

State of the Workforce 2005
The Workforce Turnaround

State of the Workforce 2005
The Workforce Dilemma

2

3 ideas for
increasing the
Quality and
Quantity of
our workforce



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2

Quantity-
A shortage of
people in the
labor force

Quality-
An even
BIGGER
shortage of
today's most
needed work
skills



State of the Workforce 2005



The job and employment numbers remain static, which is the same as a decline in a progressive economy.

Introduction

The Workforce Alliance annual State of the Workforce update of regional economic and demographic trends focuses on the impact that available jobs and available employees have on workers, businesses and the competitiveness of the Connecticut economy.

Three critical economic trends that continue to exert significant, adverse impacts on South Central Connecticut were identified:

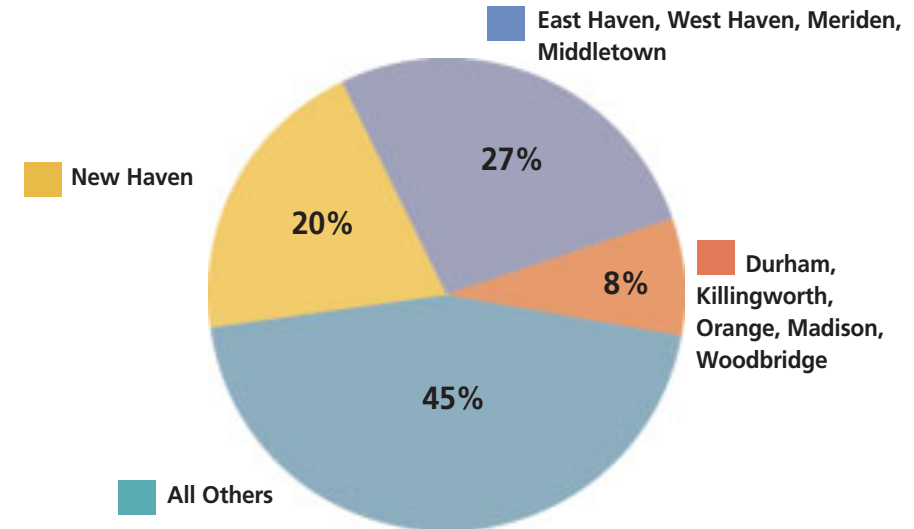
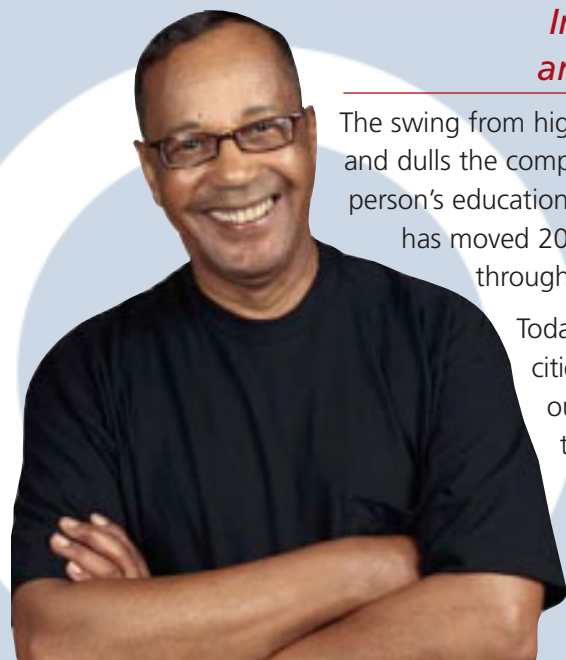
- **First:** overall job growth in the 30-town South Central Connecticut region has been flat to slightly negative for the past 15 years. South Central Connecticut has never regained its 1988 employment peak.
- **Second:** there has been a swing in job quality – jobs have been growing in low-wage industries and shrinking in high-wage industries.
- **Finally:** demographic change has resulted in an ever-increasing share of the current and future workforce that lacks the requisite skills for success.

Job growth follows population growth, and Connecticut has been at the bottom of the nation in population growth. All increases in population in the past 14 years have been from immigration, primarily Hispanic immigration.

Income follows education. Low-wage jobs are a dead end for uneducated employees.

