State of Working Colorado 2015-16

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Letter from the Executive Director

The Colorado Center on Law and Policy (CCLP) works to forge pathways from poverty by advancing the health, economic security and wellbeing of low-income Coloradans. We do this through research, education, advocacy and litigation.

We believe that a well-paying job is one of the surest pathways from poverty—ideally ensuring a livable income so people can reach their potential, support their families, and contribute to our communities.

Recent indicators suggest that Colorado's economy is doing fairly well. The state has recovered and surpassed the jobs it lost during the Great Recession. Unemployment has dropped to pre-recession levels. While these headline numbers are encouraging, they don't tell the full story. That's why CCLP produces its annual State of Working Colorado report. Though economic forecasts help employers and investors navigate the sometimes-roily waters of the economy, this report connects the dots between several key indicators to show how the Colorado economy is performing for workers across the income spectrum. It points to challenges and opportunities in helping working families as we tee up our policy agenda for the coming year.

The State of Working Colorado reveals several troubling trends regarding the health of the economy and the well-being of our workers. For example, job growth hasn't kept pace with the state's rapid population growth. The jobs that have returned since the recession are mostly low-wage jobs. Unemployment has dropped every year since 2010 yet wages for most workers remain essentially stagnant, despite increasing productivity. As a result, many families are feeling the strain of flat wages and rising costs. The report also reveals widening disparities along racial, ethnic and gender lines. These trends are part of the growing crisis of income inequality that must be fixed if the economic recovery is to be real, meaningful and enduring.

Though the challenges in Colorado's job market remain daunting, the first step in true recovery is recognizing that there is a problem. And that's what the State of Working Colorado brings to the table. The silver lining here is that these outcomes are not inevitable—they are born of policy choices and can be addressed by policy changes. We hope the findings in this report will spur a dialogue among workers, employers, policymakers and lawmakers. Ultimately, we want this report to inspire policies and ideas that bridge the gaps in the economy and help working families achieve the economic security they have earned.

Claire Levy
Executive Director
Colorado Center on Law and Policy

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Data Sources

The *State of Working Colorado* draws on a variety of data sources described below. These data sources employ a number of commonly used terms (e.g., employment, income, wages, etc.), but terms may have different underlying definitions from dataset to dataset. Less common and more complicated terms are generally defined in the text. Even when two different data sources use equivalent definitions, estimates may differ from source to source because they survey different samples of the population. Another important feature of estimation is the concept of estimation error. For smaller subsets of the population (e.g., single fathers with children) the point estimate may be less precise, though we can be reasonably confident that it falls within a range of possible values (i.e., the margin of error). In these cases, our intention is to convey a pattern in the data. More detailed documentation on methodology is included in notes at the end of each chapter where we thought readers might benefit from having that additional information.

- **American Community Survey (ACS)**: The ACS is a large survey of households intended to fully replace the traditional "long form" portion of the decennial census. For smaller geographies, it is necessary to pool data from a number of years to produce reliable estimates. Our county-level maps of median income and poverty, for example, use 5-year estimates for this reason. In a few cases, we used what are known as "public use microdata" files to produce estimates using the ACS. This allows us to ask questions that cannot be answered with pre-tabulated data available on the U.S. Census Bureau's American Fact Finder tool.

- **Current Population Survey (CPS)**: The CPS is a monthly survey of 60,000 households used primarily for national level estimates and state-level average unemployment. Each household is in the sample for 2 periods of 4 months each, with 8 months in between. In the fourth month of each 4-month period, households are in the Outgoing Rotation Group (ORG) and are asked an additional set of questions pertaining to wages. The Economic Policy Institute cleans up the data so that it is more usable for policy makers and researchers.

- **Current Employment Statistics Survey (CES)**: The CES is a survey of approximately 143,000 businesses and government agencies representing approximately 588,000 worksites throughout the United States. CES data is used for a variety of the employment statistics in the report.

- **Local Area Unemployment Statistics (LAUS)**: The LAUS program is a model based approach to calculating labor force statistics for small geographies by combining data from the CES, CPS, and state unemployment insurance programs.

- **Occupational Employment Statistics (OES)**: The OES survey is a semi-annual mail survey of non-farm establishments. The data are used to produce employment and wage estimates by occupation.

- **Other Data**: We use a handful of other sources to produce the data in the report coming from various executive branch agencies. For much of the income inequality data, we rely on IRS Statistics of income data compiled by the Keystone Research Center. Administrative data is used to report on current enrollment statistics for various government programs.

Executive Summary

What kind of economy are we striving to create in Colorado? The *State of Working Colorado 2015-16* is intended to inform the public policy dialogue at the Capitol and across the state. It is a collection of critical data designed to look beyond broad-based economic indicators to better understand how the economy is working for all Coloradans across the income spectrum. Although this report points to several challenges to achieving an economic recovery in Colorado that is broadly-shared and enduring, there is good news. The outcomes presented in this report are not inevitable—they are the result of policy choices and can be addressed by policy changes. Our hope is that the findings from the *State of Working Colorado* will inform the policy dialogue across the state and inspire ideas aimed at bridging the gaps in the economy and helping working families achieve the economic security they have earned. Provided below are highlights from each chapter.

1. Employment

Colorado is doing fairly well across several job-related measures. Colorado's employment rate exceeds the national rate and rates of other states in the Mountain West. The labor force is highly educated. The jobs lost during the Great Recession have returned. While this is encouraging, it is also clear that this recovery has yet to reach everyone. In particular, the recovery is taking much longer to reach low-income workers and people of color.

- The number of jobs in Colorado has returned to pre-recession levels. As of June 2015, Colorado's economy had 2.5 million jobs, an increase of 166,800 jobs compared to December 2007.
- The state is still experiencing a jobs deficit, however, because job growth has not kept pace with robust population growth. Colorado needs an additional 140,000 jobs to keep up with population growth.
- The Colorado economy is heavily concentrated in service-producing industries. The service industries that account for the greatest share of overall jobs have recovered the jobs lost during the recession. Among goods producing industries, construction and manufacturing jobs are still down from before the recession but continue to increase.
- Across most industries, median earnings vary considerably by gender, race and ethnicity. The gender pay gap is greatest within the professional business services industry category, where median earnings for women are 60 percent of what men earn. Median earnings for whites are

higher than Latinos and blacks in nearly every industry category with the greatest disparity again found in professional business services—which includes jobs like accountants, lawyers and business support services such as administrative and cleaning services.

- The jobs that have returned during the recovery have been mostly low-wage jobs. Job growth has occurred almost exclusively in occupations with wages below self-sufficiency. Colorado had about 286,000 more low-wage jobs in 2014 compared to 2007.
- A struggling economy often forces people in search of full-time work to settle for a part-time position. In 2014, 16 percent of part-time workers said they wanted more work. This is still slightly above the pre-recession level and higher than historical levels. Throughout the 1990s only about one in ten part-time Colorado workers wanted to be working full-time.
- In 2014, 81 percent of the prime working age population were employed, which is still nearly 3 percentage points lower than the pre-recession high.
- In Colorado, 18 percent of prime working age men are not employed—totaling nearly 200,000 men. This follows a national trend where the share of prime-age men—those 25 to 54 years old—who are not working has more than tripled since the late 1960s, to 16 percent.
- Union membership in Colorado has declined over the last couple decades and remains lower than the national rate. Union membership in Colorado has fallen from 12.1 percent of the workforce in 1995 to 10.7 percent in 2014.
- The higher wage labor force is made up of fewer people of color than expected given the underlying population demographics of the state. While people of color represent 25 percent of the total population 16 and over, they represent only about 15 percent of the population working in occupations that pay in excess of 200 percent of the self-sufficiency standard.

2. Unemployment

The unemployment rate in Colorado has finally returned to pre-recession levels. Yet, focusing exclusively on this single measure risks missing the full story about how the Colorado labor market is faring. Many Coloradans who lost jobs during the 2007 recession are still out of work and even more are working below their full potential. Underemployment remains high overall—particularly for black, Latino and young Coloradans who are still trying to get a foothold in the recovering economy.

- Colorado has endured a long period of relatively high unemployment (albeit lower than national unemployment rates). The unemployment rate has been slow to drop compared to past recessions. As of June 2015, the monthly unemployment rate of 4.3 percent has nearly reached pre-recession levels—more than seven years after the start of the Great Recession.
- Unemployment rates by county range from a low of 2.8 percent to a high of 10.1 percent. The highest unemployment rates are concentrated in and around the San Luis Valley.
- The underemployment rate adds to our understanding of the strength of the labor market by counting jobless workers looking for work, those who have given up searching for a job, and

involuntary part-time workers. The underemployment rate has been declining in recent years. This is good news, but at 9.4 percent for 2014, the current rate is still above the 2007 level of 7.3 percent.

- While the statewide unemployment rate has dropped significantly, black and Latino workers are still facing high levels of joblessness and underemployment. In 2014, the unemployment rate for black Coloradans was 11.4 percent—twice the rate for white workers (4.9 percent). The same is true for underemployment: black Coloradans experience underemployment (19.5 percent) at twice the rate of white Coloradans (9.7 percent). Likewise, Latinos experienced relatively high rates of unemployment (7.4 percent) and underemployment (15.8 percent).
- Young workers—ages 16 to 24—faced the highest rates of unemployment (13.4 percent) and underemployment (24 percent) in 2014. The unemployment rate for this age group averaged about 11.7 percent over the last three decades, hitting its lowest level of 7.2 percent during the tight labor markets of the late 1990s.
- In 2014, 32 percent of all jobless workers were facing long-term unemployment—still significantly above the 2007 rate of 13 percent. Colorado is slowly moving off the peak long-term unemployment rate of 41 percent reached in 2010. Nearly half of the people who have received unemployment insurance (UI) in Colorado have exhausted their benefits (meaning they have received 26 weeks of regular UI benefits).

3. Income

Median income is still slightly below pre-recession levels. Minorities were hit harder and experienced larger declines in income. And much like the nation, Colorado is experiencing growing income inequality that has grown worse during the recovery. Income gains have disproportionately accrued to families at the top of the income distribution. Families at the bottom and the middle lost ground in the most recent decade.

- Real median income in Colorado increased by a modest 2 percent between 2013 and 2014 to $61,300 and is still down $2,000 from 2007. Median household income is still down by 2.6 percent since 2007.
- Colorado is a diverse state with a combination of rural, urban and tourist communities neighboring one another. Median household income across the state ranged from a low of $29,000 in Costilla County to a high of $102,000 in Douglas County.
- Disparities in income by race and ethnicity are significant and persistent. Median household income among Latino households increased slightly between 2007 and 2014 but still lags significantly behind white median household income. In 2014, Latino median income was $44,174 or 66 percent of white median income ($67,400). Black households had the lowest median income in 2014 totaling $41,743 or 62 percent of white median household income. And black household income is still down 12.1 percent from 2007. Median household income

among Asians ($60,000) is 89 percent of white household income and is still down 6.3 percent compared to 2007.

- At all levels of education, median household income of women is less than men. In 2014, Colorado women age 25 and older working full-time earned only about 79.6 percent of men's median income. Among college educated workers, the gap grows substantially at the upper rungs of the education ladder, with the largest income gap existing at the highest levels of education. Women who complete a bachelor's or graduate degree earn only 71 percent of median income for men with similar credentials.
- Nearly half of the $168 billion in income earned in Colorado in 2014 went to the wealthiest 20 percent of households. This means that one of every two dollars earned in the state went to 20 percent of households and the other dollar was split—unevenly—among the bottom 80 percent of households.
- While economic growth has been more or less consistent over time, the benefits of that growth have mostly accrued to the very top of the income spectrum over the last several decades. The top 1 percent in Colorado has absorbed an increasingly greater share of income growth during periods of economic expansion. The Great Recession and the uneven recovery that followed has only widened the income gap in the state.

4. Wages

For the vast majority of workers in Colorado wages have stagnated over the last decade—regardless of education level and growing productivity. The long-term consequences of stagnating wages and rising wage inequality are troubling: Colorado cannot continue to effectively grow its economy when workers' pay so profoundly fails to rise in tandem with productivity.

- In 2014, the median hourly wage in Colorado was $18.64—still below the 2007 median wage.
- The economic recovery for wages has really only meant that the median hourly wage in Colorado has stopped falling. While the unemployment rate has dropped every year since 2010, wages have been mostly stagnant over that same period. Expanding our timeframe, we can see that the current median wage is only $1.48 above the 1979 level in real dollars.
- The highest median wages are seen among those who complete college. In 2014, the median hourly wage of a worker with a bachelor's degree or higher ($25.83) was nearly twice the median wage of Coloradans who only completed high school ($14.96). Yet, even the wages of Colorado's most educated workers have also stagnated since 2000. The 2014 median wage for workers with a college degree in Colorado is down 2.5 percent from 2000.
- The wealthiest Coloradans have seen their wages grow much faster and more consistently than middle and low-wage earners across the state. In 2014, those in the 20th percentile earned wages 5.5 percent lower than they earned in 2000 in real dollars. Middle-wage earners are also down from 2000—earning 1.4 percent less than they did in 2000. Those at the top of

the income spectrum (80th and 90th percentiles), however, have experienced more steady growth and are up 11 to 15 percent since 2000.

- Increased productivity has historically resulted in rising wages and better living standards. In recent decades, however, growth in wages for most families has lagged significantly behind growth in productivity. In Colorado, productivity increased by 30 percent since 2000, while the median wage has essentially been stagnant over the same period.
- In 2015, at $8.23, a minimum wage worker in Colorado only makes about one-third of the average wage. Working full-time year round for minimum wage totals only $17,118 in annual income—that is only slightly above the poverty line for a family of two ($15,930) and below the poverty line for a family of three ($20,090). Contrary to popular belief, the majority of these workers are adults. Only 15 percent are under the age of 20. Women and people of color are more likely to be employed in low-wage jobs in Colorado.

5. Poverty

Unlike other measures of economic health, poverty rates have been much slower to respond to the economic recovery. We are now six years into an economic recovery that is clearly still leaving far too many families behind. Economic insecurity and poverty remain more pervasive than would be suggested by the high-level headlines about how the state economy is performing. Wage stagnation coupled with rising costs, growing income inequality and eroding labor standards all contribute to persistently high rates of poverty and economic insecurity in the state.

- The state's poverty rate dropped to 12 percent in 2014, finally falling to a level not seen since 2007, but still significantly higher than the 2000 rate of 8.7 percent.
- A full 46 percent of Coloradans in poverty are living in deep poverty—that is, living on an income that is half of the poverty line. In 2014, that meant $5,835 per year for an individual and $9,895 for a family of three. And the number of people living in deep poverty increased by nearly 27,200 between 2007 and 2014.
- Although the federal poverty level (FPL) is the most commonly used official metric of economic need, many regard it as an underestimate of those who struggle to make ends meet. The Self-Sufficiency Standard for Colorado—the level at which families can meet basic needs without public or private support—generally requires an income at least 200 percent of FPL or even higher in some parts of the state. By this measure, the share of Coloradans without basic economic security was 29 percent in 2014 or nearly one in three households in the state.
- Poverty rates vary widely by race and ethnicity. The poverty rate among white, non-Hispanics in Colorado is 8.7 percent—lower than the statewide poverty rate of 12 percent and several times lower than the rate among Latinos (21.4 percent), blacks (19.5 percent) and American Indian/Alaskan Natives (20.6 percent). The poverty rate among Asian households is 9.3 percent.

- Even more striking is the share of people of color living at or near poverty (under 200 percent of the federal poverty level): 46 percent of all Latinos in Colorado live at or near poverty; 42 percent of black Coloradans; 24 percent of Asians; and 45 percent of American Indian/Alaskan Natives.
- Poverty is not distributed evenly across the state—some neighborhoods and some communities have higher than average poverty rates. Black and Latino Coloradans are substantially more likely to live in high poverty neighborhoods. While 15 percent of whites live in communities with a poverty rate of 20 percent or more, 42 percent of blacks, and 40 percent of Latinos live in such neighborhoods.
- Single mothers with children account for 10.7 percent of families in Colorado, but are 42 percent of all families in poverty.
- The child poverty rate of 15.4 percent in 2014 has finally fallen slightly below the 2007 rate (16.3 percent) but still remains significantly higher than the 2000 rate (9.7 percent). The percentage of children living at or near poverty (living in households earning less than 200 percent of FPL) jumps to nearly 37 percent.
- Latino and black children are considerably more likely to live in poverty compared to white and Asian children in Colorado. In 2014, 8.5 percent of white and 6.2 percent of Asian children lived in households with income under the poverty line. Latino children had the highest child poverty rate (28 percent) followed closely by black children (27 percent).

CHAPTER 1: Employment

Employment is the primary source of income for most families. This chapter focuses on various job-related measures and describes the Colorado labor force.

Colorado is doing fairly well across several job-related measures. Colorado's employment rate exceeds the national rate and rates of other states in the Mountain West. The labor force is highly educated compared to other states.

While this is good news, the analysis in this chapter reveals that the recovery has yet to fully reach the people who were most impacted by the Great Recession. Although Colorado has regained the jobs lost during the recession, job growth has not kept pace with population growth and has been concentrated in jobs that pay below self-sufficiency wages. And still one in five Coloradans work part-time jobs because they cannot find full-time employment. Unemployment rates have dropped every year since 2010 (see Chapter 2), but the share of employed prime age adults is still down and has been slow to return to pre-recession levels—signaling that some decline in unemployment may be due to people dropping out of the labor market altogether.

