>
<tr>
<td>Women</td>
<td>$19.98</td>
</tr>
</tbody>
</table>

Note: These data are from 2015, the last year with a large enough sample for the analysis.

Median hourly wages by race/ethnicity (in 2017 dollars**)

<table>
<thead>
<tr>
<th></th>
<th>Median Hourly Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>$23.17</td>
</tr>
<tr>
<td>Black</td>
<td>$14.50</td>
</tr>
<tr>
<td>Latino</td>
<td>$14.91</td>
</tr>
</tbody>
</table>

Inequality by level of formal education

As we would expect, formal education is positively correlated with income, and workers in Connecticut with a college education make over twice as much as everyone else. This highlights the importance of making college affordable to all who want to attend.

Median hourly wages by formal education (in 2017 dollars**)

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Median Hourly Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than high school</td>
<td>$12.58</td>
</tr>
<tr>
<td>High school</td>
<td>$16.72</td>
</tr>
<tr>
<td>Some college</td>
<td>$16.72</td>
</tr>
<tr>
<td>Bachelor’s or higher</td>
<td>$32.31</td>
</tr>
</tbody>
</table>

Note: These data are from 2015, the last year with a large enough sample for the analysis.
Why are wages stagnant?

Given low unemployment, we might expect wages to rise more than they have been. This section will consider explanations for why we are not seeing greater wage growth, and argue that public policies are required to protect good jobs and support workers.

“Jobs swap” can no longer explain sluggish wage growth

One incomplete explanation for sluggish wage growth has been that low-wage jobs have been replacing the middle- and high-wage jobs that were lost during the recession, called a “jobs swap” or a “composition effect.” In other words, the economy has been producing proportionally more jobs with lower wages and pushing down average wage growth.

Although a jobs swap may have contributed to low wage growth early in the recovery, it is no longer the case. Since 2014, in both the United States as a whole and Connecticut, more middle- and high-wage jobs, and relatively fewer low-wage jobs, have been added to the economy. In other words, the current effect of changing job composition—with the economy adding proportionally more middle- and higher-paying jobs than before—should put upward pressure on wages.

The following charts show job growth across the wage distribution in Connecticut from 2010 to 2014 and from 2014 to the present. Each bar represents average employment growth for the $5 band centered on the given wage. The dots show what employment growth would have been at each wage level if jobs had grown at the same rate across the whole wage distribution. In other words, if the bar is above the dot, job growth was faster than average at that wage level, and if the bar is below the dot, job growth was slower than average at that wage level.

We see that early in the recovery (the first chart), low-wage jobs did indeed grow much more quickly than middle- or high-wage jobs. Since 2014 (the second chart), however, there has been relatively stronger growth in middle-wage jobs. In other words, the “jobs swap” can no longer fully explain slow wage growth. Because more middle and high-wage jobs are currently being added to the economy than before, we would actually expect this to put upward pressure on wages, not cause average wages to stagnate. Thus, the composition effect can no longer explain slow average wage growth.
Average monthly employment change in Connecticut from 2010 to 2014, by wage level

Note: The bars represent average employment growth for the $5 band centered on the given wage, that is, the bar at $10 represents growth in jobs with wages from $8.00 to $12.99 and the bar at $11 represents growth in jobs with wages from $9.00 to $13.99. This smoothing was used to clarify underlying trends. Each bar represents average employment growth for the $5 band centered on the given wage. The dots show what employment growth would have been at each wage level if jobs had grown at the same rate across the whole wage distribution. In other words, if the bar is above the dot, job growth was faster than average at that wage level, and if the bar is below the dot, job growth was slower than average at that wage level.

Skills shortages cannot explain stagnant wages

According to another narrative, wages have been lagging because workers do not possess the skills that current skilled jobs require. The Connecticut Business & Industry Association (CBIA) recently surveyed 157 manufacturing executives in Connecticut. Executives complained of difficulties hiring professional and technical workers to fill open positions and finding sufficiently punctual and hard-working entry-level workers. They suggested high school and college training programs were needed to generate more high-quality skilled workers.10

If this were a true skills shortage, however, we should expect to see employers raising wages and investing in workers by offering on-the-job training. If there were a limited supply of workers with given skills, we would expect demand for these workers to increase, leading employers to raise wages to attract workers from other firms and to keep their own workers from leaving.11 But this is not what we see for the most part.12

In Connecticut, durable goods manufacturing—meaning the manufacturing of products that live longer than three years—has seen variable growth since the recession but currently has a higher real GDP than it did in 2009. Durable goods manufacturing includes, among others, precision manufacturing, machinery, aerospace, and metals—the same industries surveyed by CBIA. Real wages for production workers, however, have not drastically increased as we would expect given a true skills shortage. Wages for durable goods production workers have gone up and down but are currently slightly lower, when accounting for inflation, than they were in 2009. If this were a true skills shortage, we would expect wages to increase.13

