



State of the Workforce

2007

The Haves, Have-Nots and Used-to-Haves.

THE HAVES, THE HAVE-NOTS AND THE USED-TO-HAVES

Connecticut is in a state of transition that is, as yet, barely perceptible to many people. Long the richest, best educated state in the union, Connecticut has an enviable quality-of-living and a strong history of innovation and invention.

But what if we weren't known for being the smartest, or the second smartest, but say, the 15th smartest or 32nd smartest state? What if our wealth no longer took top position in the national rank? What if Connecticut were to become better known as the "no-growth" capitol of America, ranked 50 out of 50. What if job growth were no better?

Well, this is exactly what is happening. The change has begun. Once "sure things", like expanding personal wealth and education, are giving way to indices that describe a different kind of state... One that is populated by The Haves, the Have-Nots and, increasingly, the Used-to-Haves.

Everyone knows who the Haves are. They are people who can fully enjoy all that our great state has to offer.

They have jobs, houses, health insurance, kids in college, 401K's, stocks, savings, summer homes and the comforts of living well. Their savings and investments have resulted in the state being ranked number 2 in the nation in the Nest Egg Index published by Statemaster.com.

The sectors losing jobs in Connecticut in recent years pay an average annual salary of \$63,000, while the growing service sector pays an average of \$36,000. Take away nursing from that sector and the average pay is more like \$27,000 per year.

Source: CERC 2006

The Have-Nots may be invisible to a lot of Connecticut residents. They live in the big cities, the older cities that ring them and towns throughout the state. Have-Nots are not necessarily on welfare or homeless. The Have-Nots are mostly the working poor, and increasingly, average earners who might live anywhere in the state.

Wage Trends for CT Workers – Inflation-Adjusted Hourly Wages <i>(Peak earnings highlighted)</i>							
	1995	2000	2001	2002	2003	2004	2005
10th Percentile	\$7.51	\$8.05	\$8.44	\$8.47	\$8.41	\$8.32	\$8.21
20th Percentile	\$9.91	\$10.30	\$10.82	\$10.66	\$10.49	\$10.28	\$10.10
50th Percentile	\$16.65	\$16.98	\$17.78	\$17.68	\$18.08	\$17.91	\$17.25
80th Percentile	\$27.05	\$27.82	\$28.83	\$29.28	\$30.90	\$29.95	\$29.86
90th Percentile	\$35.60	\$36.83	\$37.21	\$37.65	\$39.90	\$38.70	\$38.44

Workers' earnings are not guaranteed to increase over time. Inflation-adjusted wages for Connecticut workers peaked between 2001 and 2003. Source: Connecticut Voices for Children

Who is a Used-To-Have?

Connecticut is rapidly becoming a place where the transitions in many people's lives are not up the ladder of success. The next stage is no longer assured to be a better stage.

Used-To-Haves are people downsized from well-paying jobs; people paying a greater percentage of income for health care or foregoing it altogether; people whose only work options are in low-paying, no benefit service jobs; people who went to college, but can't afford to send their kids to college; people who can't afford to buy a house in the town they grew up in.

Hourly wages in Connecticut have actually peaked in the past few years. A look at the past 10 years shows that inflation-adjusted hourly wages have declined across the board.

Between 1999 and 2005 median household income for the typical family dependent on wages and salaries fell from \$69,750 to \$67,165. The real (inflation-adjusted) value of the minimum wage is at a 40-year low, despite recent increases. During the past year, real wages for workers have declined. Wages are the lowest share of GDP since 1929. These are all elements of decline that lead to Used-To-Haves.

The disparity between the Haves and the Have-Nots is also evident in the large number of Connecticut residents who are spending over 30% of their income on housing. The median monthly cost for owner-occupied housing is \$1,603; the median for renters is \$811. Among homeowners, nearly one-third are spending in excess of

The Top Five and Bottom Five States in Net New Job Creation, 2000-2005	
Top Five	Bottom Five
Nevada	Maine
Utah	Hawaii
Arizona	Rhode Island
Idaho	New York
Colorado	Connecticut

Source: U.S. Department of Labor

the 30% threshold; while 43.2% of renters are spending over 30%. (American Community Survey 2004)

What About Places?