The swing from high to low-paying jobs decreases state taxes, hurts the housing market, and dulls the competitiveness of Connecticut. No matter where you live, the better a person's education, the more their job choices and the greater their career mobility. India has moved 200 million residents up from poverty in the past ten years, primarily through education.

Today's and tomorrow's employees come from abroad; they come from inner cities and, these days, from prison, as well. The changing demographics of our state require new and novel efforts to increase resident employability through education and training.



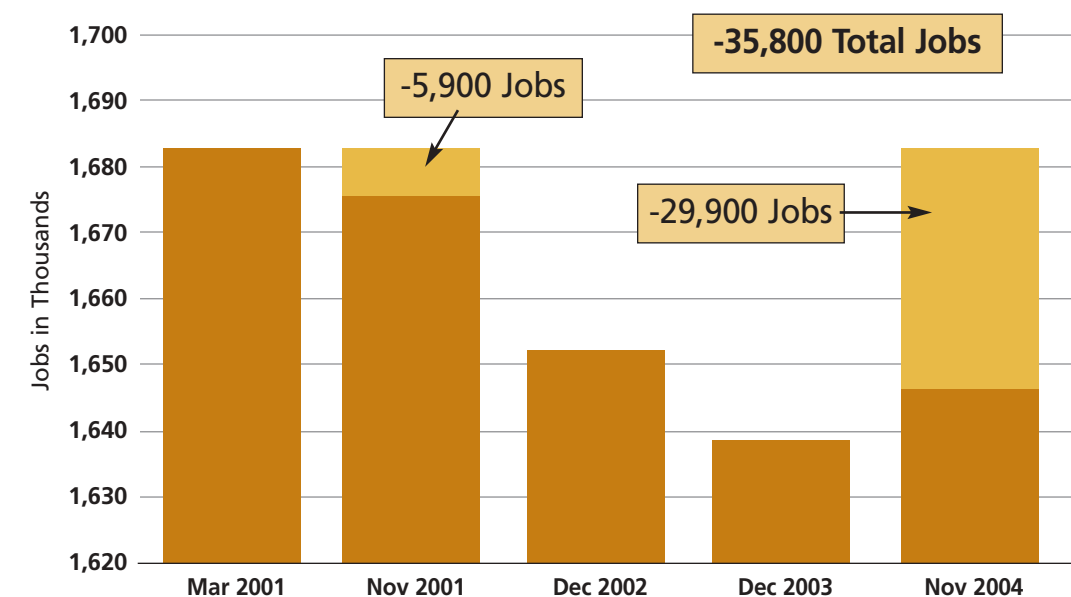
Future Workforce Entrants By Residence (Most Affluent & Least Affluent)

Source: Connecticut Economic Resource Center

The State of the Workforce 2005 presents the empiric evidence of historic economic research. In addition, we are offering ideas for positive change that are tied to the findings in the report. First, let's look at the big issue areas.

Job (Growth)

Connecticut is in its fifth consecutive year of job loss. Between July 2000 and July 2003, the state shed jobs at the average rate of 1,700 every month. Since July 2003, there has been little sign of recovery, averaging just over 100 new jobs a month. This trend is illustrated in the figure below. Connecticut has lost more jobs in the recovery than it did in the recession. The technical recession extended from March to November 2001, during which the state lost 5,900 jobs. Since the end of the recession, we have lost 29,900 jobs.