Fast Facts

The number of jobs in Colorado has surpassed pre-recession levels.

Job growth, however, has not kept pace with population growth. Colorado needs an additional 140,600 jobs.

Growth is concentrated in jobs paying wages below self-sufficiency while jobs paying minimally self-sufficient wages have declined between 2007-2014.

Involuntary part-time employment has dropped but still remains above historical levels.

One in five prime age workers (ages 25 to 54) are not employed—a rate still below pre-recession levels.

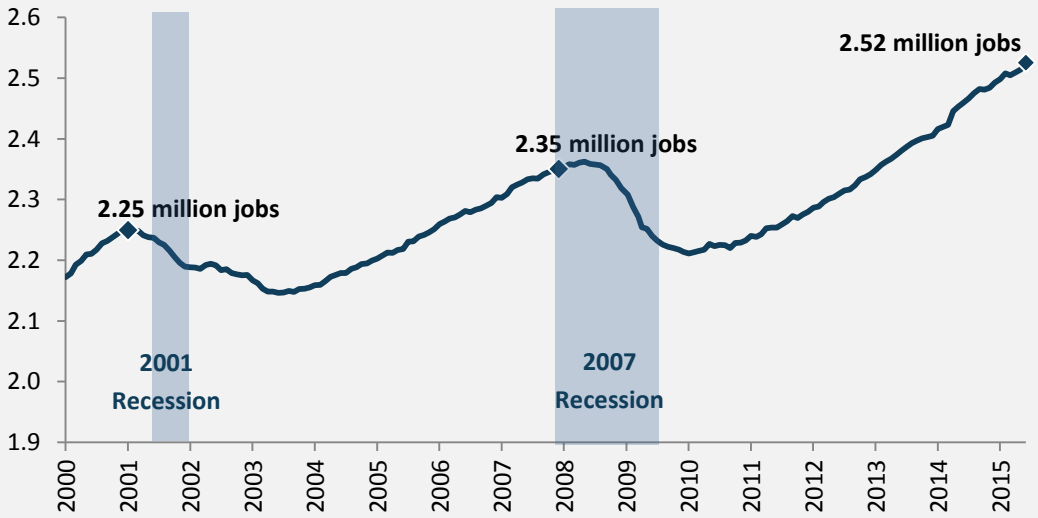
Union membership in Colorado remains below the national average.

Job growth is up but still lags behind population growth

Colorado has experienced two significant declines in employment since 2000: one following the 2001 recession and the other following the much more severe recession of 2007. The state lost 110,600 jobs between December 2007 and June 2009—the official end of the economic downturn. All of those jobs have been regained. As of July 2015, Colorado's economy had a total of 2.5 million jobs, an increase of 166,800 jobs compared to December 2007. (See Figure 1.1)

***Figure 1.1**: Colorado has regained all jobs lost from the 2007 recession*

COLORADO JOBS, IN MILLIONS, 2000-2015 (THROUGH JULY 2015)



U.S. Bureau of Labor Statistics Current Employment Survey

What is a recession?

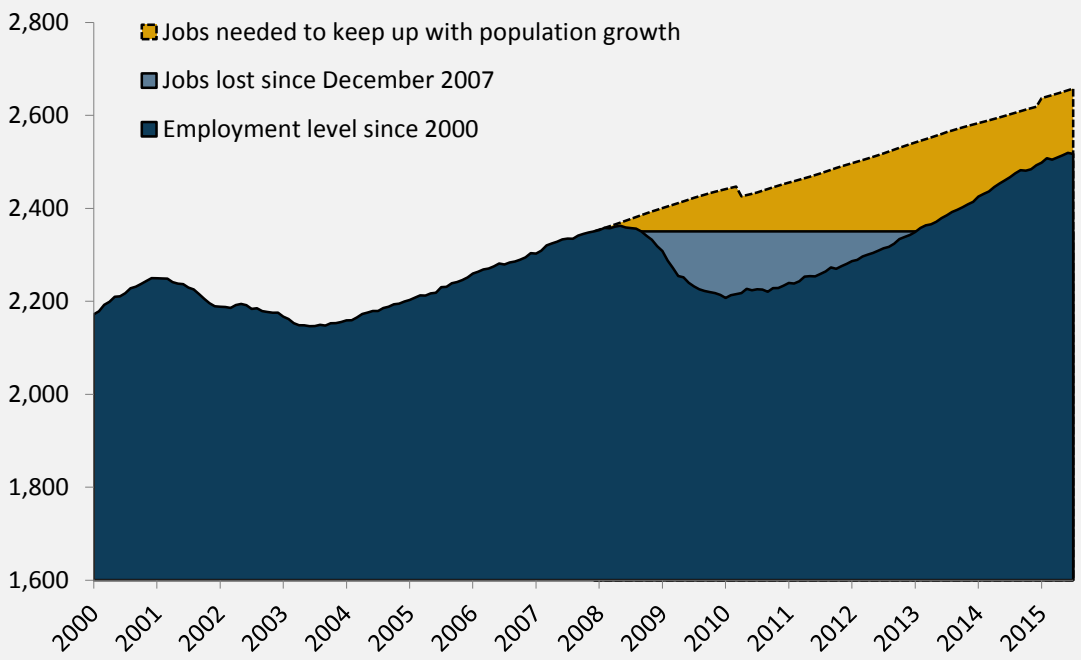
By now, most Americans are familiar with the term recession and millions experienced the effects of the 2007 recession. But what exactly is a recession? Economists at the National Bureau of Economic Research, recognized as the national authority for dating recessions, define a recession as a significant decline in economic activity spread across the economy that lasts more than a few months.[1] As seen in several charts in this report, a recession is the period between a *peak* in economic activity and a *trough* in economic activity. Recessions differ in length, severity and strength of recovery in the months and years after the low point in economic activity. The U.S. experienced the most severe and longest period of economic recession since the Great Depression between December 2007 and June 2009. That is why this recession is often referred to as the Great Recession.

While the job recovery is good news and represents significant post-recession progress, job growth in Colorado still lags significantly behind population growth—creating a large jobs deficit. The state population has grown by 13 percent since the start of the recession. To keep pace with its rapid population growth, Colorado needs to create 140,600 additional jobs. (See Figure 1.2)

The Colorado economy has been adding jobs at a decent clip. The monthly average addition of nonfarm jobs has grown from 1,700 in 2010 to 6,600 in 2014. This growth rate, however, is still not sufficient to keep up with population growth in the state. The Colorado economy needs to add an average of 8,500 jobs a month over the next three years to account for current and projected population growth.

Figure 1.2: *Job growth in Colorado still lags behind population growth*

TOTAL JOBS AND JOBS NEEDED TO KEEP PACE WITH POPULATION GROWTH (IN THOUSANDS), 2000-2015



Economic Policy Institute analysis of U.S. Bureau of Labor Statistics Current Employment Survey (Data through July 2015)

Great Recession job recovery has taken longer than past recessions

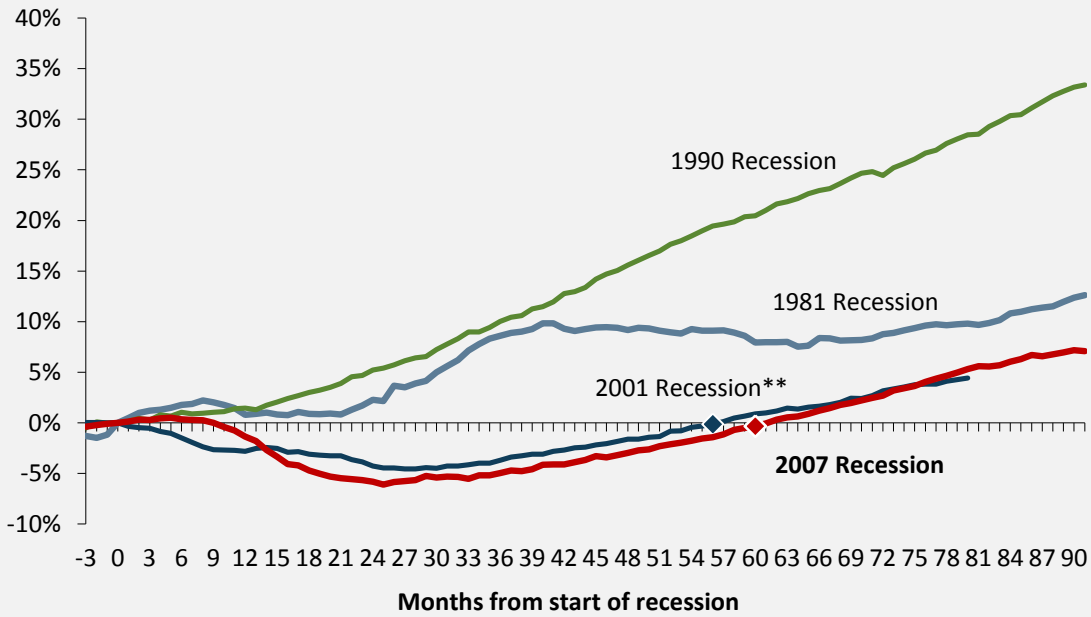
Although Colorado has consistently fared better than the nation and neighboring states in job losses and eventual recovery, the severity and persistence of the Great Recession cannot be overlooked. Examining the depth of job loss and the time to regain those jobs for previous recessions provides context for understanding the strain of the 2007 recession.

Figure 1.3 shows the corresponding job losses and subsequent growth for each of the last four recessions (i.e., 1981, 1990, 2001 and 2007). Comparing the 2007 recession to the 1981 and 1990 recessions in Colorado almost makes the latter two seem like boom times. In fact, during the 1990 recession, Colorado lost comparatively few jobs and quickly returned to a pattern of steady growth.

The 2001 recession, on the other hand, looks similar to the 2007 recession—that is, rapid job loss followed by a prolonged period of recovery. However, the 2007 recession had a noticeably deeper and longer-term impact. It was marked by more severe job losses and a longer time to recover the lost jobs. The impact of such a long period of weak economic activity continues to be felt today. For example, overall unemployment has fallen significantly but wages have remained stagnant since 2010. Unemployment and underemployment among blacks and Latinos remains high. Finally, nearly one in three unemployed Coloradans has been without a job for 6 months or longer resulting in many workers sitting on the sidelines of the labor market. (For more discussion on these topics, see Chapters 2 and 4.)

***Figure 1.3**: Slower job recovery following the Great Recession than past recessions*

PERCENT CHANGE IN JOBS SINCE START OF 1981, 1990, 2001 AND 2007 RECESSIONS



Economic Policy Institute analysis of U.S. Bureau of Labor Statistics Current Employment Survey (Data through July 2015)

***2001 recession data ends at December 2007, the first month of the 2007 Recession.*

Job growth since 2007 in both goods and service-providing industries

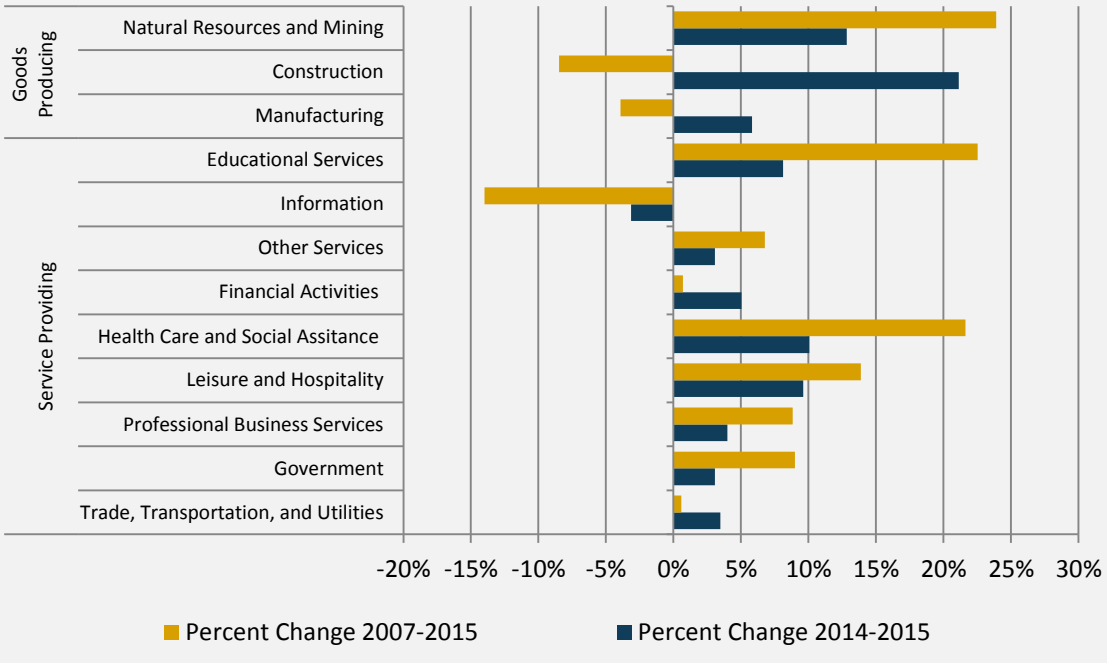
Similar to the U.S. economy, the Colorado economy is heavily concentrated in service-producing industries compared to goods-producing industries. In fact, service-producing industries currently account for 87 percent of all employment in Colorado. Job recovery is apparent in both service and goods producing industries.

Figure 1.4 shows percent change in jobs between 2007 (the start of the Great Recession) and 2014 and the most recent change between June 2014 and June 2015. The service industries that account for the greatest share of overall jobs have recovered the jobs lost during the 2007 recession. Specifically, government, leisure and hospitality, health care and social assistance, and professional business services have experienced substantial growth over the last year. Only information services jobs are still down in the post-recession period.

Figure 1.4 also shows strong growth in goods producing jobs. The construction industry took a big hit in the recession with one in three construction workers across the state losing their jobs. Construction jobs are still down from before the recession but have posted significant growth in the last year. The same is true of manufacturing jobs—they are still down from pre-recession levels but continuing to increase albeit at a slower rate. Even with the recent slowdown in oil and gas production, jobs in the natural resources and mining industry (which includes farm jobs) are up from pre-recession levels.

***Figure 1.4**: Most service providing industries have recovered lost jobs*

PERCENT CHANGE IN JOBS, BY INDUSTRY, DECEMBER 2007 – JUNE 2015



U.S. Bureau of Labor Statistics Current Employment Statistics Survey

Table 1.1: Earnings vary widely by gender, race and ethnicity

Across most industries, median earnings vary considerably by gender, race and ethnicity. The gender pay gap is greatest within the professional business services industry category. Median earnings for whites are higher than Latinos and blacks in nearly every industry category with the greatest disparity again found in professional business services.

Goods Producing Jobs	**Natural Resources & Mining** (3% of all jobs)				
	White	(77%)	$36,000	**Men** (78%)	$34,100
	Latino	(19%)	$25,000	**Women** (22%)	$27,000
	Black	(1%)	$30,000	***Gap***	*79%*
	Construction (8% of all jobs)				
	White	(66%)	$33,300	**Men** (91%)	$29,000
	Latino	(30%)	$32,900	**Women** (9%)	$32,000
	Black	(1%)	$25,000	***Gap***	*110%*
	Manufacturing (7% of all jobs)				
	White	(72%)	$52,000	**Men** (72%)	$50,000
	Latino	(19%)	$29,000	**Women** (28%)	$35,000
	Black	(3%)	$33,000	***Gap***	*70%*
Service Providing Jobs	**Trade, Transportation & Utilities** (19% of all jobs)				
	White	(73%)	$30,000	**Men** (61%)	$33,000
	Latino	(18%)	$30,000	**Women** (39%)	$22,000
	Black	(4%)	$22,000	***Gap***	*67%*
	Professional Business Services (13% of all jobs)				
	White	(78%)	$45,000	**Men** (57%)	$50,000
	Latino	(13%)	$20,000	**Women** (43%)	$30,000
	Black	(3%)	$25,800	***Gap***	*60%*
	Health & Social Services (11% of all jobs)				
	White	(74%)	$36,000	**Men** (22%)	$44,200
	Latino	(16%)	$24,900	**Women** (78%)	$30,000
	Black	(5%)	$29,000	***Gap***	*68%*
	Leisure & Hospitality (11% of all jobs)				
	White	(69%)	$15,000	**Men** (51%)	$16,000
	Latino	(24%)	$13,700	**Women** (49%)	$12,300
	Black	(3%)	$12,000	***Gap***	*77%*
	Education (8% of all jobs)				
	White	(80%)	$36,000	**Men** (33%)	$40,000
	Latino	(12%)	$26,000	**Women** (67%)	$32,000
	Black	(3%)	$27,000	***Gap***	*80%*
	Financial Services (7% of all jobs)				
	White	(80%)	$42,000	**Men** (46%)	$47,000
	Latino	(13%)	$30,000	**Women** (54%)	$37,000
	Black	(3%)	$38,000	***Gap***	*79%*

U.S. Census Bureau American Community Survey 2009-2013

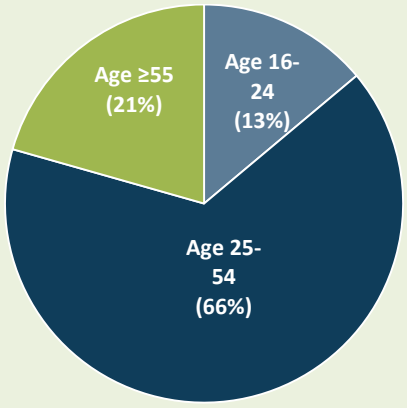
Colorado Labor Force Demographics

The labor force includes people age 16 years and older who either have jobs or have actively sought work within the past four weeks. As of June 2015, there were about 2.8 million people in Colorado's labor force.[2]

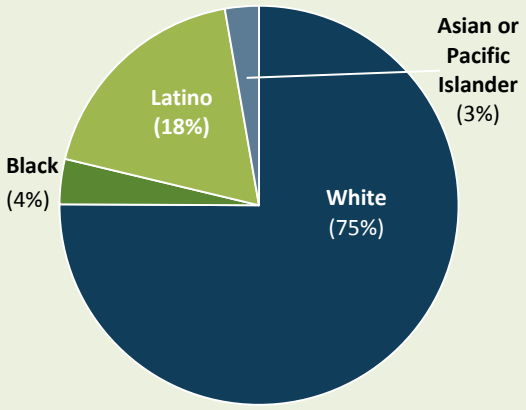
- A slight majority (54 percent) are men; 46 percent are women.
- Nearly 7 in 10 labor force participants are between the ages of 25-54 years old.
- Three-quarters of the labor force is white. Latinos make up the second largest group representing 18 percent of the total labor force while blacks and Asian/Pacific Islanders each make up less than 5 percent of the labor force.