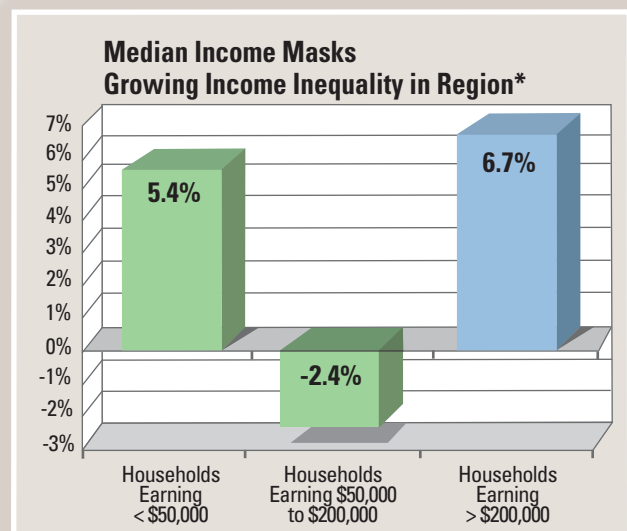
Cities, regions and states can also be Haves, Have-Nots and Used-to-Haves. Stamford is a Have. Waterbury is a Used-to-Have. New England states are increasingly

Used-to-Haves, in terms of job growth, population, robust industries, workforce skills and even the wealth of individuals.

Job creation in Connecticut is a case in point. The greatest numbers of new jobs are being created in service industries where the average pay is \$27,000 a year. Job creation is a product of population growth and business growth. Connecticut is at the bottom of the nation in

population and business growth.

People don't move to a new state to find a job in retail, but they do if the job is in bio-sciences, or engineering or aerospace. Our best and brightest are migrating to hot spots of



* Tri-State 22 County Region including Fairfield, New Haven & Middlesex Counties (Excluding New York City). Source: New York Times.

PRACTICAL APPROACHES TO A WORKFORCE TURNAROUND

job growth in the best paying fields. It is not a coincidence that we have lost hundreds of thousands of residents to places like Atlanta, Phoenix, or San Jose. And the people we lose are often those on the pathway to becoming Haves.

Connecticut had the greatest relative decline in the 18-34 year age group of any state in the nation – in total, more than 200,000 fewer people between 1990 and 2000. Fortunately, the trend has abated, with the addition of 23,338 people in this age group from 2000-2005.

We Know the Problems... There Are Solutions

The picture painted by statistics and demographics tells the story very clearly. Study the Top 10 and the Bottom 10 lists in category after category and the pattern emerges: high wages, high house prices, few affordable housing opportunities, lowest rate of job growth, etc. Connecticut is a great place to live for the wealthy and well-educated, but it is

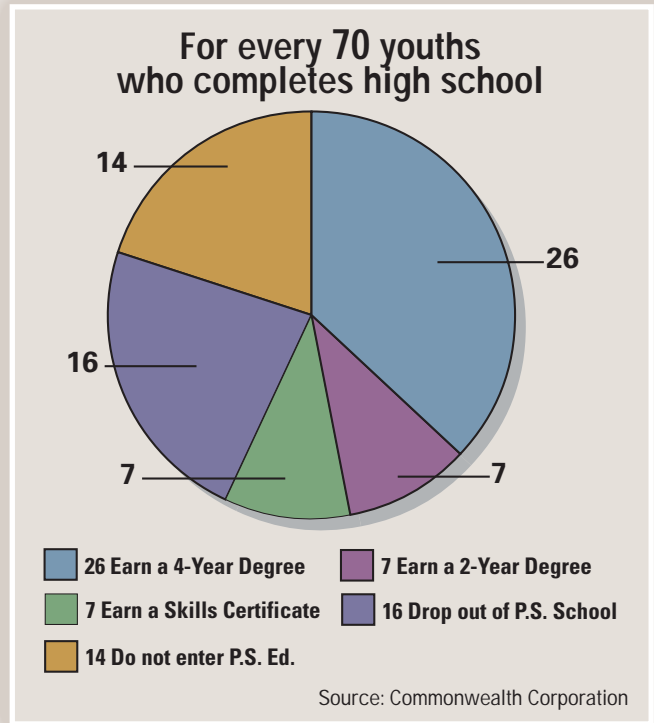
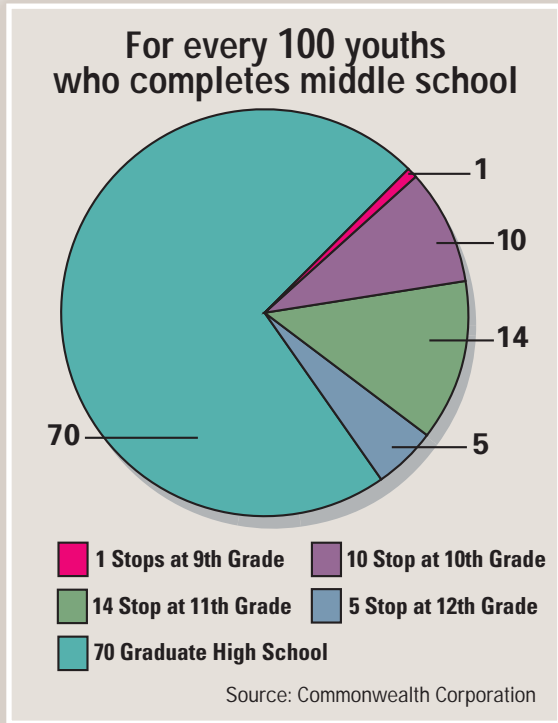
one of the hardest states in the union for average or low-income families to get by, much less get ahead.