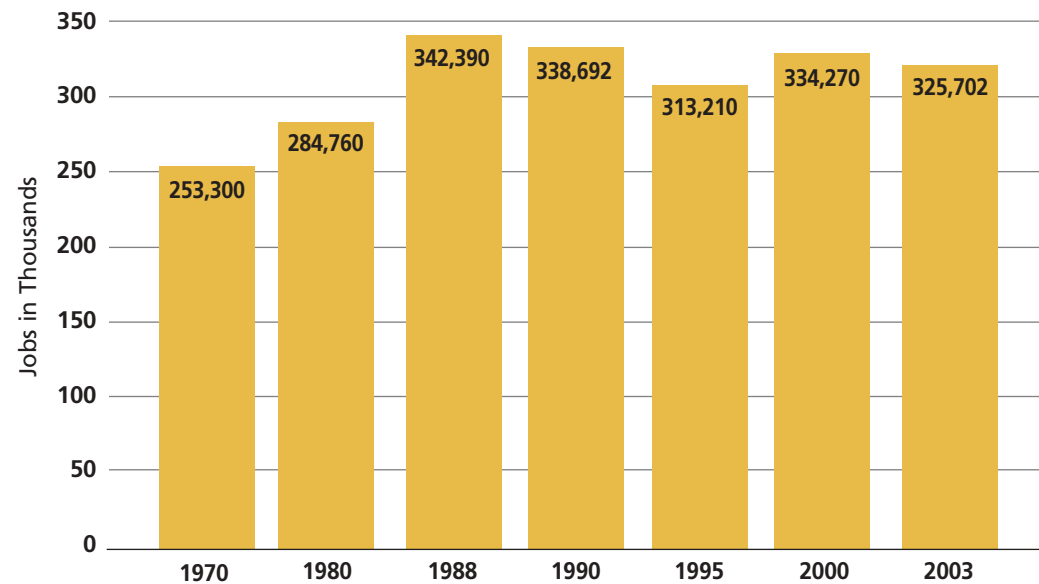


Job Losses Are Greatest In The Recovery

Source: CT Department of Labor

From a long-term perspective, Connecticut has never really surpassed its 1988 employment peak. Job growth in South Central Connecticut has been essentially flat, as shown in the figure below. Since 1988, total jobs in South Central Connecticut have declined by almost 17,000, or -4.9 percent.

Job Growth In South Central Connecticut Has Been Flat For 15 Years



Source: Connecticut Economic Resource Center

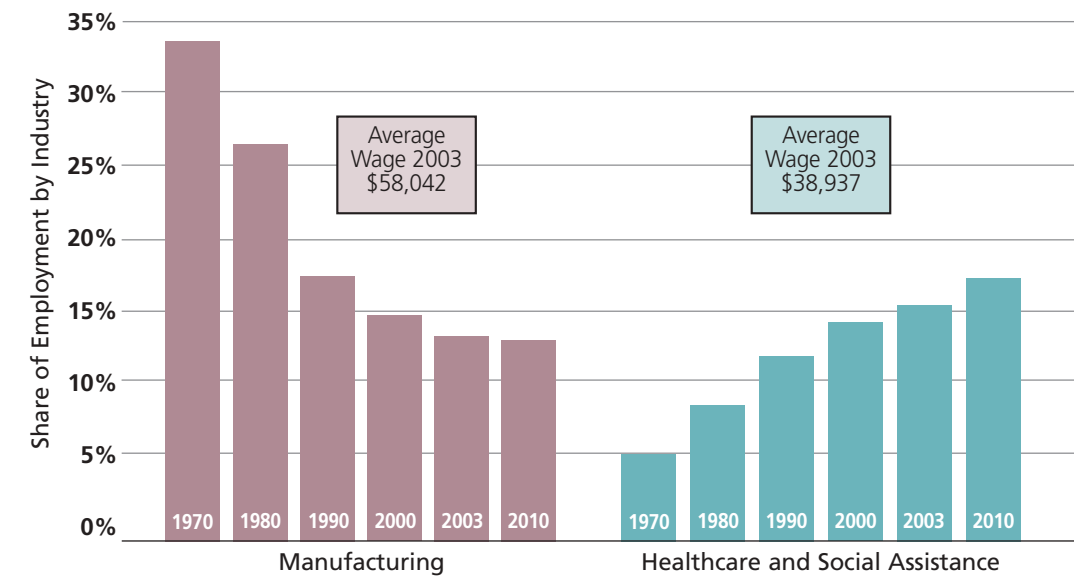
There has been a significant difference in urban vs. non-urban job growth. Non-urban communities have seen a job increase of 8,600; urban communities have lost 25,300 jobs. New Haven had the largest job loss, down 15,600 since 1988.

Job Quality

The transition from high quality (well-paying, career-oriented) to low quality (low-wage/minimum wage service and personal care) jobs over the past few years has been well-documented.