Colorado continues to have a well-educated labor force. In 2014, Colorado had the third most well-educated labor force among the 50 states.[3] About 43 percent of Coloradans working or looking for work hold a bachelor's degree or higher, which is 9 percent higher than the national rate.

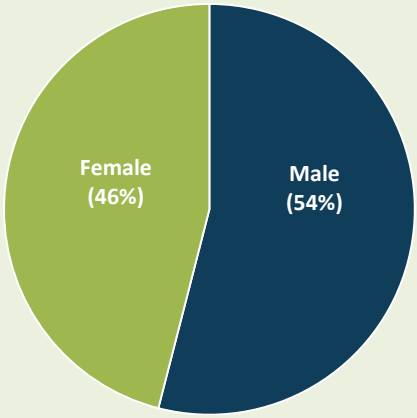
Age



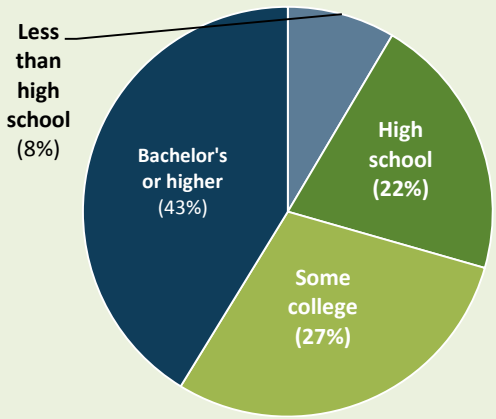
Race/Ethnicity



Gender



Education



Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey (2014 data)

Growth concentrated in jobs paying below self-sufficiency wages

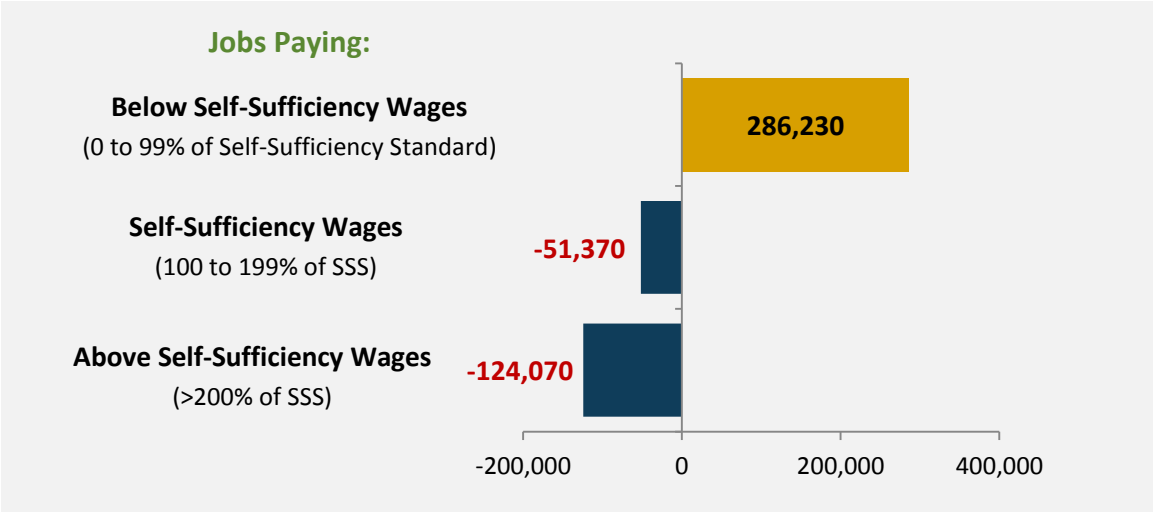
While the jobs have returned, growth has been concentrated in lower wage jobs. The number of jobs paying wages below the self-sufficiency level has increased between 2007 and 2014 while the number of middle-class jobs that promote economic security remains below pre-recession levels. Middle-income jobs pay wages above self-sufficiency and are the cornerstone of a healthy economy because they provide families with discretionary income vital to creating aggregate demand for goods and services and allow families to save for retirement and unexpected emergencies.

The recent publication of Colorado's Self-Sufficiency Standard allowed for an updated analysis of job growth that considers wage adequacy and economic security.[4] Minimal self-sufficiency is defined as being able to meet basic needs without private or public support. We defined economically secure jobs as those with median annual wages between 100 and 199 percent of the median Self-Sufficiency Standard for single adults across Colorado's 17 metro counties.[5]

Between 2007 and 2014, the percentage of jobs paying wages that ensured basic economic security shrank from 50 to 45 percent of all jobs across the state—a net loss of 51,370 jobs that paid self-sufficiency wages. (See Figure 1.5) Over the same period, job growth has occurred exclusively in occupations with wages below self-sufficiency. Colorado had about 286,000 more low-wage jobs in 2014 compared to 2007. In part, the trend in the number of jobs offering below self-sufficiency wages is tied to wage stagnation, not only suggesting that new jobs tend to be created at the lower end of the income spectrum, but also that jobs that used to offer economic security no longer do so. In other words, salaries in some occupations have lost ground to rising costs of living at the same time that new job growth has been concentrated in occupations that pay annual salaries less than the self-sufficiency standard.

***Figure 1.5**: Statewide growth in jobs paying below self-sufficiency wages*

NET CHANGE IN JOBS BY SELF-SUFFICIENCY WAGE CATEGORIES, FOR SINGLE ADULT, 2007-2014



U.S. Bureau of Labor Statistics Occupational Employment Survey; and Self-Sufficiency Standard for Colorado 2015

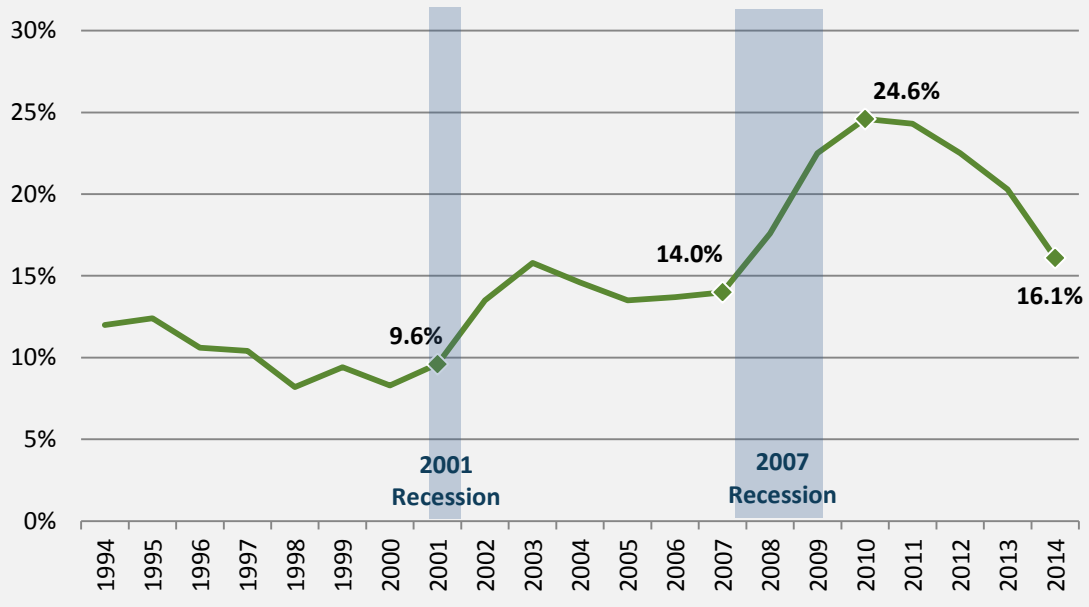
Involuntary part-time workers still above historic levels

In a struggling economy, people in search of full-time work often settle for part-time jobs, which provide less than 35 hours a week (and generally do not offer benefits such as health insurance). The U.S. Census Bureau classifies people who work part-time for economic reasons as "involuntary part-time" workers. These are people who are employed part-time but would prefer a full-time job. Sometimes their hours have been cut or they simply cannot find a full-time position. Involuntary part-time work surged during the recession and has remained high, indicating more labor market slack than what the unemployment rate may be indicating.

The share of part-time workers who said they were working part-time jobs involuntarily increased from 14 percent at the start of the Great Recession and peaked at 25 percent in 2010. (See Figure 1.6) The share of involuntary part-time workers has dropped steadily since reaching the 2010 high point. In 2014, 16 percent of part-time workers said they wanted more work. This is still slightly above the pre-recession level and higher than historical levels. Throughout the 1990s only about one-in-ten part-time Colorado workers wanted to be working full-time. In fact, the share of involuntary part-time workers never returned to pre-recession levels after the 2001 recession but remained elevated moving into the 2007 recession.

***Figure 1.6**: Share of Coloradans working part-time involuntarily still high*

SHARE OF PART-TIME WORKERS WHO ARE EMPLOYED PART-TIME INVOLUNTARILY, 1994-2014



Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

One-in-five prime-age workers in Colorado are not employed

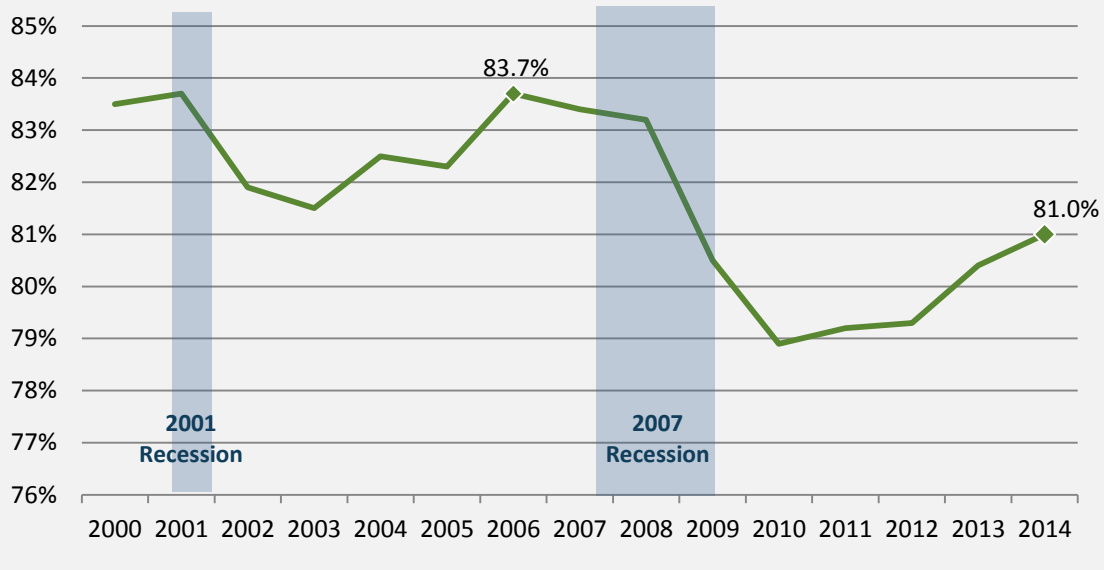
While the jobs have returned to pre-recession levels, not all workers have returned to work. Another helpful measure in assessing the health of the job market is the employment-to-population ratio—that is, the proportion of the working age population that is employed. It is a measure of the ability of the economy to create jobs for prime-age workers (especially when examined in conjunction with unemployment rates). It also tells a more complete story than labor force participation rates, which only count those who are employed or actively looking for work. The employment-to-population ratio tells us what proportion of the working age population is actually working.

Here, we examine the share of 25- to 54-year olds—prime-age workers—with a job. As Figure 1.7 shows, in 2014 81 percent of the prime working age population were employed, which is still nearly 3 percentage points lower than the pre-recession high. An underutilized workforce hampers productivity and prevents the economy from realizing the potential benefits of full-employment.

Another notable feature of Figure 1.7 is that the employment-to-population ratio took a nose dive during the 2007 recession and has been slow to recover. At the same time, the state unemployment rate has been dropping fairly steadily—falling every year since 2010 to 4.3 percent in June 2015. This likely means that some part of the decline in unemployment is due to people dropping out of the labor market rather than the result of more people finding jobs.

***Figure 1.7**: Nearly 20 percent of prime working-age Coloradans are not working*

EMPLOYMENT-TO-POPULATION RATIO, 25 TO 54 YEAR OLDS, 2000-2014



Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

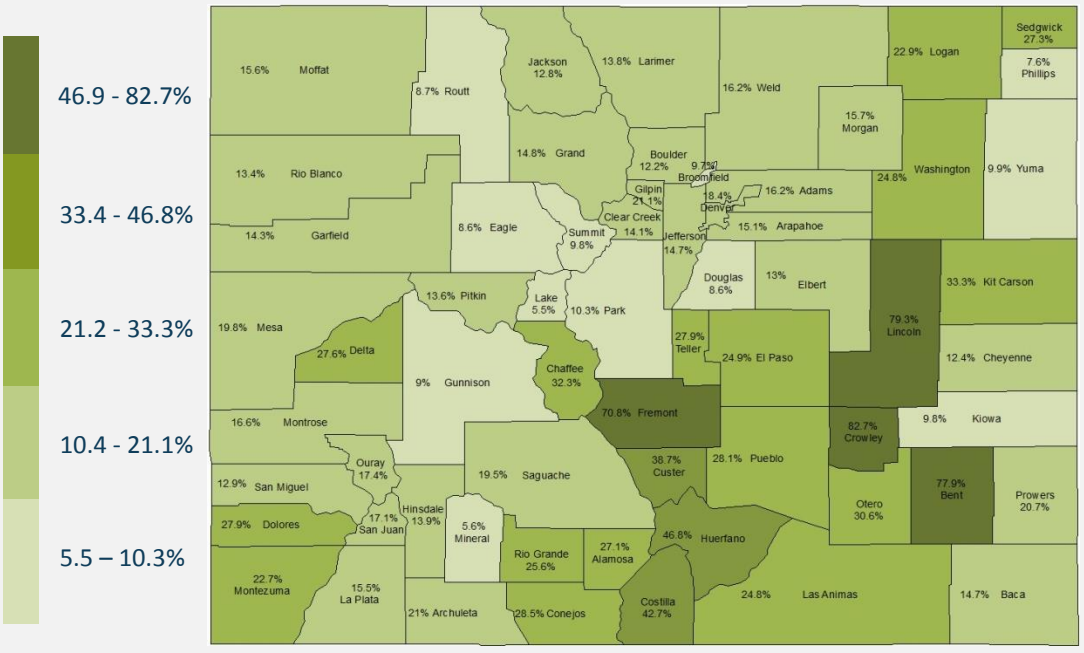
Decline of work among male prime-age workers

Nationally, the prime age employment-to-population ratio is also still down from before the recession. The economy is not yet strong enough—in terms of job and wages—to induce these people to return to the labor market. This is particularly true for men. The share of prime-age men—those 25 to 54 years old—who are not working has more than tripled nationally since the late 1960s, to 16 percent.