Connecticut's workforce problems are not insoluble: Increased emphasis on education, retraining of existing workers, and expanding the availability of affordable workforce housing, hold the promise of strengthening the state's economy.

Based on best practices around the country and the enhancement of existing state and local programs, Workforce Alliance offers the following "workforce turnaround" approaches in high priority areas.

EDUCATION

An educated workforce is the core of a successful 21st Century economy. Maintaining Connecticut's educated workforce in the face of poverty and increased immigration requires investment and, even more, vision.



Education initiatives from improved pre-school to free college for residents are being undertaken in some form in most states. Leaders recognize the long-term economic deterioration associated with low levels of educational achievement, and Connecticut suffers one of the greatest achievement gaps. Connecticut must not just narrow the gap, we must obliterate it.

A great deal of attention is being given to pre-school and K-12, which is needed. But

the reality of the 21st Century is that few jobs exist for people without 14 years of basic education, thus the continued growth of the Community Colleges. But even these schools are out of reach for thousands of very poor residents.

High School Dropouts

Workforce Alliance Priority #1. Reduce Dropout Rates - Enforce the Legal Age of 18 for Leaving School – Drop-outs are at risk for crime, substance abuse, teen pregnancies and low-wage jobs. The statistical and societal evidence of poor attainment for high school drop-outs requires new approaches to drop-out prevention.

Connecticut has the unfortunate distinction of being one of two states in the union that imprison 16- and 17-year olds in adult prisons. This virtually assures that these young men and women will get their most serious education from career criminals.

Connecticut also allows 16- and 17-year olds to drop out of high school, assuring them a different kind of prison:

3 Ways Schools Are Rescuing Drop-Outs

1. *Students performing below grade level in math or reading forfeit electives and take a double dose of that subject.*
2. *Teacher bonuses related to improved achievement are paid for by funds raised by the Private sector.*
3. *Some districts are offering in-school tutors for every underperforming student.*

an economic one. Despite a state law requiring students to stay in school to age 18, young people are able to drop out with the simple consent of their parents. Many others

simply leave high school will a promise to attend continuing education. Few, however, ever receive their GED.

Some states encourage people to stay in school by raising student's expectations and providing means to attain post-secondary education. Other states take a more punitive approach, for instance,

not granting working papers or a driver's license to drop-outs under 18 years of age.