In 2002 and 2003, **jobs were lost in both low-wage and high-wage industries.** The shift from high-wage to low-wage jobs was even more pronounced, because the number of high-wage jobs lost (5,156) was four-times greater than the number of low-wage jobs lost (1,280). The charts below illustrate the profound negative impact on regional earnings: \$122 million in lost worker earnings between 1990 and 2003.

Wage and salary growth have been rising less than 1%, vs. nearly 4% for previous recoveries.



Source: Economy.com

These tectonic shifts in the job market are driven, in part, by productivity growth and off-shoring. Based on recent estimates, as many as 30,000 recent job losses in Connecticut may be due to off-shoring. Because the primary object of off-shoring is to reduce labor costs, the lost jobs tend to be better paying. The global economy and productivity improvement will continue to influence the state's workforce needs.

The job shift has dealt a one-two punch to South Central Connecticut. On top of negative job growth, there has been a degradation of job quality. These adverse trends compound the already significant difficulties the Workforce Alliance faces in finding gainful employment for hard-to-place and dislocated workers.

Industries	Change in Employment 1990-2003	Annual Average Wage 2003	Annual Effect On Regional Income
Manufacturing	-17,243	\$58,024	-\$1,000,790,926
Health Care and Social Assistance	15,885	\$38,937	\$618,513,466
Educational Services	5,954	\$43,788	\$260,694,047
Total Effect	4,596		-\$121,583,413

Source: CT Department of Labor

The Shift In Regional* Industry Employment Has Been Away From High Paying Manufacturing Jobs

* Region = Middlesex and New Haven Counties

South Central CT Lost Nearly \$122 Million In Income In 2003, Due To The Shift From High-Wage To Low-Wage Jobs.

Regional Demographic Shifts

Like Connecticut and much of the Northeast, population growth in South Central Connecticut has been sluggish, at best. Population growth rates have lagged the U.S. average for three decades or longer. Between 1990 and 2000, the population in Connecticut and South Central Connecticut grew at about one-third of the U.S. growth rate. All of that growth was due to immigration.

Between 1990 and 2004, the 30-town population grew to 726,529, an increase of 6.9 percent. Hamden, Milford and Wallingford had the largest numeric increases, with gains of 6,318; 3,996; and, 3,979, respectively. The losses came in New Haven (-4,065), Meriden (-333) and West Haven (-106).

The population from 18 to 34 years of age has fallen significantly, especially in comparison to the U.S. During the 1990s, Connecticut experienced the greatest relative decline (-22%) in this age group among all states. The relative loss in South Central Connecticut was similar – a decline of 39,614.

17.6% of Connecticut workers are over 55 – second highest in the nation.

South Central Connecticut's non-urban communities are suffering the greatest loss of young talent. For every five residents the non-urban communities lose in the 18-34 age bracket, the urban communities will lose three residents. As a result, our future workforce is increasingly concentrated in the poor, urban communities.

12.9% of Connecticut workers are 16-24 years old – 49th out of 50 states.

This reliance on urban workers will become more pronounced over the next couple of decades. Currently, there are about 43,000 children in South Central CT between the ages of 0 and 4 years, more than 50 percent of whom reside in the poorest communities. These children represent the largest share of new labor force entrants by the year 2020.