According to a poll by the Kaiser Family Foundation, the main reason for sitting on the sidelines is that wages are too low.[6] This trend of men leaving or choosing not to return to the labor force predates the 2007 recession and is likely to continue according to the Congressional Budget Office.[7] The absence of millions of workers from the economy has enormous consequences for the men, their families and the economy as a whole. A smaller workforce results in an economy that grows more slowly and a smaller labor force to cover the cost of government while a larger share seek help.[8]

***Map 1.1**: 18 percent of prime age working men in Colorado are not working*

PERCENT OF MALE WORKERS AGES 25-54 WHO ARE NOT WORKING, BY COUNTY, ESTIMATES 2009-2013



U.S. Census Bureau American Community Survey (2009-2013)

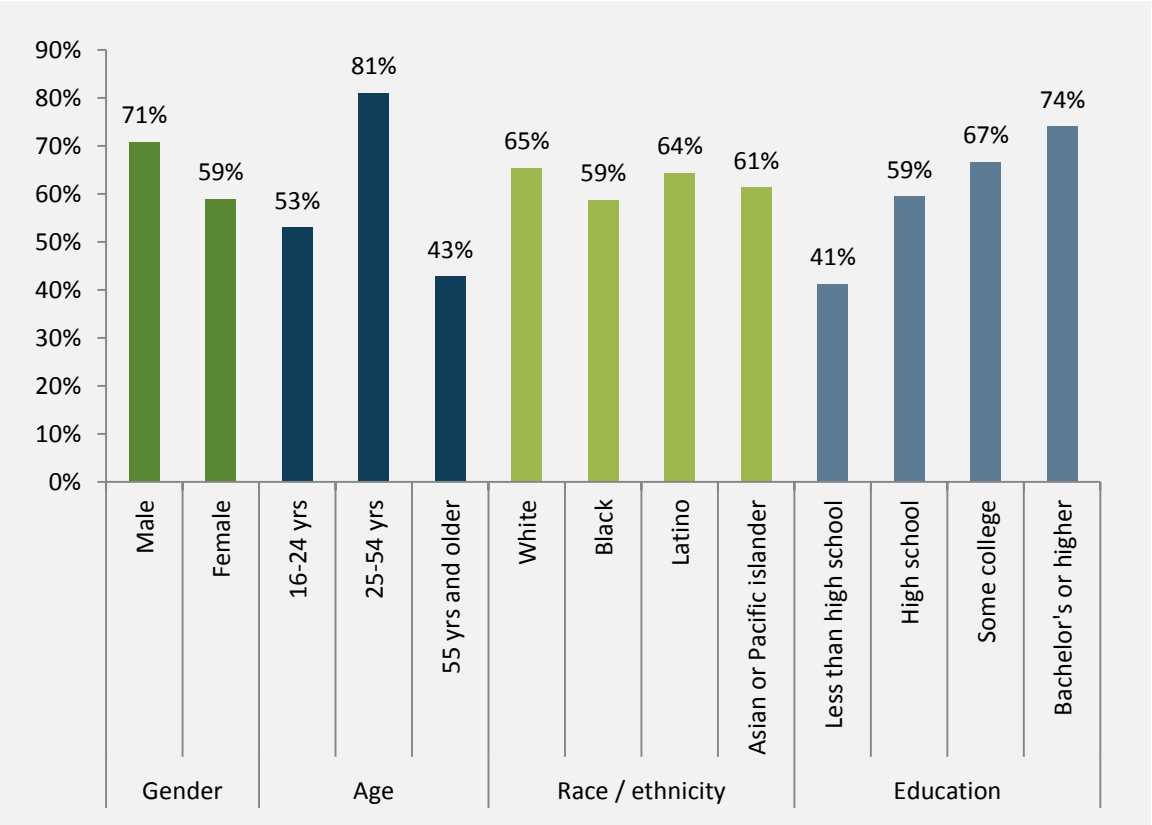
In Colorado, 18 percent of prime working age men are not employed—totaling nearly 200,000 men. Map 1.1 shows how this trend plays out across the state. Freemont, Bent, Crowley and Lincoln Counties have 70 percent or more of prime age working men sitting out of the labor market. The highest rates of missing male workers are concentrated along the eastern plains and south central mountains. For the most part, these people are probably not counted in the unemployment numbers because they have stopped looking for work.

Employment-to-population ratio varies by demographics and education

In Colorado, men participate in the labor force at higher rates than women. As expected, Coloradans in their prime working years, 25-54 years old, participate in the labor force at a much higher rate than other age groups. A greater share of men participate in the labor force (71 percent) compared to women (59 percent). At higher levels of educational attainment, the employment-to-population ratio increases.

***Figure 1.8**: Employment-to-population ratio increases with level of education*

EMPLOYMENT-TO-POPULATION RATIO, BY GENDER, AGE, RACE/ETHNICITY, AND EDUCATION, 2014



Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

Union membership remains low, impacting wages

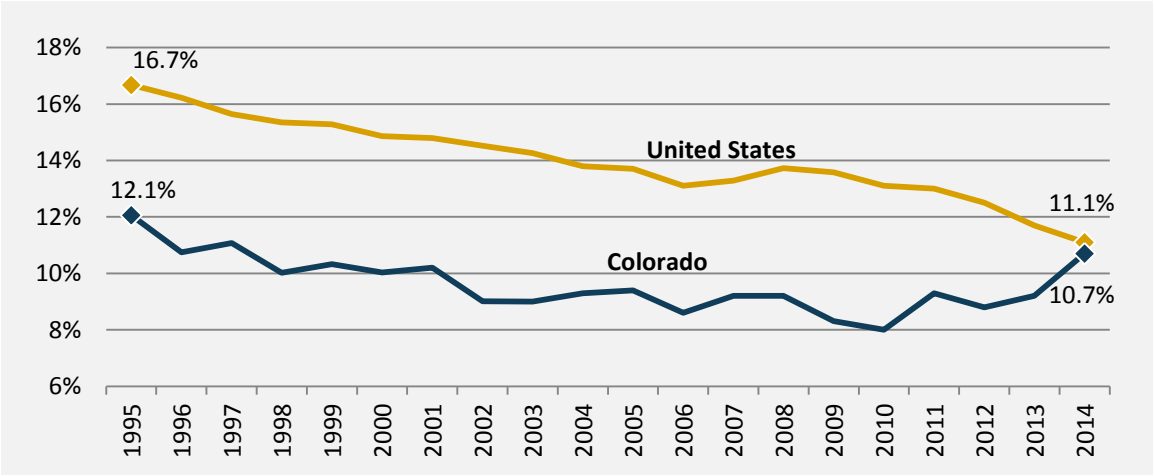
Union membership has been steadily declining in Colorado and across the nation. (See Figure 1.9) In Colorado, the percentage of wage and salary workers with union benefits (not just those paying union dues) declined from 12.1 percent in 1995 to 10.7 percent in 2014. Union membership historically has been lower in Colorado compared to the national average.

It is no coincidence that growing income inequality coincides with diminishing union participation and power. One of the most significant factors in stagnant wages for low and middle-wage workers across the country is the erosion of collective bargaining. The middle 60 percent of families in America rely primarily on wages for their income so when unions cease to play a vital role in ensuring fair wages, these families see less than their fair share of income.[9] Higher union participation historically has translated into higher wages for both union and non-union workers. The union wage premium is higher for minorities (particularly Latino and black men) compared to whites, playing an important role in addressing racial/ethnic wage gaps.[10]

States that have experienced the greatest decline in collective bargaining since 1979 have also experienced the lowest growth in middle-class wages.[11] Specifically, between 1979 and 2012, the 10 states with the the least erosion in collective bargaining also saw inflation-adjusted median hourly wages grow by 23.1 percent compared to a meager 5.2 percent growth in states with the most significant erosion in collective bargaining—mostly through "right to work" laws now in place in 25 states. Federal law bars requiring union membership as a condition of employment and the Supreme Court has held that workers cannot be forced to pay dues used for political purposes. So called "right-to-work" laws go one step further by allowing workers to opt out of paying dues in unionized workplaces while still being able to reap benefits of union membership. These statutes have significantly eroded the influence of organized labor.

***Figure 1.9**: Union membership has been declining over the long term*

UNION AFFILIATION OF EMPLOYED WORKERS, COLORADO AND U.S., 1995-2014



U.S. Census Bureau Current Population Survey

Fewer and Fewer "Good Jobs"[12]

Job quality means different things to different people. One study tracked the prevalence of "good jobs" as a share of total employment over time. A good job was defined as one that pays at least $37,000 annually, offers health insurance and an employer-sponsored retirement plan. The researchers also tracked output per worker—the average value of goods and services produced by a worker in a year—over the same time period. This is a measure for the economy's potential for creating better jobs for more workers over time. What the researchers found is startling:

- Output per worker increased substantially between 1979 and 2010—from $69,903 to $103,659 in constant dollars—a 48 percent increase. Workers were increasingly productive over the last three decades. If the value of these gains in productivity were shared across the workforce, we would expect to see a corresponding increase in good jobs.
- The share of good jobs, however, declined between 1979 and 2010 from 27.4 percent to 24.6 percent. The declining share of good jobs is particularly troubling because it occurred while workers were becoming older and more educated—factors that should increase the share of good jobs. In fact, the authors estimate that relative to 1979, the U.S. economy has lost about one-third of its capacity to generate good jobs.
- A common explanation for the decline in good jobs is that we have a skills gap—that is, workers' skills have not kept pace with technological change. But if that were true, we would expect to see a significantly higher proportion of workers with a 4-year degree or higher with good jobs today. Rather, workers with a college degree or higher, at every age level, are actually *less* likely to have a good job today compared to three decades ago. And this is even more startling because today's labor market is comprised of nearly twice as many workers with advanced degrees than in 1979.
- The authors argue that the problem actually lies in declining bargaining power of workers—especially among those in low- and middle-income jobs. They point to several reasons for the loss of bargaining power that have resulted in a large-scale restructuring of the labor market that began in the 1970's: decline in unionized workers from 23 percent of private sector workers in 1979 to 8 percent today; deregulation of several large industries (e.g., trucking, airlines, and telecommunications) and associated losses in workers' wages and bargaining power; and trade policies that have placed low and middle-wage workers in competition with lower-wage workers in other countries.

People of color are underrepresented in high paying jobs

While all ethnic and racial groups participate in the labor force at similar levels, not all jobs are created equal, nor is access to on-ramps to good jobs broadly shared. To get a better sense of disparate job placement across different populations, Table 1.1 compares the demographic

make-up of the general population to the demographic make-up of jobs that pay wages below, at, and above self-sufficiency.

For instance, while people of color represent 25 percent of the total state population age 16 and over, they represent only about 15 percent of the population working in occupations that pay in excess of 200 percent of the self-sufficiency standard for a single adult.[13] Put another way, the higher wage labor force is made up of approximately 70,000 fewer persons of color than expected given the underlying population demographics of the state.

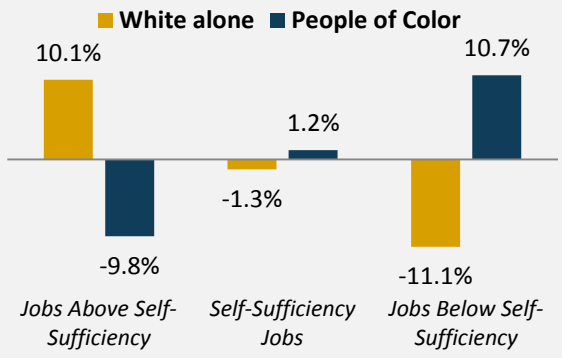
This analysis is based on the most detailed occupation data available, providing a high-resolution tool for measuring labor force patterns. However, because the analysis includes *all* occupations, it risks overlooking more pronounced patterns in particular job categories. Focusing on a few specific occupations shows that underrepresentation of people of color in high paying occupations (and overrepresentation in occupations that pay below self-sufficiency) can be particularly extreme in some job categories. For example, 52 percent of janitors, the 10th largest occupation category, are people of color. Janitors earn a median wage of $11.19/hour. On the other end of the wage spectrum, people of color are substantially *underrepresented* as general and operations managers—making up only about 16 percent of the labor force, which is about 9 percentage points lower than expected given the underlying population demographics in the state. The median wage for general and operations managers is $48.20/hour.

The pattern these numbers establish does not have a simple explanation. Hiring discrimination, educational disparities, and differing social networks and access to opportunity are among the strongest factors contributing to the underrepresentation of people of color in high paying jobs and their overrepresentation in low-paying jobs. Regardless of the underlying causes, these data strongly suggest that Coloradans of color face disparate opportunities.

Table 1.2: Share of General Population and Wage-Grouped Occupations, by Race, 2014

	People of Color	Whites
Total Population	**25%**	**73%**
Jobs Above Self-Sufficiency	15%	83%
Self-Sufficiency Jobs	26%	72%
Jobs Below Self-Sufficiency	35%	62%

Figure 1.10: Percent difference in share of racial group represented in general population and Wage-Grouped occupations, 2014



Labor Force Demographic data from U.S. Census Bureau American Community Survey (2009-2013); Wage data from Bureau of Labor Statistics, Occupational Employment Statistics, 2014

Notes

[1] See National Economic Bureau of Economic Research. Available at: http://www.nber.org/cycles/recessions.html

[2] *Local area unemployment statistics survey*, U.S. Bureau of Labor Statistics.

[3] Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey (2014 data).

[4] Diana Pearce. (2015). *The Self-Sufficiency Standard for Colorado 2015*. Colorado Center on Law & Policy. Available at http://www.selfsufficiencystandard.org/docs/Colorado2015.pdf.

[5] Thresholds for this analysis were defined using data from the 2015 and 2008 Self-Sufficiency Standard for Colorado. The reference points for Figure 1.5 were calculated by taking the median self-sufficiency salary for a single adult across Colorado's 17 metro counties for 2007 and 2014. The self-sufficiency salaries are based on the local cost of living and designed to meet basic needs without private or public support. **In 2007, the median self-sufficiency salary for a single adult was $20,300. In 2014, the median self-sufficiency salary for a single adult was $28,500.** These thresholds were compared to the median annual wages for the most detailed occupations (as defined under the Standard Occupation Classification System) made available through the Occupational Employment Statistics Program (OES). The OES estimates used reflect statewide information on median wages and jobs per each occupation. Comparing statewide job information regarding the median self-sufficiency salary for a single adult in Colorado's metro counties is not without limitation. Still, those 17 counties accounted for 87 percent of the jobs in the state in 2014. While mountain resort communities account for about 5 percent of jobs, we excluded those counties from our computation of the median self-sufficiency salary because they are some of the highest cost communities in the state and would have driven up the thresholds substantially, potentially overestimating the cost of living. Yet, concerns of overestimating costs of living are tempered by our selection of the self-sufficiency salary for single adults. **The median self-sufficiency wage in 2014 across the metro counties for a single adult with a school age child is $46,800—$18,300 above the threshold for a single adult.** For parents, the structural shifts in the growth of jobs below self-sufficiency is likely even more pronounced than what is presented in this chapter.

[6] Liz Hamel, Jamie Firth, and Mollyann Brodie. (2014). Kaiser Family Foundation/New York Times/CBS News Non-Employed Poll. Available at http://kff.org/other/poll-finding/kaiser-family-foundationnew-york-timescbs-news-non-employed-poll/.

[7] David Wessel. (February 4, 2014). *The Three Bottom Lines from the New CBO Long-term Outlook*. Washington, DC: Brookings Institution. Available at http://www.brookings.edu/blogs/up-front/posts/2014/02/04-three-bottom-lines-cbo-long-term-outlook-wessel.

[8] David Wessel. (February 6, 2014). *America Isn't Working: More than One in Six Men Between 25 and 54 Is Without a Job*. Washington, DC: Brookings Institution. Available at http://www.brookings.edu/blogs/up-front/posts/2014/02/06-america-isnt-working-unemployed-men-wessel.

[9] Lawrence Mishel. (2012). *Unions, inequality and faltering middle-class wages*. Washington, DC: Economic Policy Institute. Available at http://www.epi.org/publication/ib342-unions-inequality-faltering-middle-class/.

[10] *Ibid.*

[11] David Cooper and Lawrence Mishel. (2015). *The Erosion of Collective Bargaining Has Widened the Gap Between Productivity and Pay*. Washington, DC: Economic Policy Institute. Available at http://www.epi.org/publication/collective-bargainings-erosion-expanded-the-productivity-pay-gap/.

[12] John Schmitt and Janelle Jones. (2012). *Where have all the good jobs gone?* Washington, DC: Center for Economic and Policy Research. Available at: http://www.cepr.net/documents/publications/good-jobs-2012-07.pdf

[13] See note 5 for a description of the methodology used to develop thresholds for estimating the number of jobs paying wages below, at or above the self-sufficiency level.

CHAPTER 2: Unemployment

Losing a job can have significant and long-lasting negative consequences for workers and their families. The following chapter examines the situation facing unemployed and underemployed Coloradans and explores why we must look beyond the unemployment rate to understand the health of the labor market.

The unemployment rate in Colorado has finally returned to pre-recession levels. Yet, focusing on this single measure fails to tell the full story about how the Colorado labor market is faring. Underemployment remains high overall—particularly for black, Latino and young Coloradans who are still trying to get a foothold in the recovering economy. Nearly one in three jobless workers in the state has been unemployed for six months or more—still almost triple the 2007 rate.

Research shows that an average adult worker who loses a stable job will experience a significant decline in wages lasting 15 to 20 years compared to what would have been earned had the job been retained.[1] This is due to the fact that a period of employment instability often follows a job loss. The ripple effects of unemployment extend to families as well. The children of parents who have lost a job at any point in their childhood generally do worse in school and have substantially lower earnings as adults compared to children whose parents have never lost their job.[2]

Fast Facts

The unemployment rate in 2014 was 4.9 percent. The underemployment rate was 9.4 percent—still above the 2007 level.