Building more high-quality job training programs would have many positive effects. Training gives less-skilled workers access to better jobs, and subsidized job training programs can encourage economic development in disadvantaged communities.14 We should not expect job training alone to be sufficient to raise wages for the average worker, however.
Explaining stagnant wages

A more likely explanation for slow wage growth is the gradual erosion of workers’ rights and labor standards nationally. Because of policy choices resulting in the decline in the minimum wage, the loss of overtime protections, declining unionization, and other challenges to the rights of workers, there would need to be an even tighter labor market to spark wage increases.\textsuperscript{15} Related, employers’ increasing monopsony power, or the power of a few employers to dominate some hiring markets, has given large employers the power to set lower wages.\textsuperscript{16}

To the contrary, some economists argue that wages are no lower than we would expect, given current low levels of productivity and low inflation growth. They point to the fact that low wages are increasing and that workers are quitting jobs at pre-recession levels, suggesting workers believe they can find new jobs.\textsuperscript{17,18} Regardless of whether we should expect this level of wage growth given economic realities, however, we know that wages are growing too slowly to provide families a stable standard of living or to support equitable economic growth.

Policy recommendations

Public policies guided by values of equity and broad-based opportunity can begin to remedy growing economic disparities and set a minimum standard for workers and their families. The following are two proven responses to stagnating wage growth and growing inequality that would have an immediate impact but, crucially, are insufficient to fully correct the problem. Raising the minimum wage to $15 and raising the Earned Income Tax Credit would put immediate cash in the pockets of low-income workers and boost the economy, but these policies are not enough to ensure that all residents in the state can achieve a stable, healthy standard of living.

Raise the minimum wage

In 2014, Connecticut was one of the first states in the nation to increase its minimum wage incrementally over three years reaching $10.10 per hour on January 1, 2017. This is not nearly enough to have a decent standard of living and, because it is not indexed to inflation, there are no future increases planned. A full-time worker in Connecticut in 2018 will earn annual wages of $20,200 - an income that places a family of three below the federal poverty line.

Since at least 1937, with the passage of the Fair Labor Standards Act, setting a “fair and just wage” has been the responsibility of government. First established during the Great Depression to ensure that regular employment would provide a decent standard of life, the current minimum wage in Connecticut, $10.10, is not, by any measure, a fair and just wage, leaving even those who work full time unable to meet the basic needs of themselves and their families. The current minimum wage—our agreed-upon standard for the minimum amount a worker in our society should be paid—is not enough to achieve its stated purpose to provide a decent standard of living.
Who earns less than $15.00 an hour in Connecticut? The typical worker earning less than $15.00 per hour is a woman, in her mid-thirties, working full time, who has some college or an Associate’s or Bachelor’s degree. She is the primary earner in her family—her income accounts for more than half of her total family income. Over twenty percent of children in Connecticut have a parent who earns less than $15 per hour.¹⁹

Raising the floor on wages is a powerful tool to address the large racial disparities present in the low-wage workforce.²⁰ While over 30 percent of all workers in Connecticut make less than $15 per hour, over 40 percent of Black workers and nearly 55 percent of Latino workers make less than $15 per hour. Latinos account for 13.9 percent of the total workforce in Connecticut, yet they comprise nearly a quarter (24.3 percent) of workers making less than $15.00 per hour. Black and Latino women are even more likely to make less than $15.00 per hour than Black and Latino males.²¹ Increasing the minimum wage would lift up Black and Latino workers and their families, women workers and their families, and help to reduce long-standing race- and gender-based wage inequities.

**Will increasing the minimum wage cause job losses?**

The effect of an increase to the minimum wage on low-wage employment continues to be debated among economists. The weight of the research, however, finds that the minimum wage has little to no effect on employment or hours of work.²²

The most comprehensive study of the impact of minimum wage increases on
employment found that minimum-wage increases eliminated jobs paying below the new minimum, but added jobs paying at or above the new minimum wage. The decline in jobs paying less than the new minimum wage is offset by an increase in those paying slightly more than the new minimum wage. The net effect is that total employment is unchanged by the increased minimum wage. Jobs further up the pay scale are largely unaffected.23

Raising the minimum wage incrementally to $15.00 will increase earnings to 524,000 Connecticut workers. This one policy change offers an immediate and meaningful boost to the quality of life of low-wage workers and their families, counters the growing racial and gender disparities in earnings, affords workers the dignity and economic stability of a fair wage, and even improves public health.24 The increased wages will be spent in our local economies, helping to stimulate the state economy and spur greater business activity and job growth. It is a powerful tool to increase opportunity for low-wage workers and their children.