Connecticut is fortunate: we rank 5th nationally in graduation rates, with 79.3% of students graduating, but that figure masks the high drop-out rates in our urban centers. If you are a high income resident you are virtually 100% assured of graduation. However, just over 75% of low income residents graduate

Connecticut ranks 10th in the nation in projected percentage growth in higher education full time enrollment through 2010 – a 15.1% increase

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Disparities – 18- to 24-year-olds with a high school credential

Colorado	92% (white), 68% (non-white)
Arizona	92% (white), 69% (non-white)
Illinois	95% (white), 73% (non-white)
Maryland	97% (high income), 68% (low income)
New York	96% (high income), 72% (low income)
Connecticut	100% (high income), 78% (low income)

Source: Measuring Up 2006, The National Center for Public Policy and Higher Education

Higher Education

Workforce Alliance Priority #2. Improve Access to Higher Ed

– Raise the expectations of low income youth and create a viable path to college by providing full tuition scholarships to public colleges for Connecticut high school graduates who have achieved basic proficiency in their 10th grade CAPT; who have maintained a “C” average in high school and whose family income is \$45,000 or less.

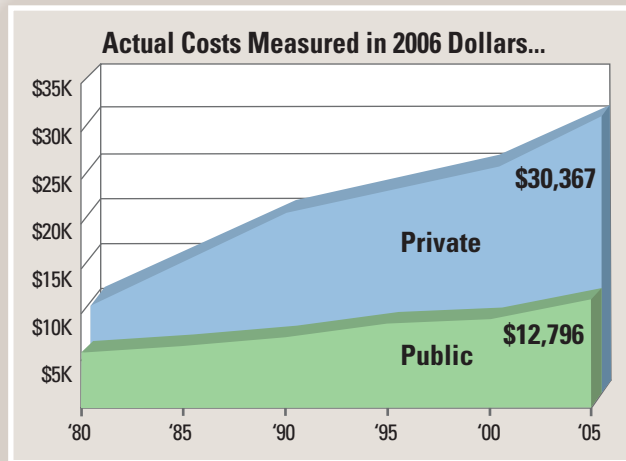
Tuition and Fees at Connecticut’s public 4-year colleges

State Colleges	\$6,284
University of Connecticut	\$8,362
State Average:	\$7,658
National Average:	\$5,836
Percent of National Average	131%

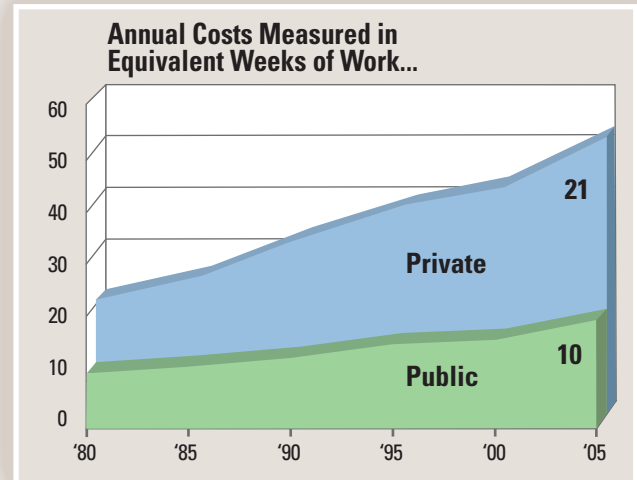
Gaps in college participation between high-income and low-income students in Connecticut is 58% to 16%

Source: College Board & Bureau of Labor Statistics

From 1998-2004, cost of private colleges increased 17%; public colleges increased 28%. Since 1990, private college cost has gone up 47%; public college cost by 63%. The cost of public education has been shifted from the government to families and students. If these trends are not addressed, they could limit the state’s access to a competitive workforce and weaken its economy over time.



Source: College Board and the Bureau of Labor Statistics



Source: College Board and the Bureau of Labor Statistics

After grant aid and tax benefits are considered, the burden on full-time students enrolled in Connecticut public four-year colleges and universities has increased even more rapidly than published prices for the past four years because grant aid has not kept pace. The cost of room and board is also escalating. UConn Storrs has tuition and fees of \$8,362, but room and board costs an additional \$8,266. Total: \$16,628.

Over the next few years, up to 40% of Connecticut's workforce will come from our urban centers. The ability of urban residents, especially low income residents, to gain access to post-secondary education is vitally important to the health of the state's economy. Access to higher education, including public institutions, is out of reach for many state residents.

PAYING FOR COLLEGE

In a nationally ranked sample, the Education Trust's report card on flagship state universities, UConn received "f's" in Minority Access, Low-income Access, and Progress in both Minority and Low-Income Access. The only passing grade for UConn was in Minority Success (the performance of students once they are in college), which earned a "B".