Unemployment rates by county range from a low of 3 percent to a high of 10 percent.

About one in five black Coloradans looking for work are either underemployed or unemployed—a rate nearly twice that of white Coloradans. Nearly 16 percent of Latinos are underemployed.

Young workers—ages 16 to 24—faced the highest rates of unemployment (13.4 percent) and underemployment (24 percent) in 2014.

In 2014, 31.9 percent of all jobless workers were facing long-term unemployment—still nearly triple the 2007 rate.

Defining Unemployment

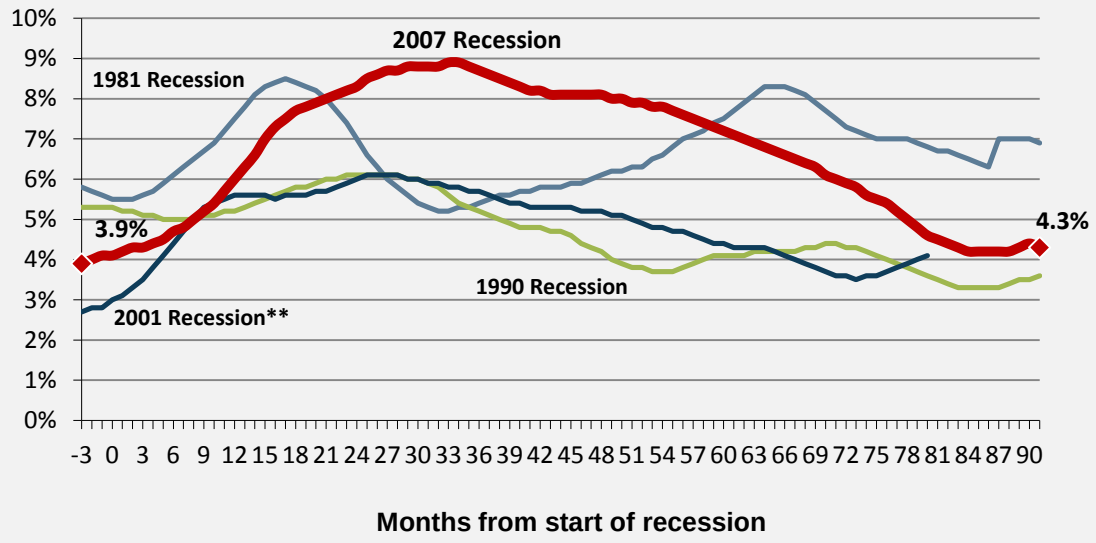
An unemployed person is someone without a job but available to work and actively seeking work by having looked for a job in the last four weeks. The *unemployment rate* is the share of workers (employed and unemployed people) who are unemployed. One critique of the unemployment rate as a measure of joblessness is that it does *not* include jobless people who have given up looking for work. The unemployment rate will never be zero. Even in a strong economy, there will always be some jobless people looking for new employment.

Unemployment returns to pre-recession levels 7+ years later

Recovery from the Great Recession has been slow and prolonged compared to past recessions. The recession resulted in rapidly increasing unemployment rates in Colorado and across the nation. Colorado has endured a long period of relatively high unemployment lasting longer than past recessions. Figure 2.1 shows the unemployment rate in Colorado several years after the official start of each recession. The 1981 recession stands out with a quick and substantial increase in unemployment but with an equally swift return to pre-recession unemployment levels. By comparison, the 2007 recession began with lower unemployment levels but eventually surpassed the 1980s levels. And unemployment rates have been slow to decline since the official end of the Great Recession. As of June 2015, the monthly unemployment rate of 4.3 percent has nearly reached pre-recession levels—more than seven years after the start of the Great Recession.

Figure 2.1: *Monthly unemployment returns to pre-recession levels after long recovery*

MONTHLY UNEMPLOYMENT RATE SINCE THE START OF THE LAST FOUR RECESSIONS



U.S. Bureau of Labor Statistics Local Area Unemployment Statistics (Data to June 2015)

***2001 recession data ends at December 2007, the first month of the 2007 Recession.*

The *Recessions of 1981, 1990, 2001 and 2007*

A recession begins just after economic activity reaches a *peak* and ends as the economy reaches its *trough*—the lowest point of activity. An expansion is the period between the trough and the next peak. Expansion is the normal state of a healthy economy. As seen in the table below, recessions differ in length and severity. The Great Recession of 2007 is the longest recessionary period since the Great Depression.

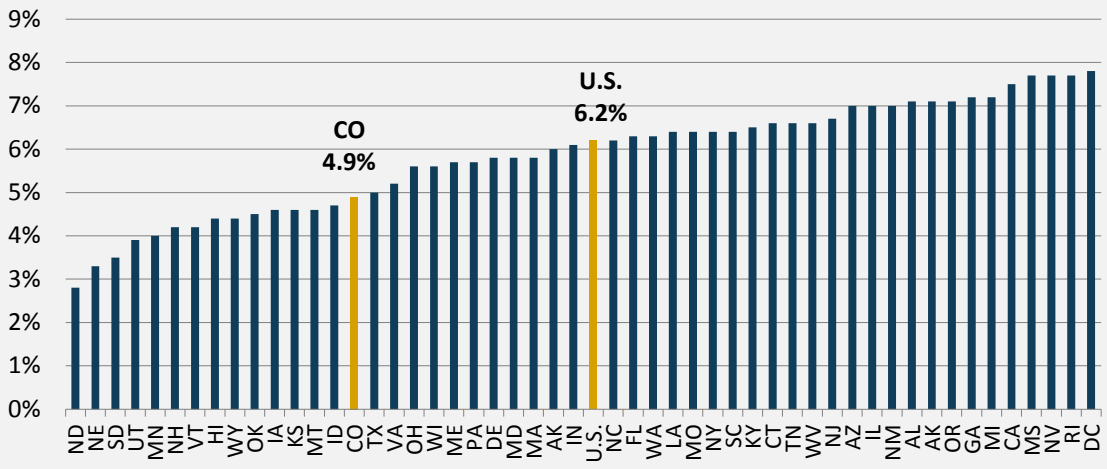
Recession	Start	Unemployment Rate	End	Unemployment Rate	No. of Months
1981	7/1981	5.3%	11/1982	8.8%	17
1990	7/1990	5.1%	3/1991	5.3%	9
2001	3/2001	2.8%	11/2001	5.3%	9
2007	12/2007	4.1%	6/2009	8.5%	19

Colorado unemployment rate remains below the national rate

Colorado ranked 15th in the nation for average annual unemployment in 2014. (See Figure 2.2) The Colorado unemployment rate of 4.9 percent for 2014 was below the national rate of 6.2 percent. Unemployment rates in Colorado have remained slightly lower than the national rate over the course of the recession. (See Figure 2.3.) While Colorado unemployment closely tracked the national rate during the recovery period, more recently statewide unemployment has fallen more quickly than the national rate.

Figure 2.2: *Colorado ranks 15th in the nation for unemployment rates*

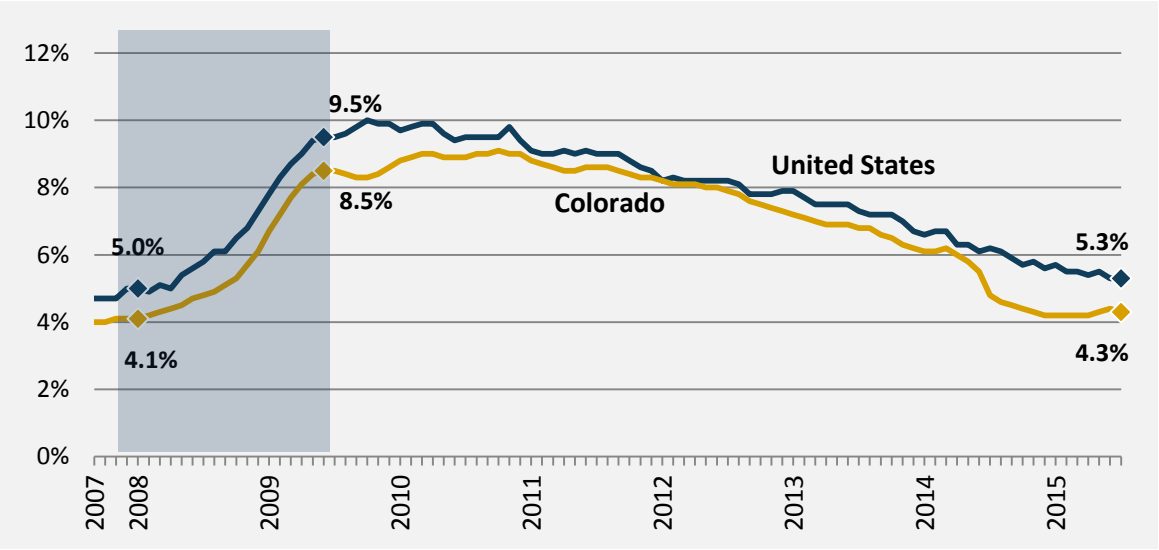
UNEMPLOYMENT RATE, BY STATE, 2014



U.S. Census Bureau Current Population Survey

***Figure 2.3**: Colorado unemployment rate fell more quickly than the U.S. rate in 2014*

MONTHLY UNEMPLOYMENT RATE, COLORADO AND U.S., 2007- JUNE 2015



U.S. Bureau of Labor Statistics Local Area Unemployment Statistics

Wide variation in unemployment rates across the state

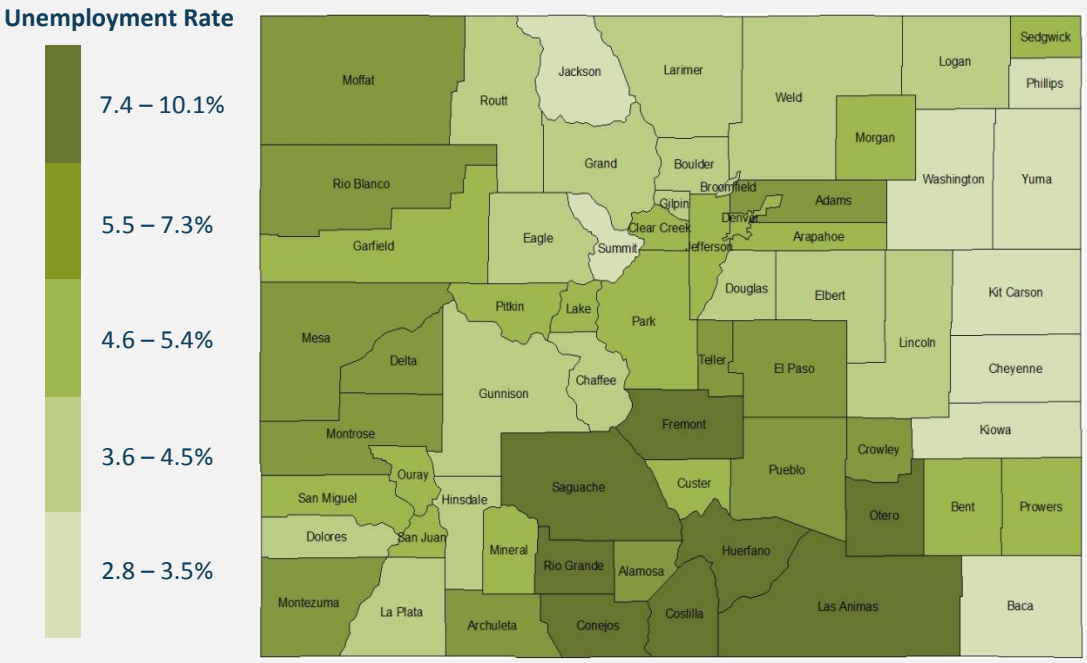
In 2014, unemployment rates across the state ranged from a low of 2.8 percent in Baca County to a high of 10.1 percent in Huerfano County. (See Table 2.1 and Map 2.1.) The counties with the highest rates of unemployment are clustered in the south central part of the state. Seven of the 10 counties with the highest unemployment rates are in and around the San Luis Valley. The counties with the lowest unemployment rates are also clustered—mostly in the far eastern part of the state. The unemployment rate, however, is only one economic indicator and does not tell the entire story. For example, while Baca County had the lowest unemployment rate in the state it ranks in the top 15 of counties with the highest child poverty rates.

***Table 2.1:* Unemployment Rates by County, 2014**

Highest Unemployment Counties		Lowest Unemployment Counties	
Huerfano	10.1%	Baca	2.8%
Costilla	9.1%	Cheyenne	2.9%
Rio Grande	9.0%	Kit Carson	3.1%
Saguache	8.6%	Washington	3.2%
Fremont	8.1%	Yuma	3.3%
Conejos	7.8%	Phillips	3.3%
Las Animas	7.6%	Kiowa	3.4%
Otero	7.6%	Summit	3.4%
Pueblo	7.3%	Jackson	3.5%
Alamosa	7.1%	Hinsdale	3.8%

***Map 2.1**: Significant variation in unemployment rates across Colorado counties*

Unemployment Rates, by County, 2014



U.S. Bureau of Labor Statistics Local Area Unemployment Statistics

Defining *Underemployment*

Underemployment is another measure of slack in the labor market. The unemployment rate only counts jobless workers actively looking for work. The *underemployment rate* counts two more groups of workers: (1) those who are working part-time but want full-time work (involuntary part-timers) and (2) those who had been looking for work but have given up their search (marginally attached workers). It is important to note that the underemployment rate does *not* capture yet another group of people who would also be considered underemployed—those who are underemployed for their skill level (e.g., an engineer working in a coffee shop).

Many Coloradans remain unemployed or underemployed

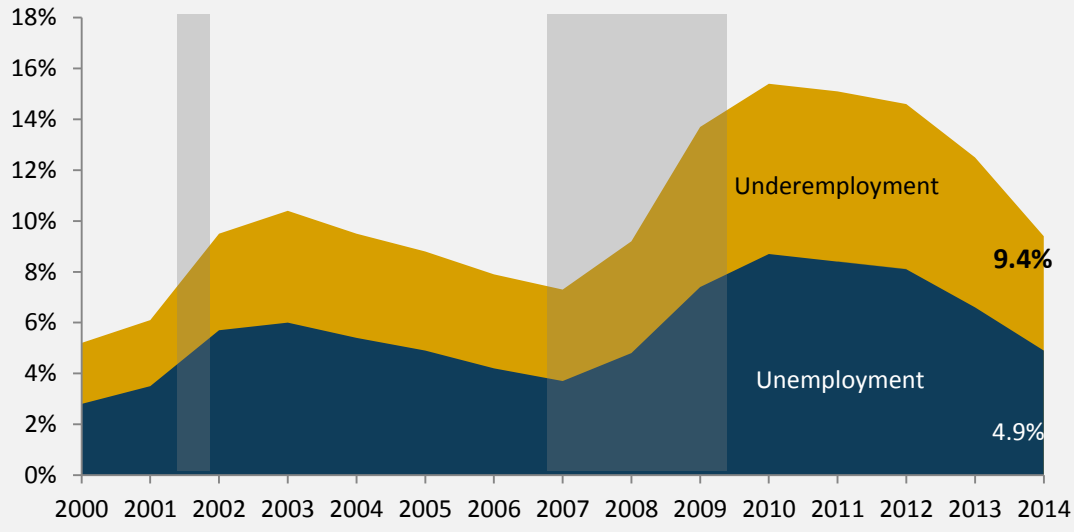
The *underemployment rate* adds to our understanding of the strength of the labor market by counting involuntary part-time workers and those who have given up looking for a job in addition to the standard metric of unemployment. In essence, it is a more complete account of the share of people who are not working at full capacity, but could be if jobs were available. The underemployment rate has been declining in recent years. (See Figure 2.4) This is good news, but at 9.4 percent for 2014, the current rate is still above the 2007 level of 7.3 percent.

Figure 2.4 also shows an expanding gap between underemployment and unemployment. Although the underemployment rate is necessarily greater than the unemployment rate, the difference between the two rates has widened considerably since the 2007 recession. The growing gap between the two rates highlights the lasting impact of the 2007 recession for Colorado workers. More people are taking part-time jobs out of necessity or have given up looking for work.