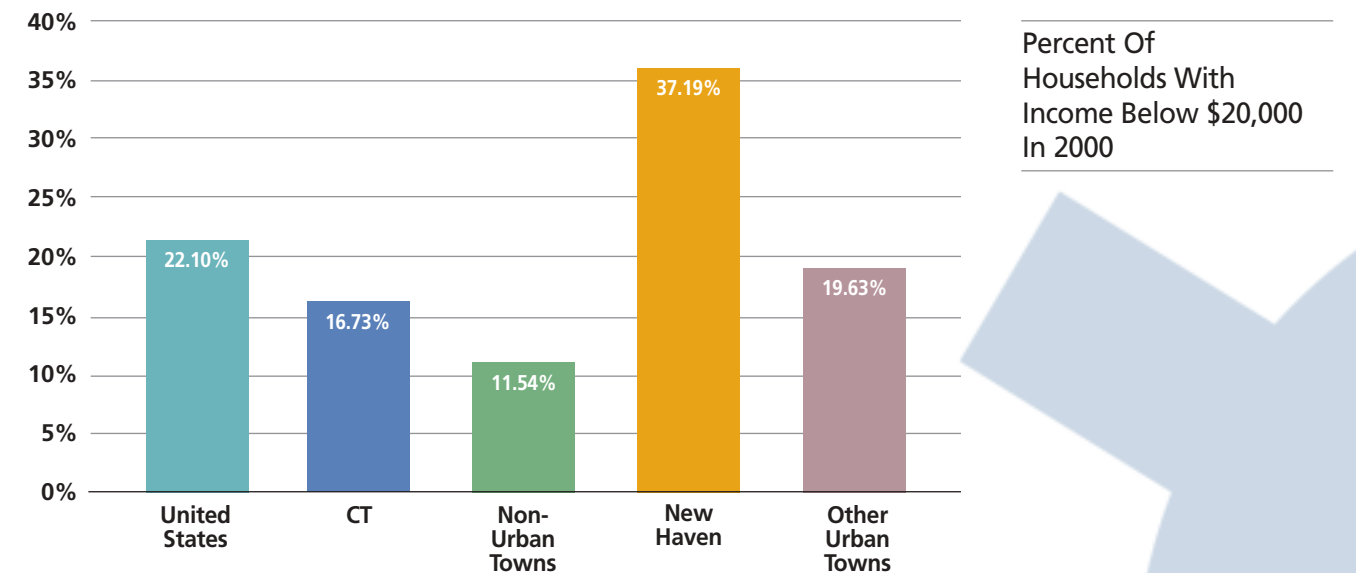
More than 7,000 disconnected young adults (18-24, not in school, not employed) live in South Central Connecticut, with most in New Haven and other urban centers. This group represents a significant portion of the total young worker population.

For the typical family dependent on wages and salaries, real income has dropped \$1,500 between 2000 and 2003.

Labor Force

The size of the labor force in South Central Connecticut was 379,208 in 2003, down by 1.1 percent from 1990. The 2004 South Central Connecticut labor force participation rate (the percentage of working age population employed or looking for a job) is estimated at 66.9 percent. Considerable variation in labor force participation rates was noted among our 30 towns, with a high of 78.4 percent in Haddam and a low of 59.9 percent in New Haven.

Family incomes continue to fall in the state. The ratio of households with income below \$20,000 to those with incomes greater than \$100,000 has grown significantly in New Haven. Negative job growth and the shift from high-paying to low-paying jobs are the primary reasons for this phenomenon.



Source: U.S. Census Bureau

Inflation has been modest. Families with single head of household, particularly those with children, suffer most from declining purchasing power. In New Haven alone, there are almost 11,000 female householders with no male present and more than 7,000 children under the age of 18. This represents one-half of all children in the city.

Connecticut youth unemployment is 16.6% – White 14.4%, Black 32.6%, Hispanic 17.2%.

Average wages and no income growth make housing affordability an increasing impediment to growth. Although wages have fallen in real terms, the average price of housing continues to climb.

Income Required For Area Average 2-Bedroom Rentals vs. The Annual Salaries Of Jobs w/Most Openings Through 2012

Municipality	3 BR Average Rent	Income Needed	Job Title by Rank	Annual Salary
East Haven	\$933	\$37,320	Retail Sales	\$21,111
Meriden	\$716	\$28,640	Cashiers	\$17,901
Middletown	\$856	\$34,240	Waiters	\$17,240
New Haven	\$897	\$35,880	Registered Nurses	\$53,934
North Haven	\$925	\$37,000	Food Prep	\$18,405
Wallingford	\$856	\$34,240	Clerks	\$26,570
West Haven	\$845	\$33,800	Janitors	\$23,034

Source: SCRCOG & U.S. Census Bureau

A Regional Housing Market Assessment published by the South Central Regional Council of Governments shows a \$9,000 gap between the wages of the most common entry level workers and the income required to pay prevailing rents. The shortage of affordable housing acts as an impediment to regional economic growth. The housing affordability problem is most pronounced in Westbrook, Orange, Old Saybrook, Madison, Chester and New Haven.