A look at 4-year graduation rates shows that only 33% of African Americans, 38% of Latinos, and 49% of Whites graduate in a traditional time frame. After 6-years,

The poorest Americans (defined as the bottom income quintile) paid 13 percent of their annual family income to attend a public four-year college in 1980; in 2000 they paid 27 percent of their annual income to attend.

Source: The National Center for Public Policy and Higher Education [NCPPE] San Jose, CA

graduation rates moved up to 50% for African Americans, 55% for Latinos, and 65% for Whites.

Three quarters of our country's highest achieving high school graduates from low-income families attended colleges they could have gained admission to had they simply achieved at a mediocre level. Ironically, in recent years, aid to students whose families earn over \$100,000 has more than quadrupled... the average institutional grant to students from high-income families is actually larger than the average grant to low- or middle-income families.

Other States Are Working to Increase Access to Higher Education

Educators, state government and business are forcing change with a variety of experiments in making college more accessible. Some programs work, many don't, especially for the hardest to serve mid-to-low income residents.

In the past 20 years, the number of students who plan to finish college has doubled to 75%. The increase in the number of students who finish college is less than 10%.

Source: College Board & Bureau of Labor Statistics

Well-intended, state-sponsored merit scholarship programs, for instance, often miss the mark, with minority, low-income and second language learners far less likely to qualify. Most states require scholarship recipients to maintain a B average or greater in high school. Very few states use income as a determinant for scholarships. In fact, only six states account for about 60 percent of all of the state need-based aid that was awarded in 2003-04 (National Center for Higher Education Management Systems).

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The Adams Scholarships in Massachusetts are typical. Qualifying requirements include combined scores on English and Math achievement tests in the top 25% for their school district, plus recipients must score at a performance level of advanced on one of the tests. Only 4.1% of African American and 3.8% of Latinos met the eligibility requirements.

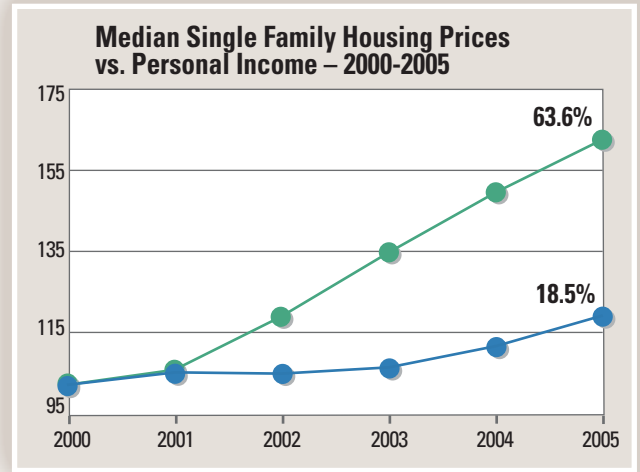
“Public colleges were founded on the premise that they would provide broad access for students in exchange for taxpayer subsidies.... but... they have increasingly come to view themselves as semi-private colleges that define themselves not by inclusion, but by how many applicants they turn away.”

Source: New York Times Editorial

Other affordability options are under consideration, such as forgiving student loans for the first two years of college for any student who graduates on time. Michigan is considering a \$4,000 merit scholarship for every Michigan high school student who goes to a state college.

The University of Washington and Washington State University just began providing free tuition for students with family incomes of up to 65% of the state's average income (\$46,500 for a family of four). University of Minnesota is now offering four years of free tuition to all students from families that make less than \$50,000 a year.

Connecticut is experimenting with affordability options by providing incentives for students enrolled in critical shortage areas, such as nursing. This is a good start, but does not address low income individuals, per se.