**What minimum wage hikes do to employment**

Percent change in the number of jobs five years after a change in the minimum wage, by wage level relative to the new minimum wage.

<table>
<thead>
<tr>
<th>Hourly wage, relative to new minimum</th>
<th>Change in number of jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $1</td>
<td>+0.5%</td>
</tr>
<tr>
<td>$4 to $5</td>
<td>+1.0%</td>
</tr>
<tr>
<td>$8 to $9</td>
<td>+1.5%</td>
</tr>
<tr>
<td>$12 to $13</td>
<td>0%</td>
</tr>
<tr>
<td>$16 to $17</td>
<td>-0.5%</td>
</tr>
<tr>
<td>$17 to $20</td>
<td>-1.0%</td>
</tr>
<tr>
<td>$20 to $25</td>
<td>-1.5%</td>
</tr>
</tbody>
</table>

Source: The Effect of Minimum Wages on the Total Number of Jobs: Evidence from the United States Using a Bunching Estimator WAPO.ST/WONKBLOG

**Restore the Earned Income Tax Credit to 30 percent**

Connecticut’s Earned Income Tax Credit (EITC) is a highly targeted and effective way to help low-income working families make ends meet.25

The Connecticut EITC is a refundable state income tax credit for low-income working individuals and families that piggybacks on the federal EITC. When both the federal and Connecticut EITC amounts exceed the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit.

Connecticut Voices for Children supports an immediate restoration of the Connecticut Earned Income Tax Credit to 30 percent of the federal level to increase equity in our tax system for close to 200,000 Connecticut households who, on average, earn less than $20,000 per year.

In effect, it reduces the taxes that low-income working families pay, boosting their income and helping them fulfill the financial responsibilities of raising a family. It helps to address the inequity in our upside-down tax system in which the lowest wage earners pay the highest share of their incomes in state and local taxes. Because children in these families’ needs are better met, the EITC improves their health, school readiness and achievement, and, ultimately, their economic well-being in adulthood.
Despite widespread policy benefits, the state legislature cut the EITC in 2017 to 23 percent of the federal credit. In 2011, Connecticut lawmakers first established an EITC equal to 30 percent of a filer’s federal credit amount, cutting to 25 percent in 2013 to balance the state’s budget, with a pledge to restore the credit to 30 percent in 2015. That promise has not been kept—the legislature further reduced the credit to 23 percent beginning taxable year 2017.

**Connecticut EITC: 23 versus 30 percent of Federal EITC**

<table>
<thead>
<tr>
<th>Total households eligible to claim EITC</th>
<th>194,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost of EITC at 23% level</td>
<td>$115,000,000</td>
</tr>
<tr>
<td>Average credit amount at 23%</td>
<td>$592</td>
</tr>
<tr>
<td>Total cost of EITC at 30% level</td>
<td>$151,000,000</td>
</tr>
<tr>
<td>Average Credit amount at 30%</td>
<td>$778</td>
</tr>
</tbody>
</table>

*Source: Office of Fiscal Analysis and CT Voices calculations.26*

Connecticut’s Earned Income Tax Credit (EITC) is one of the most potent tools for combating poverty, helping 194,000 Connecticut households make ends meet in 2018. The ill-considered cut, in effect, raises taxes for low-income workers, those who make on average less than $20,000 annually, by $35 million per year. Restoring the credit to its original level of 30 percent is consistent with our long-term goals of increasing equity in our tax system26 and creating an economy that supports shared prosperity.

**Conclusion**

There is widespread agreement across the political spectrum that wage stagnation is a key economic challenge for the country. Wages for the vast majority of American workers have stagnated or declined for most of the last four decades, while the highest earners have seen their wages grow. This is despite real GDP growth and net productivity growth over this period. In short, the potential has existed for adequate, widespread wage growth, but because of poor policy choices, these economic gains have not been fairly distributed.

There is no single reform that can sufficiently reduce income inequality, eliminate racial and gender disparities, and promote opportunity for workers and their children. Multiple policy changes are needed to meaningfully address the decades-long stagnation of workers’ wages and to begin creating an economy that ensures all workers can provide a healthy, stable home to their children and have an equitable opportunity to reach their full potential regardless of race, gender, or zip code.
Endnotes


7 Calculations: Average wage: $6,176 / 4.3 weeks per month / $22 per hour = 65.29 hours per week. Minimum wage: $6,176 / 4.3 weeks per month / $10.10 per hour = 142.21 hours per week.


13 Heidi Shierholz and Elise Gould. “Why is real wage growth anemic?.”


21 Anmol Chaddha, “A $15 Minimum Wage in New England”.