Summary

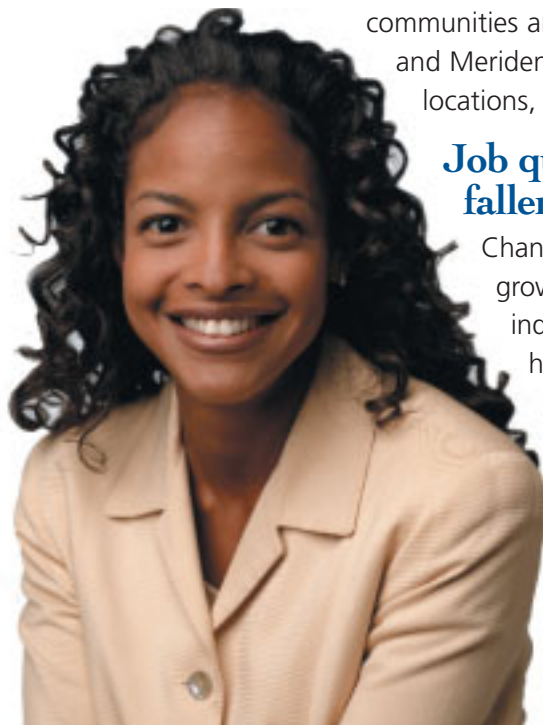
The story told by the economic and demographic trends make clear the need to intervene more intensely in the development of our workforce, if we are to keep Connecticut competitive. Several findings emerged from this analysis, but the key issues identified are as follows:

The region has not seen any job growth over the past 15 years.

Basically, South Central CT has an economy where job growth has been flat for 15 years, while population has increased slowly. Since 1988, the region averaged a little over 1,000 jobs lost every year. Although there has been a net job loss, many suburban communities are adding jobs, but the losses in the cities mask this activity. New Haven and Meriden continue to deteriorate as people and jobs leave the cities for suburban locations, either in the region or elsewhere.

Job quality, as measured by industry average wage, has fallen both nationally and in South Central Connecticut.

Changes in the job market further compound the difficulties of negative growth as sizable employment shifts are noted between jobs in high-wage industries and jobs in low-wage industries. In just a two-year period, there has been a pronounced shift: a loss of 9,000 jobs in high-wage industries and a gain of 2,000 jobs in low-wage industries.



Over the next 10 to 15 years, employers in the region will rely more and more on labor force entrants coming from our poorer cities.

As a result of social and economic differences, this group, which includes a large number of immigrant workers, is at risk for low skill attainment and a host of other challenges for career success, life-long learning and opportunities for economic independence.

Conclusions

- The quality of the labor supply is in question as high rates of high school drop-outs are still being reported
- The wage quality of available jobs is weakening
- Despite the low unemployment figures, labor supply still far exceeds demand, creating a buyer's market for employers, who are increasingly selective in their hiring practices
- Skilled workers, unable to find appropriate employment, may be forced to relocate in search of economic opportunity
- Failure to engage our urban poor in the economic mainstream with well-paying jobs puts our economic vitality at risk

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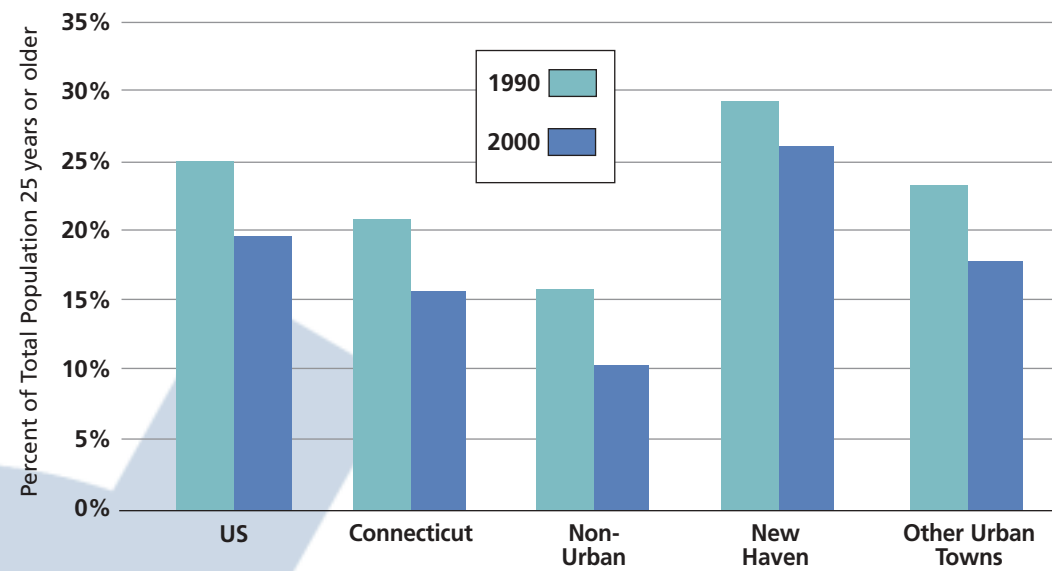
We have some ideas to turn the workforce around...