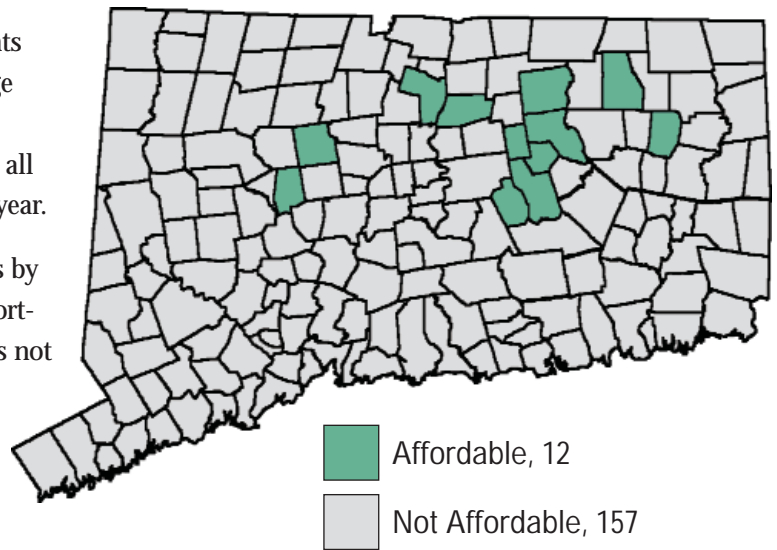


Source: Home, CT

Affordable Workforce Housing

Workforce Alliance Priority #3. Increase the Availability of Affordable Workforce Housing – Housing developers are in a for-profit business, and charge what the market will bear. In a high cost state like Connecticut, average people are at the mercy of the

Affordability of the Median Priced Home vs. Median Town Income with 10% Down – 2005



Source: Home, CT

housing market. A number of methods have proven that public/private partnerships can significantly reduce costs to consumers, yet remain profitable for the developer.

Housing Prices Versus Personal Income

Housing affordability is at a 20-year low. Recent leveling off of prices in South Central CT – still at record high levels – doesn't add to the affordable housing stock. There is a serious disconnect between escalating home prices and personal income. In just 5 years, cost of housing increased 45% more than personal income.

The state, recognizing the enormity of this issue, created a Housing Trust Fund that provides seed money to stimulate investment in both the construction and the rehabilitation of affordable workforce housing. Nationally, there are many projects aimed at both supply-side and demand-side strategies for creation of affordable workforce housing.

“Increase the purchasing power of low and moderate income households by providing subsidies to renters or reducing wealth and income constraints on buyers.”

Source: Federal Reserve Boston

Demand-side Affordable Workforce Housing Alternatives

Although demand-side incentives don't create large numbers of affordable units, they are a source of empowerment for homebuyers. New England has been at the forefront of affordability models, including those targeted at the renter/homeowner. Maine and New Hampshire have been offering low interest loans at 2 points under the prevailing rate (with a repayment penalty if the house is resold within 10 years).

Vermont provides eligible households with purchase grants of up to \$40,000 to subsidize the cost of a single family house, supported by non-profits and Community Land Trusts. Buyers agree to share any appreciation in the value of their home with future buyers.

“Strict local land use regulations can significantly constrain the supply of affordable housing in metro areas.”

Source: Glaeser, Gyourko and Saks, 2004

All 6 New England states have Community Land Trusts, which typically acquire and hold the land with long term leases signed by property owners. The value of the land is not reflected in the cost of housing.

Supply-side Affordable Workforce Housing Alternatives

A greater number of affordable workforce housing units can be created by giving the private sector the opportunity to build such housing profitably. There are a number of approaches, including the state's current emphasis on over-ruling local zoning on certain projects that include an affordable component. However, the formula for determining rates for these affordable units results in mortgages and rents far beyond the means of the average worker.

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Successful supply-side development occurs with a combination of these three strategies:

1. Increase public funding available for new housing production or preservation
2. Stimulate private investment by providing financial incentives to developers.
3. Reward local governments for developing more affordable housing and removing zoning barriers.

In addition to housing trust funds, communities are finding novel ways to encourage growth. Affordable Housing Tax Increment Financing (TIF) Districts allow municipalities to keep all revenues raised from property within the district in reserve for affordable housing production or to be used for capital expenses related to the new homes, including school and infrastructure costs.

Many Connecticut towns have been successful using a version of TIF for commercial economic development projects, including retail.

New Haven has an ordinance that reduces the amount of time necessary to acquire land, demolish existing structures and dispose of the property for the purposes of housing development.

The smart growth zoning district model allows denser residential development with the municipalities receiving a one-time incentive payment, plus a density bonus payment for each affordable unit.

A variation of this, which would include payments for education and local infrastructure, is currently one of many under discussion in Connecticut.