In fact, one reason the underemployment rate remains so stubbornly high is because it is very difficult to return to the workforce after being out of work for an extended period of time. Employers tend to see long periods of unemployment as a red flag. One study found that as the period of unemployment lengthens, the likelihood of getting called for an interview declines substantially—with the majority of the decline occurring in the first eight months of the period of unemployment.[3]

***Figure 2.4**: Underemployment remains high*

ANNUAL UNEMPLOYMENT AND UNDEREMPLOYMENT RATES, 2000-2014



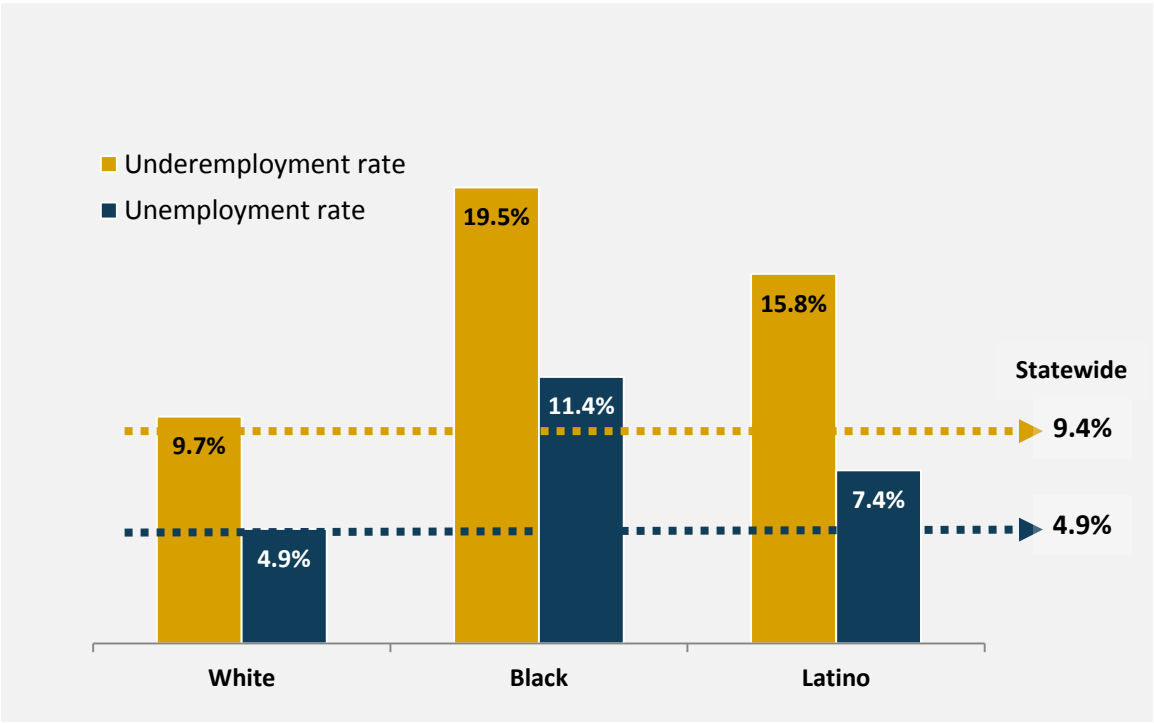
Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

Higher joblessness and underemployment for black and Latino Coloradans

Racial and ethnic minorities, young workers, and the less-educated experienced the highest rates of joblessness and underemployment in 2014. Figure 2.5 shows that unemployment and underemployment rates differ dramatically by race and ethnicity. Latino and black Coloradans have substantially higher unemployment and underemployment rates compared to white workers. In 2014, the unemployment rate for black Coloradans was 11.4 percent—twice the rate for white workers. The same is true for underemployment: black Coloradans experienced underemployment (19.5 percent) at twice the rate of white Coloradans (9.7 percent). Likewise, Latinos experienced relatively high rates of unemployment (7.4 percent) and underemployment (15.8 percent). Regardless of the economic climate, blacks and Latinos tend to experience higher rates of unemployment relative to their white counterparts.

***Figure 2.5**: Work is more difficult to find for Latino and black Coloradans*

UNEMPLOYMENT AND UNDEREMPLOYMENT RATES, BY RACE AND ETHNICITY, 2014



Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

Young workers experience the highest levels of unemployment

Young workers—ages 16 to 24—faced the highest rates of unemployment (13.4 percent) and underemployment (24 percent) in 2014. (See Figure 2.6.) The unemployment rate for this age group averaged about 11.7 percent over the last three decades, hitting its lowest level of 7.2

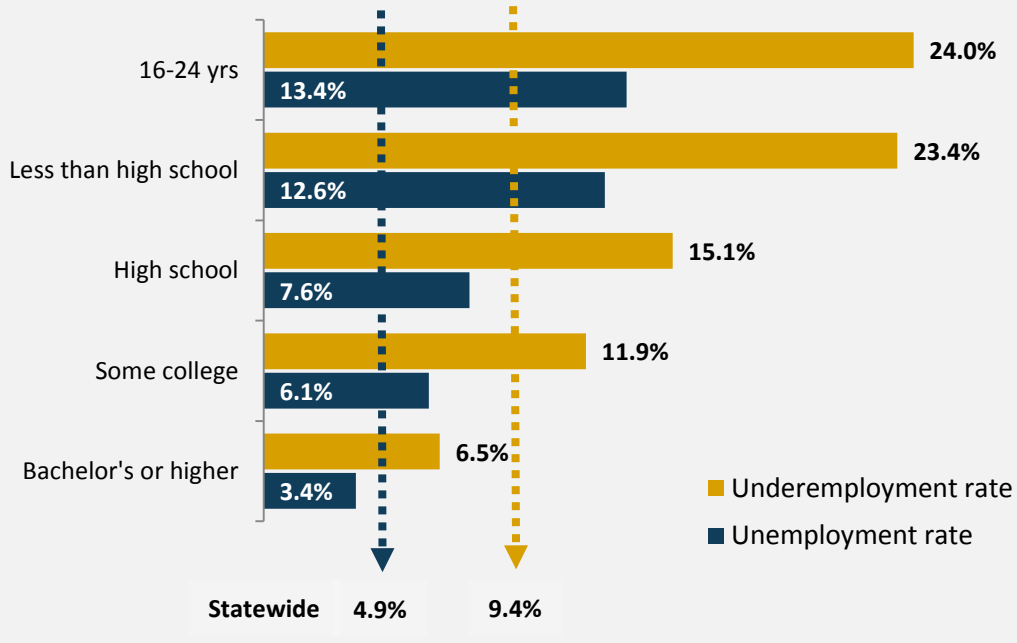
percent during the tight labor markets of the late 1990s. In comparison, average annual unemployment for all workers in 2014 was 4.9 percent and underemployment averaged 9.4 percent. Higher joblessness among young workers is typical for any given year; unemployment rates tend to drop significantly with age.

Education is an important predictor of employment stability. High school graduates experience significantly higher rates of unemployment and underemployment compared to college graduates. (See Figure 2.6) Again, it is important to note that while higher levels of education certainly help propel workers up the economic ladder, education did not insulate people from the Great Recession. Nationally and in Colorado, unemployment rates more or less doubled between 2007 and 2010 across all educational levels[4] and the significant disparities in joblessness by race and ethnicity also held across the educational spectrum.[5]

Nationally, young college graduates are still experiencing high unemployment and underemployment rates compared to 2007. For workers age 21 to 24 with a college degree, unemployment was 7.2 percent in 2014 compared to the pre-recession rate of 5.5 percent. And underemployment of this population was 14.9 percent in 2014 compared to 9.6 percent in 2007.[6]

***Figure 2.6**: Young and less educated workers experience higher joblessness rates*

UNEMPLOYMENT AND UNDEREMPLOYMENT RATES, BY AGE AND EDUCATION, 2014



Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

Long-term unemployment rate substantially higher than pre-recession levels

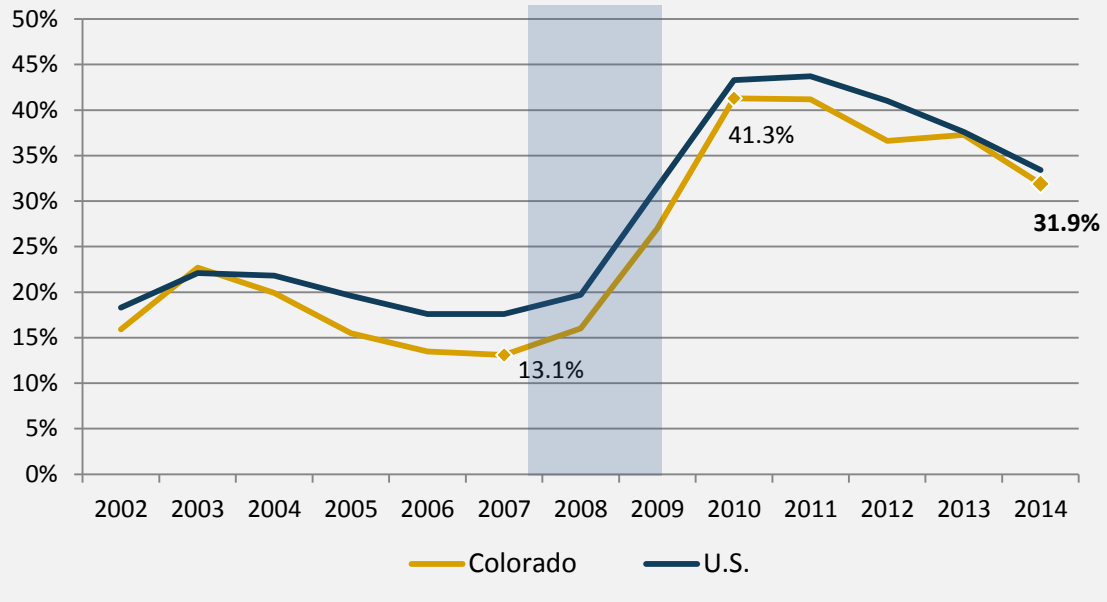
Another useful means of gauging the strength of the labor market is looking at the duration of unemployment. The long-term unemployment rate is a measure of the share of unemployed workers who have been jobless for more than 26 weeks. Previous recessions have caused small, brief spikes in the long-term unemployment rate. The 2007 recession caused a much larger and more prolonged increase in long-term unemployment, underscoring the severity of this recession. (See Figure 2.7)

The share of Coloradans who have been jobless for more than six months remains stubbornly high several years after the official end of the Great Recession. In 2014, 32 percent of all jobless workers were facing long-term unemployment—nearly triple the 2007 rate. Colorado is slowly moving off the peak long-term unemployment rate of 41 percent reached in 2010.

Recent research highlights the plight of the long-term unemployed.[7] The longer a person is out of work, the less time they spend looking for work, the less likely they are to be called for an interview,[8] and among those who do eventually land jobs, only a small percentage are stably employed. Essentially, the long-term unemployed become increasingly detached from the labor market, which is not good for those individuals or the economy.

***Figure 2.7**: One in three unemployed Coloradans has been jobless over six months*

SHARE OF UNEMPLOYED WORKERS JOBLESS FOR > 26 WEEKS, COLORADO AND U.S., 2002-2014



Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

Putting People Back to Work and Growing Colorado's Economy

Middle-skill jobs—those requiring training beyond high school but less than a bachelor's degree—are a growing and essential element of the Colorado economy.[9] Examples of middle-skill jobs include licensed practical nurses, carpenters, biomedical equipment technicians and machinists. Middle-skill jobs comprise nearly half of all jobs in Colorado.[10] In 2014, about 22 percent of the labor force in Colorado only had a high school diploma and another 8 percent had less than a high school education. Aligning skills training with labor market demand will help grow the Colorado economy.

Unemployment insurance is vital to one-in-five unemployed Coloradans

If someone loses a job by no fault of their own, they may apply for unemployment insurance (UI) benefits. The UI program provides unemployed workers payments equal to roughly half of their previous earnings while they look for a new job. Payments are funded by contributions from employers to the state unemployment trust fund. The state runs the program while the federal government covers administrative costs and oversees the system.

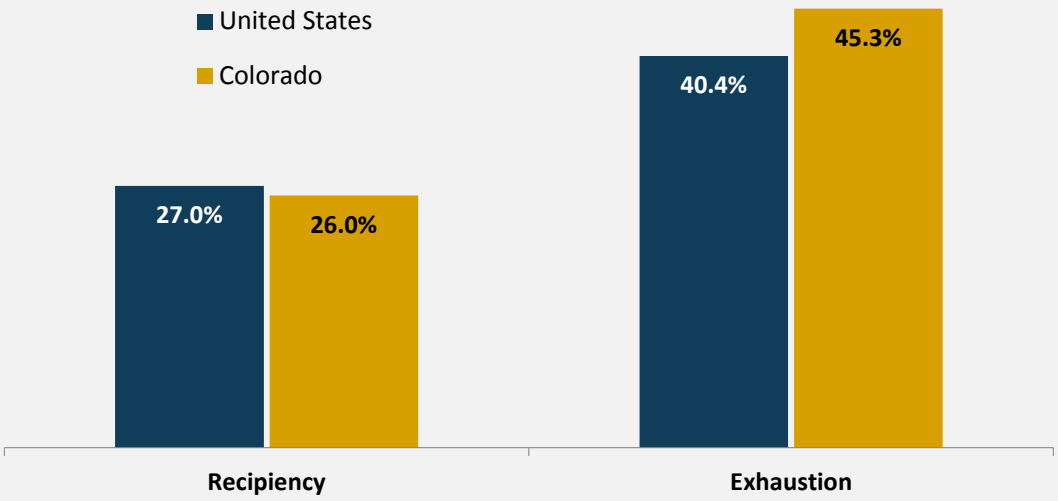
Although unemployment insurance is the front-line safety net in times of economic hardship and stimulates the economy by sustaining consumer demand, it is not available to every jobless worker. People who voluntarily quit or are fired for misconduct are not eligible for benefits. Also, regular UI benefits last only 26 weeks. So, unless benefits are extended, as they were temporarily in the aftermath of the Great Recession,[11] those who continue to be jobless after 26 weeks will have exhausted their benefits.

Colorado's UI recipiency and exhaustion rates spiked considerably in 2008 and 2009 as the economy worsened and jobs became harder to find. The share of unemployed people receiving UI benefits peaked at 36 percent in 2009, up from 23 percent in 2007. The share of UI beneficiaries who exhausted their benefits also peaked in 2009 at 66 percent, up from 41 percent in 2007. In 2014, about one in four unemployed Coloradans received unemployment benefits (26 percent) and nearly half (45.3 percent) of recipients had exhausted their benefits.

Recipiency rates have been slowly declining since 2009, signaling improvement in the labor market. A higher share of Coloradans exhaust the standard 26 weeks of benefit payments compared to the national average. (See Figure 2.8) Given the sustained high rate of long-term unemployment in the state, exhaustion of unemployment benefits is likely to remain high in the short term.

***Figure 2.8**: One in four unemployed Coloradans receive UI benefits; nearly half have exhausted their benefits*

RATE OF UNEMPLOYMENT BENEFITS RECEIPT AND EXHAUSTION, COLORADO AND U.S., 2014



U.S. Department of Labor Unemployment Insurance Data

Notes

[1] For reference to a large body of research on the long-lasting impacts of unemployment see, Lawrence Mishel, Josh Bivens, Elise Gould and Heidi Shierholz. (2012). *The State of Working America, 12th Edition*. Washington, DC: Economic Policy Institute, (pp. 367-369).

[2] Mishel et al., *The State of Working America* (pp. 369-370).

[3] Korry Kroft, Fabian Lange and Matthew Notowidigado. (2013). *Duration dependence and labor market conditions.* Available at: http://www.oecd.org/els/emp/langekroft_lange_noto_feb5_2013_main.pdf.

[4] Mishel et al., *The State of Working America* (pp. 339-341) and CCLP analysis of Current Population Survey data.

[5] Mishel et al., *The State of Working America* (pp. 339-341).

[6] Elise Gould, Will Kimball and Alyssa Davis. (2015). *Class of 2015: Despite an Improving Economy, Young Grads Still Face an Uphill Battle*. Washington, DC: Economic Policy Institute. Available at http://www.epi.org/publication/the-class-of-2015/.

[7] Alan B. Krueger, Judd Cramer and David Cho. (2014). Are the long-term unemployed on the margins of the labor market? *Brookings Papers on Economic Activity*.

[8] Rand Ghayud, a researcher with the Federal Reserve Bank of Boston, found that employers were more likely to call back a candidate with a job but no relevant experience than a candidate with relevant experience who has been unemployed for a while. Available at: http://media.wix.com/ugd/576e9a_f7ade4b6632949349fd75921699294fa.pdf

[9] National Skills Coalition. (2011) *Colorado's forgotten middle-skill jobs: Meeting the demands of a 21st century economy.* Available at: http://www.nationalskillscoalition.org/resources/publications/file/s2c-colorado-report-2011.pdf

[10] Analysis by the National Skills Coalition, U.S. Bureau of Labor Statistics occupational employment statistics by state, 2012.

[11] The state provides a maximum of 26 weeks of unemployment insurance payments. Since 2002, the federal government has funded a number of extensions and supplements to unemployment insurance benefits to help boost the economy. The most recent round of extensions funded by the federal government providing an additional 28 weeks of payments ended in December 2013.

CHAPTER 3: Income

This chapter considers trends in income—that is, money earned from work, returns on investments and government benefits. Income determines the standard of living in America—where you live, the food you buy, your ability to save for retirement, and capacity to deal with unexpected costs like medical bills, car repairs, or even joblessness.

To some extent, Colorado is still feeling the effects of the Great Recession. Median income has not yet fully recovered. People of color were hit harder and experienced larger declines in income. Women at all levels of education still earn less than men.

Colorado also is experiencing growing income inequality. In years past, periods of economic prosperity and downturn impacted the whole population similarly. The historical trend of nearly uniform growth across the income spectrum diverged dramatically after 1979. While the economy as a whole has grown over the past four decades, the benefits of that growth have not been broadly shared.

Income gains have disproportionately accrued to families at the top of the income distribution, especially during this recovery. Families at the bottom and the middle grew slowly and even lost ground since 2000. Low- and middle income families are not sharing in the growth and prosperity of the broader economy.