Three Ideas for Increasing the Quality, the Quantity and the Competitiveness of our Workforce

1) Raise the legal age for leaving school to 18 years, or issuance of a diploma.

High School drop-outs continue to feed unemployment, the penal system, and substandard job opportunities. The current mandatory age of 16 years is a relic of times

Although The Proportion Of Adult Drop-outs Declined, New Haven And The Other Urban Towns Remain Comparatively High



Source: U.S. Census Bureau

when people could work at well-paying manufacturing jobs just by the skill of their hands. Today, and in the future, dropping out of school is a virtual guarantee of a lifetime of poverty, unemployment or crime. Illinois raised the mandatory school age to 17 last year.

*Up to 53 percent of functionally illiterate adults do not participate in the labor force.***

2) Require literacy training for all prison inmates.

The estimate for functional illiteracy within the penal system is 75%. The lack of literacy skills is an overwhelming barrier for ex-offenders who already face numerous hurdles in returning to society: finding jobs, accessing training and staying out of prison in the future. Literacy could also be one more factor in considering parole. We supply the weights and

athletic programs to pump up muscles, the least we can do is to supply the essential tool of literacy before an offender is released.

*Inmates having a high school diploma should not be viewed as necessarily possessing the literacy skills needed to function in society.***

3) Access Higher Ed.

The state loses young residents to colleges all over the country. Young residents, especially urban poor, often believe they will never have access to college. Keeping students in Connecticut and creating a viable path to college for youngsters who otherwise would not have the opportunity, merits public discussion. The Governor could appoint a task force to consider the potential and the ramifications of providing **full tuition scholarships for CT high school graduates** who have achieved basic proficiency in their 10th grade CAPT; and, who have maintained a "C" average in high school.

*In 2002, the state ranked 4th in the country in the exportation of college-bound students – a net loss of 3,200 students.**

Several states (including Massachusetts, Michigan, Florida and New Mexico) which have instituted free tuition programs have had mixed results. Because most similar programs are strictly merit-based and require much higher academic averages and test scores, they have failed to recruit the students most in need of assistance.

*Connecticut ranks 35th nationally in the rate of African American and Hispanic high school to college completion.**

Connecticut currently spends approximately \$49 million in higher education financial aid. There is also the Capitol Scholarship Program which has been spending \$2 million annually. In Massachusetts, where college tuition is lower, the John and Abigail Adams Scholarship Program added only \$8 million in its first year. After four years, the program will go to \$32 million annually. Massachusetts also spends \$95 million on need-based aid for low income students. Michigan provides Merit Awards of \$2,500 per year to qualifying students. Georgia, Florida and New Mexico all have some kind of state scholarship program.

Among the nation's 12 state merit scholarship programs, \$863 million was distributed 2001, which is triple the \$308 million the states provided for need-based aid. A number of states pay for the programs with Tobacco Settlement money.

Providing incentives for Connecticut residents to attend the state's public colleges will retain more of our bright, educated young people, who will then become part of the workforce and Connecticut taxpayers. Our state system is also in an excellent position to assure that students prepare for jobs that are in greatest demand, by making a greater connection between economic development and education.

Although 92% of prisons offer education programs, only 30% of inmates take part***

* NIC 2002

** National Center for Education Statistics

*** National Institute for Literacy