Skills Upgrading – Incumbent Worker Training

Workforce Alliance Priority #4. Fund Incumbent Worker Training -- Connecticut's best chance of offsetting the lack of labor force growth is to make the best of the existing workforce: incumbent workers.

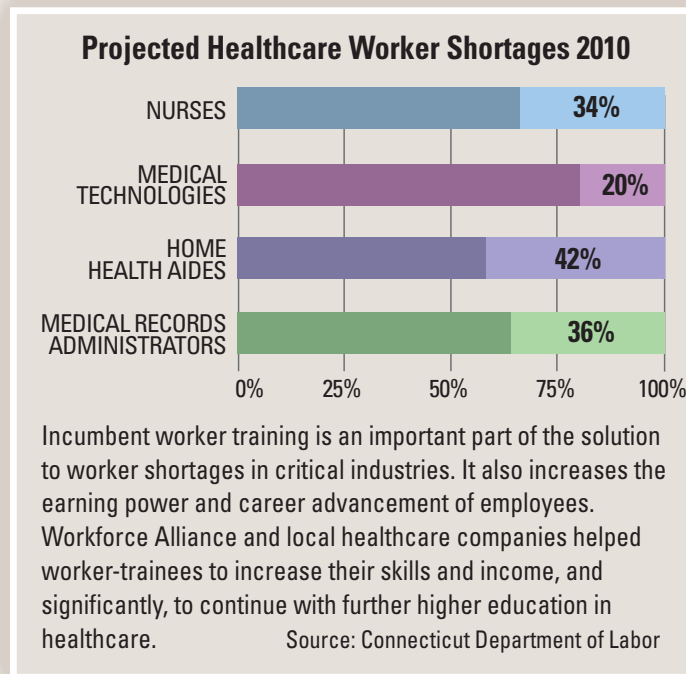
Building Better Connecticut Jobs

With the state's low population and job growth, it will be increasingly difficult to replace existing workers, especially those with the most sought-after skills. Connecticut's best

chance of remaining competitive and growing jobs is to improve our existing workforce – incumbent workers – through training and lifelong learning.

Over the last several years Connecticut's five Workforce Investment Boards invested \$1.5 million of federal funding (matched with an additional \$2 million in employer contributions) to support incumbent worker training. This investment helped 128 Connecticut businesses to increase the skills of

4,054 workers. Employer and employee satisfaction has been extremely high.



Typical incumbent worker projects include targeted professions with worker shortages:

- Nursing
- Lean Manufacturing
- Allied health
- Manufacturing trades
- Project management
- Heavy equipment operation

Demand for incumbent worker training has far exceeded available resources. State and local workforce professionals estimate that at least \$5 million would be necessary to meet the needs of Connecticut businesses. Other states are investing more heavily in their existing workforce. Massachusetts spent \$107 million on incumbent worker training from 1998-2005. In 2006, Massachusetts funded \$21 million.

Incumbent worker training is an excellent use of important public institutions including Adult Education and Connecticut's Community College System. Because most training curriculum is designed in partnership with employers and trade associations it helps educators better understand the latest needs in the business market.

Increases in Educational attainment of incumbent workers accounted for 11-20% of growth in productivity.

Source: National Center for Education Statistics 2006

There is no question that incumbent worker training produces the intended results. The resources in Connecticut should match the need in the marketplace.

Literacy

Workforce Alliance Priority #5. Require literacy training for prison inmates. The estimate for functional illiteracy within the penal system is 70%. The lack of literacy skills is an overwhelming barrier for ex-offenders who already face numerous hurdles, including housing, childcare, transportation, that affect their return to society.

The training and education opportunities offered to inmates touch a small percentage of the prison population. The ideal time to teach offenders is when they are in prison and have few distractions.

Positive literacy training experiences for ex-offenders are difficult to find. Some take advantage of Literacy Volunteers, both in and out of prison, but the numbers are low. In the past several years, three attempts at providing literacy training to ex-offenders have yielded poor results. Because ex-offenders have so many issues, and are under such pressure to find any kind of work they can, learning to read and write seems like a luxury.

With 20,000 incarcerated and more than 50,000 at some stage of community release, new ways of delivering literacy training in the prisons is an economic development issue.



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