Fast Facts

Real median income in Colorado increased by a modest 2 percent between 2013 and 2014 to $61,300 and is still down nearly $2,000 from 2007.

Black household income is 62 percent of white household income and still down 12.1 percent since 2007. Latino household income is up 4.6 percent compared to 2007 but still only 65.5 percent of median income among white households.

At all levels of education median household income of women is less than men.

Half of the $168 billion in income earned in Colorado in 2014 went to the top 20 percent of households.

The Great Recession and the uneven recovery that followed has only widened the income gap in Colorado.

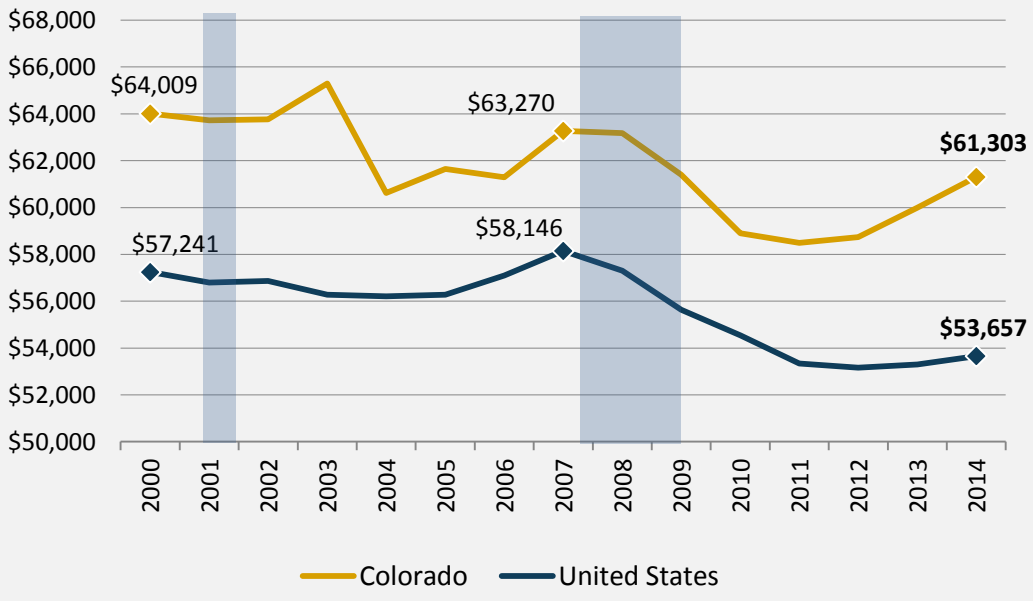
Median household income is still below pre-recession levels

Seven years after the start of the Great Recession, real median household income in Colorado is still down by nearly $2,000 from the 2007 level. (See Figure 3.1) The good news is that after holding steady for a couple of years early in the recovery period, median income has started to slowly rise. In 2014, median household income increased to $61,300—a modest 2 percent increase over 2013. While it is clear that the Great Recession had a significant impact on income, the preceding business cycle was also tough for many workers. With the exception of a spike in 2003, real median income in Colorado never regained its 2000 peak before the Great Recession took hold in 2007.

Median household income in Colorado has been, on average, about $6,000 higher than the national median since 2000. Nationwide median income dropped more precipitously—by nearly 9 percent between 2007 and 2012—and has been slow to return to pre-recession levels. Some forecasters predict that given the relationship between lackluster income growth and a long period of high unemployment, we may be facing a long recovery period to regain lost ground on income.[1] Case in point: although unemployment rates have been dropping, median income is up only slightly (but failing to even keep pace with inflation) and median wages remain stagnant. (See Chapter 4 for a discussion on wages.)

***Figure 3.1**: Real median household income slowly recovering but still down from 2007*

MEDIAN HOUSEHOLD INCOME, COLORADO AND U.S., 2000-2014 (2014 DOLLARS)



U.S. Census Bureau American Community Survey

What is counted as income? [2]

Three basic categories of income are presented in this chapter:

- **Income earned from salaries or wages**. For households that fall in the middle of the income distribution, the vast majority of their income is derived from wages earned from work. Nationally, much of the rise in annual wages is the result of working more hours rather than an increase in hourly wages. (See Chapter 4 for more detail on wage trends.)
- **Tax and transfer income**. This includes income from government cash benefit programs (e.g., Social Security and other cash assistance programs) and the value of tax credits (e.g., Earned Income Tax Credit). The current mix of tax credits and transfers have failed to substantially alter the concentration of income in the United States.[3]
- **Income from capital ownership (i.e., interest, dividends and capital gains)**. Over the last few decades, the share of overall income derived from owning capital has increased significantly while the share of income from wages has declined. This shift from labor-derived income to capital-derived income is a significant driver of the growing concentration of income at the top end of the income distribution. (This source of income is only counted in the analyses on the growing income gap at the end of this chapter.)

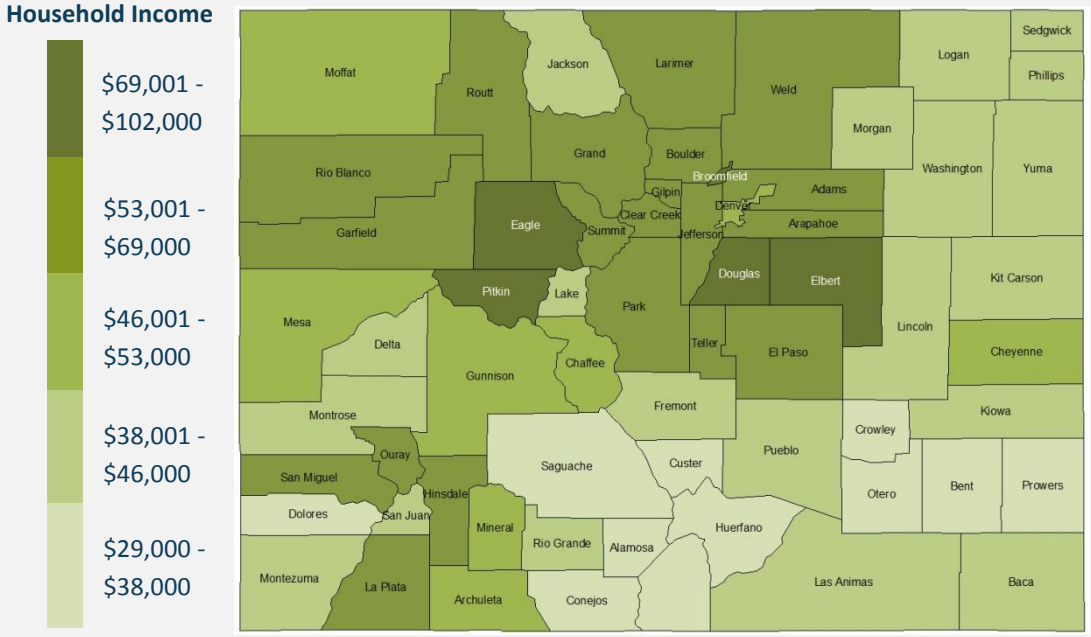
Median household income varies significantly by county

Colorado is a diverse state with a combination of rural, urban and tourist communities neighboring one another. Median household income across the state ranged from a low of $29,000 in Costilla County to a high of $102,000 in Douglas County in 2014. Again, this is median income—the income earned by households in the middle of the income distribution. So half of all households in Costilla County actually earned less than $29,000. Income differences have documented impacts on wellbeing. For example, according to measures of health and wellbeing compiled by the Robert Wood Johnson Foundation, Douglas County residents tend to live longer, have greater access to healthy food and are less likely to be unemployed compared to residents in Costilla County.[4]

The counties with the lowest median household income are clustered in the San Luis Valley and south eastern parts of the state. (See Map 3.1) Counties with the highest median household incomes are more scattered across the state, stretching from the Front Range to mountain resort communities. Nearly three-quarters of Colorado's 64 counties had a median income below the statewide median ($58,800 in 2013).

Map 3.1: *Median household income varies substantially across the state*

MEDIAN HOUSEHOLD INCOME, BY COUNTY, ESTIMATES FOR 2009-2013 (2013 DOLLARS)



U.S. Census Bureau American Community Survey, 5-year estimates

Disparities in income by race and ethnicity are significant and persistent

Median income varies substantially by race and ethnicity. Nationally, median income of black families as a share of white median income has historically hovered around 60 percent or lower.[5] The pattern is similar for Latino income, which reached a historic high of 69 percent of white median family income in 1979.[6] Since then, it has remained in the low-60 percent range. These are deeply rooted patterns that have persisted for many decades across the nation and in Colorado.

In 2014, median income for Latino, black and Asian households in Colorado was lower than white households. (See Figure 3.2)

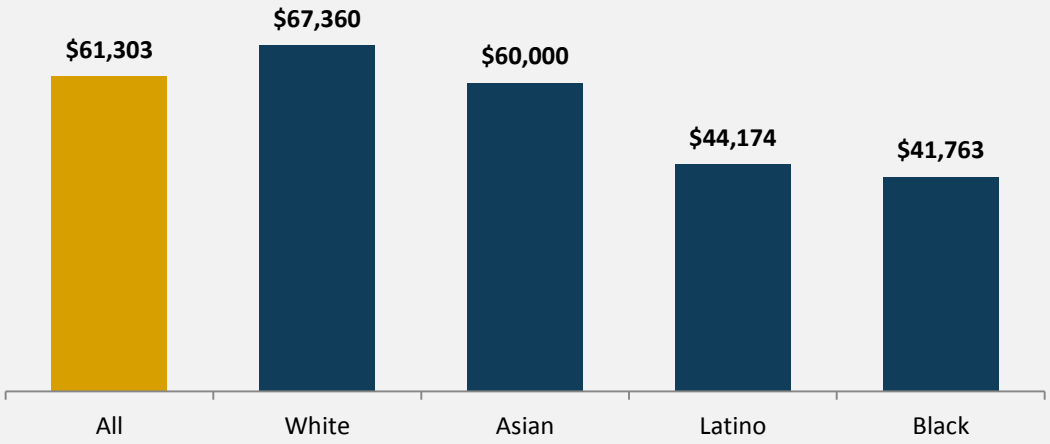
- Latino households account for 15.8 percent of all households in the state and have seen their median household income increase in recent years but still lag significantly behind white households. In 2014, Latino median income was $44,174 or 65.5 percent of white median income.
- Black households, which make up 3.6 percent of all households, had the lowest median income in 2014 totaling $41,743 or 62 percent of white median household income.

- Asian households, which make up about 2 percent of all Colorado households, are the outlier to this general pattern. Median income for Asian households was $60,000 in 2014 or about 90 percent of white median income.

Low unemployment and a tight labor market is the surest route to income gains for most American households. And the benefits of a full employment economy accrue most significantly to historically disadvantaged groups of workers. Nationally, the tight labor markets of the 1990s were the major driver of relative income gains for blacks.[7]

***Figure 3.2**: Median income substantially less for minority households*

MEDIAN HOUSEHOLD INCOME, BY RACE AND ETHNICITY, 2014



U.S. Census Bureau American Community Survey

Income disparities by gender endure regardless of educational attainment

Women earn less than men at every educational level and the gap widens with increasingly higher levels of education. In 2014, Colorado women age 25 and older earned only about 79.6 percent of men's median income. (See Figure 3.3) The income gap is smallest between men and women with only a high school education where women earn about 81 percent as much as men. Among college educated workers, the gap grows substantially at the upper rungs of the education ladder, with the largest income gap existing at the highest levels of education. Women who complete a bachelor's degree or graduate degree only earn 71 percent of median income for men with similar credentials.

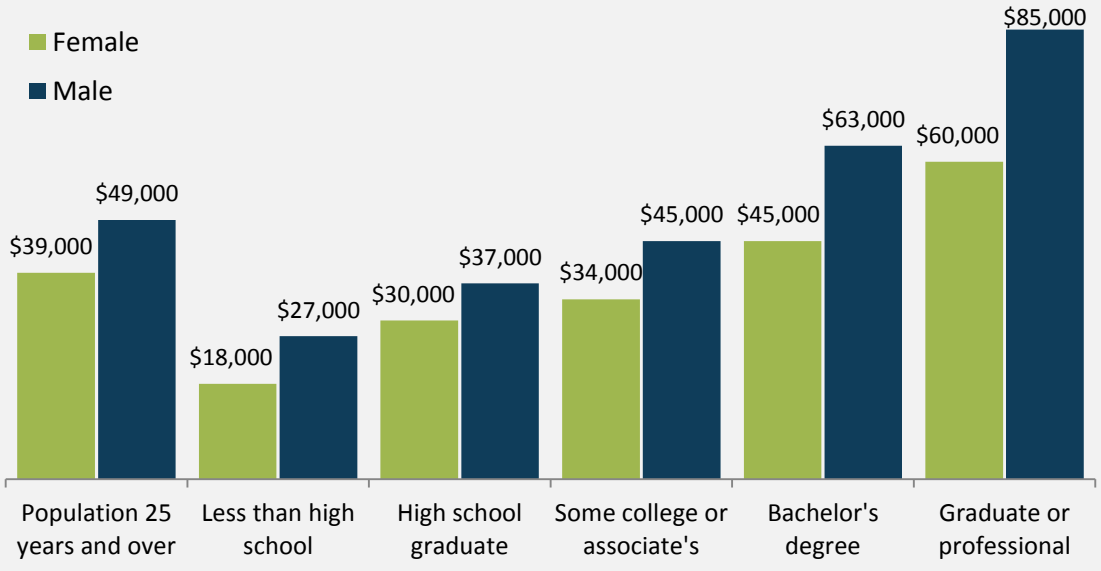
Even with an additional level of education, median income for women is still lower than men one step below. In 2014, median income of women with graduate or professional degrees was $3,000 less than the median income of men with only a bachelor's degree.

Recent research from economists at Cornell University concluded that 60 percent of the income gap between men and women is due to structural and social factors.[8] That is, women tend to cluster into a smaller set of occupations, work fewer hours than men and are more likely to juggle jobs and family responsibilities that result in breaks in employment history—all of which impact income. The authors found that the remaining 40 percent of the gender income gap cannot be easily explained by quantifiable differences between men and women and is likely due to discrimination.

Wages have been essentially stagnant for both men and women between 1999 and 2014 in Colorado, but women's earnings have fared slightly better than men's earnings. At the national level, since the 1970s, median earnings for men are down by nearly 6 percent while median earnings for women increased by more than 30 percent. This basic trend of more or less stagnant earnings for men but growing earnings for women still has not resulted in closing the pay gap. Assuming progress continues along the current trajectory, the disparity in earnings between men and women in Colorado will not close until 2057.[9]

***Figure 3.3**: Gender gap in income persists across all levels of educational attainment*

MEDIAN ANNUAL EARNINGS OF FULL-TIME WORKERS, BY GENDER AND EDUCATION, 2014



U.S. Census Bureau American Community Survey. Coloradans 25 years and older.

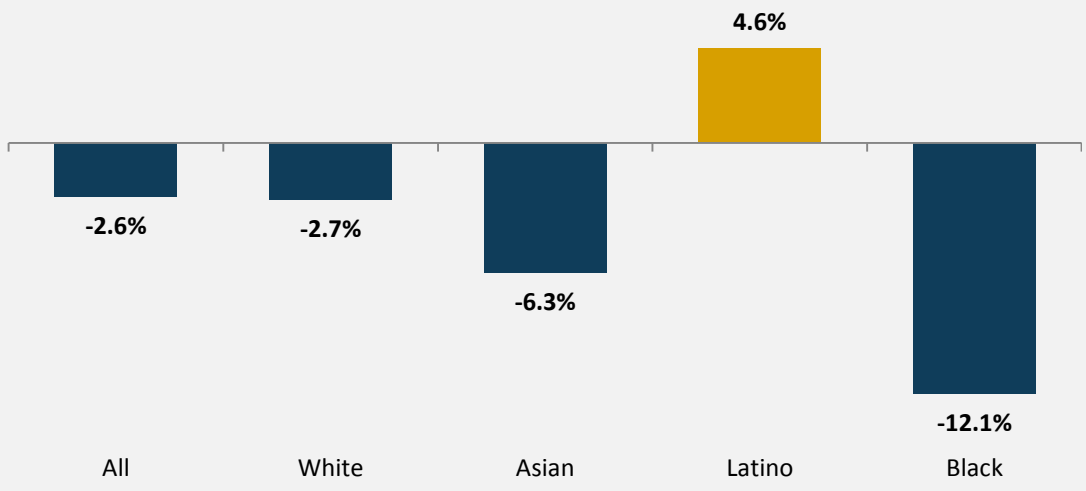
Income losses from the Great Recession vary by race and ethnicity

The Great Recession had a harsher impact on the incomes of some minority households in Colorado and the recovery has been slower to reach these households. Median income of black households is still down 12.1 percent compared to the pre-recession level. (See Figure 3.4) Asian median household income is still down 6.3 percent since 2007.[10] Median income of white households is down by nearly 3 percent. Median income for Latino households has now slightly exceeded pre-recession levels.

When looking at changes in median income between 2007 and 2010—from the start of the recession into the recovery period—we find that households across all racial and ethnic groups experienced income losses. What is distressing is that, with the exception of recent gains, those losses have continued to be felt through 2014—well into the recovery period. In other words, while income losses from the Great Recession impacted some groups more significantly, incomes across the board have been slow to recover.

***Figure 3.4**: Some minority households experienced larger income drops since 2007*

PERCENT CHANGE IN MEDIAN HOUSEHOLD INCOME, BY RACE AND ETHNICITY, 2007-2014 (2014 DOLLARS)



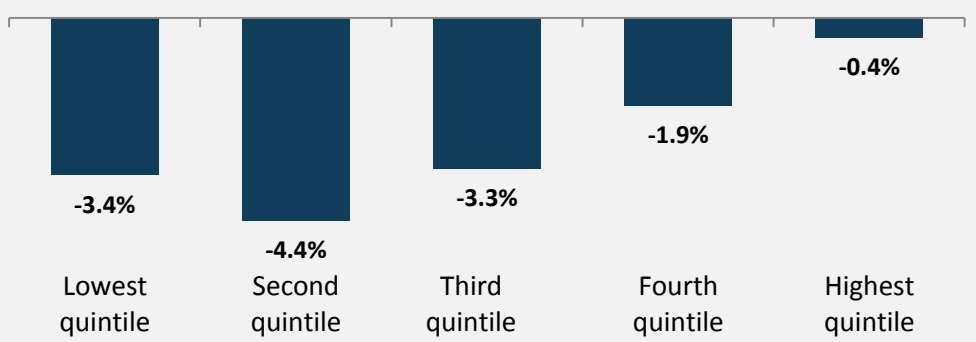
U.S. Census Bureau American Community Survey

Lowest-earning households experienced the largest drop in income since 2007

The wealthiest households have had an easier time recovering from the Great Recession compared to the lowest-income households in Colorado. Households in the bottom 20 percent experienced a 3.4 percent decline in income between 2007 and 2014. (See Figure 3.5) By comparison, households in the top 20 percent saw much smaller losses in income—less than half a percent. It is important to note that people at the lower end of the income distribution have a much harder time dealing with fluctuations in income. Even a relatively minor dip in income can have devastating impacts on families with narrow margins in their household budgets.

***Figure 3.5**: Income losses greatest among lowest income households*

PERCENT CHANGE IN AVERAGE HOUSEHOLD INCOME, BY INCOME GROUP, 2007-2014 (2014 DOLLARS)



U.S. Census Bureau American Community Survey

Looking at Income by Fifths

Median income is only one point in the income distribution. Breaking income down into fifths—or quintiles—is another way to examine how income is distributed across a population. Quintiles are calculated by ranking reported incomes from the lowest to the highest and then dividing them into fifths. Incomes falling between the upper and lower limit for a quintile are used to compute the average of the quintile. Unless stated otherwise, the values presented in this section refer to the average of the quintile.

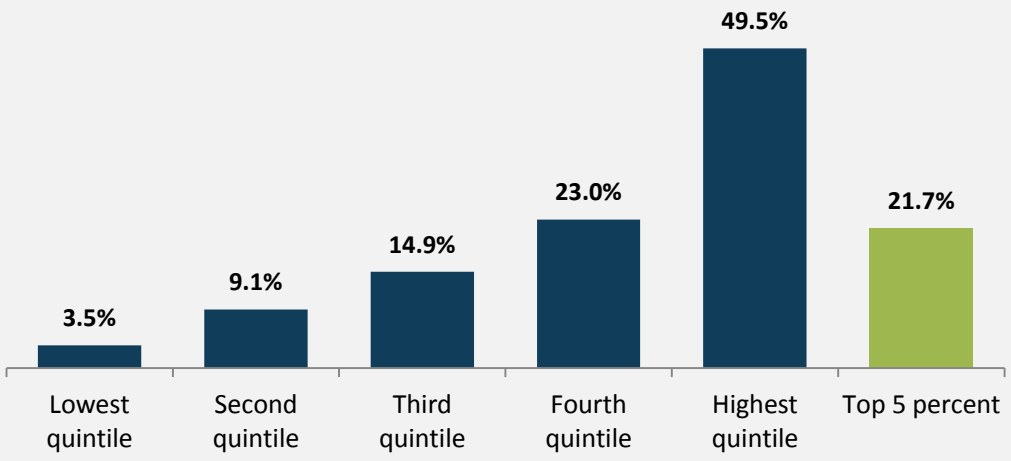
Half of the state's income is concentrated among 20 percent of the population

Rising income inequality in America is by now a familiar story. Colorado is no exception to that narrative. A growing share of the state's income is concentrated among a shrinking share of households at the very top of the income distribution. In 2014, half of the state's total income of nearly $168 billion was earned by the richest 20 percent of Colorado households. (See Figure 3.6) This means that one of every two dollars earned in the state went to 20 percent of households and the other dollar was split—unevenly—among the bottom 80 percent of households.

On the other end of the income spectrum, the poorest 20 percent of households in Colorado—that's just over 408,000 households—earned a paltry 3.5 percent of the state's total income in 2014. By comparison, the wealthiest 5 percent of households—about 102,000—brought home more than one-fifth of the entire income available in the state.

Figure 3.6: *Top 20 percent of households earned half of all income in the state*

SHARE OF TOTAL STATE INCOME, BY INCOME GROUP, 2014



U.S. Census Bureau American Community Survey

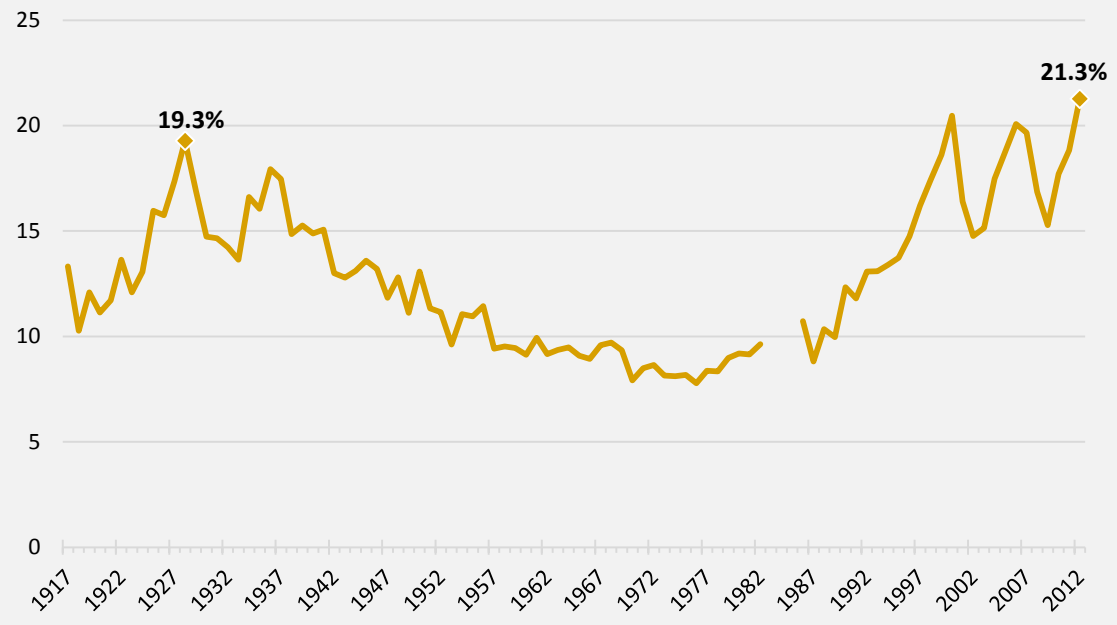
Income inequality is growing in Colorado

Income inequality remains one of the most compelling and concerning aspects of the current American economy—a structural problem equally characteristic of Colorado's economy. While economic growth has been more or less consistent over time, the benefits of that growth have mostly accrued to the very top of the income spectrum in recent decades. We have growth without broadly shared prosperity. The graphs below reveal the extent of the problem in Colorado.

First, the income distribution is more unequal today than the 1920s—the last historical high-water mark. Figure 3.7 shows the percent of total market income (including capital gains) held by the top 1 percent of tax payers between 1917 and 2012.[11] The share of total income held by the top 1 percent now exceeds 20 percent in Colorado—a level not seen since the late 1920s, just prior to the Great Depression. The top 1 percent has experienced some fluctuation in income due to greater exposure to the stock market. Nonetheless, even at the low point of the 2007 recession, the top 1 percent still controlled 15 percent of all income in the state.

Figure 3.7: *Income inequality in Colorado surpasses 1920s levels*

SHARE OF ALL INCOME HELD BY THE TOP 1 PERCENT OF TAX FILERS, COLORADO, 1917-2012

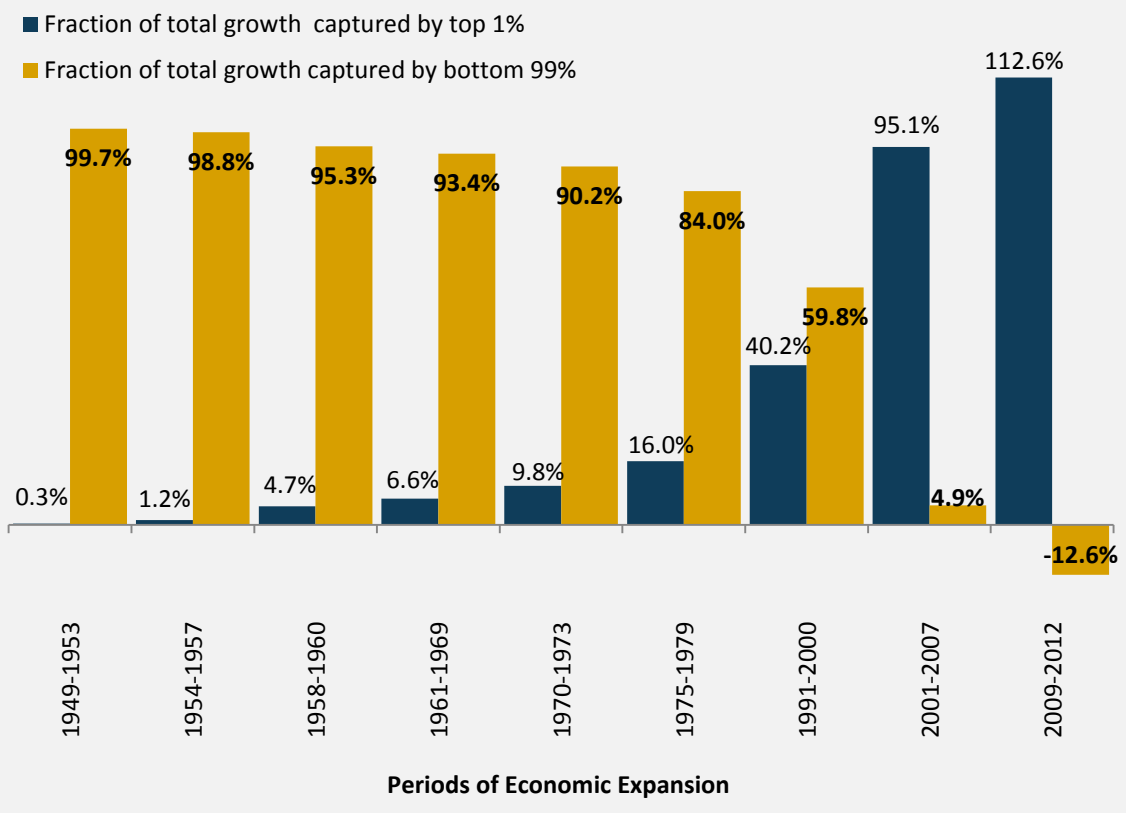


Keystone Research Center analysis of state tax data from Sommeiller (2006) extended to 2012 using state data from the Internal Revenue Service SOI Tax Stats (various years); and Piketty and Saez (2012)

Second, the top 1 percent has absorbed an increasingly greater share of income growth during periods of economic expansion. Figure 3.8 demonstrates that with each new period of economic expansion, an even greater share of aggregate economic growth has been captured by a very small number of people—the top 1 percent of earners.[12] During the expansion from 1949 to 1953, 99.7 percent of income growth was captured by the bottom 99 percent of tax-filers. By the turn of the century, this distribution had been reversed. Between 2001 and 2007, the top 1 percent captured 95.1 percent of growth, while the bottom 99 percent captured only 4.9 percent of overall income growth. Most recently, the bottom 99 percent actually lost ground. On average, incomes in Colorado grew 6.6 percent from 2009 to 2012—but that growth was concentrated solely among the top 1 percent while average income for the vast majority of Coloradans actually fell during that period.

Figure 3.8: *Income inequality has gotten progressively worse over time*

SHARE OF ALL INCOME GROWTH CAPTURED BY TOP 1 PERCENT AND BOTTOM 99 PERCENT, COLORADO



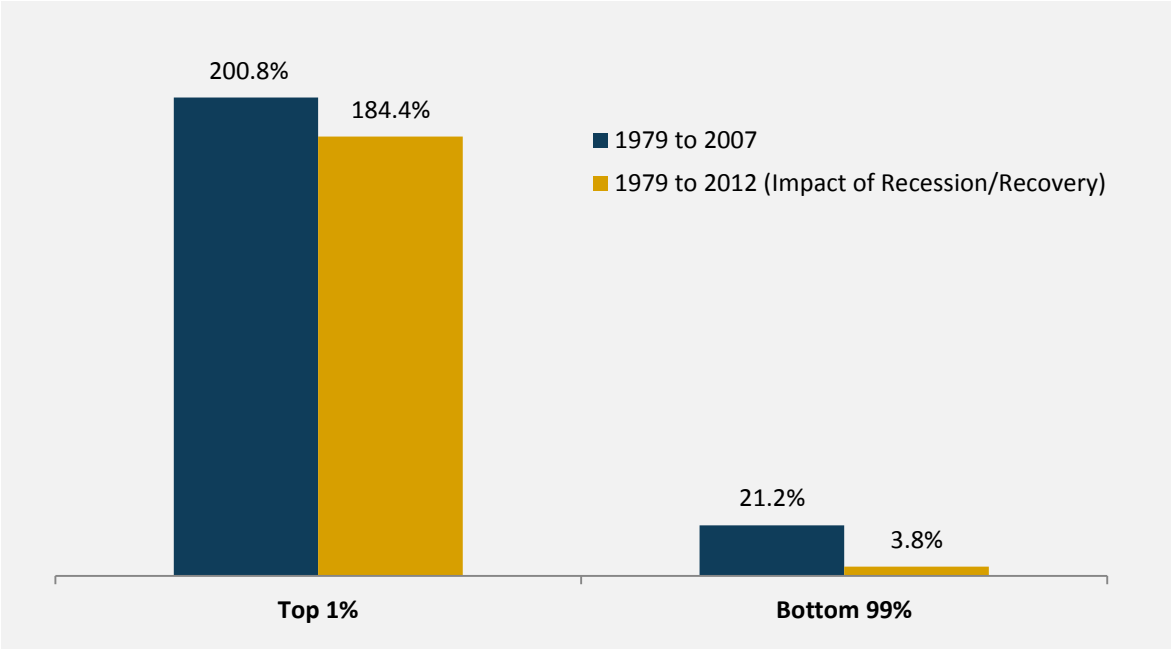
Keystone Research Center analysis of state tax data from Sommeiller (2006) extended to 2012 using state data from the Internal Revenue Service SOI Tax Stats (various years); and Piketty and Saez (2012)

Third, the Great Recession and the uneven recovery that followed has only widened the income gap. Overall average income in Colorado grew 6.6 percent between 2009 and 2012. The average income of the bottom 99 percent, however, fell by 1 percent while the average income of the top 1 percent grew by 48.4 percent. This means that the top 1 percent of Coloradans captured *all* of the post-recession growth while the bottom 99 percent have been barely holding steady during the recovery period.

Figure 3.9 highlights the uneven impact of the Great Recession and recovery.[13] Incomes of the top 1 percent of households in Colorado grew by nearly 201 percent between the 1979 and 2007 compared to 21 percent growth among the bottom 99 percent. More recently, the bottom 99 percent have seen growth from the full employment economy of the late 1990s nearly erased by the 2007 recession, while the top 1 percent have continued to see income growth over the long run (despite short-term ups and downs). This is apparent in the yellow bars in graph below. When data from 2008 to 2012 is added to the equation, income growth for the top 1 percent shrinks slightly to 184 percent between 1979 and 2012 while growth for the bottom 99 percent collapses from 21 percent to 3.8 percent.

Figure 3.9: 2007 recession and uneven recovery has widened the income gap

REAL INCOME GROWTH (2012 DOLLARS), COLORADO, 1979-2007 AND 1979-2012



Keystone Research Center analysis of state tax data from Sommeiller (2006) extended to 2012 using state data from the Internal Revenue Service SOI Tax Stats (various years); and Piketty and Saez (2012)

Why does growing income inequality matter?

Growing income inequality is both an economic and a social problem. A well functioning economy with broadly shared opportunity to reap the benefits of economic growth is critical to the overall wellbeing of our communities.

- ***Political participation*** — Generally, voter participation is greater among higher income people compared to lower income people.[14] Broad political participation is necessary to a truly representative democracy.
- ***Opportunity to move out of poverty*** —Income inequality can also hamper efforts to move families out of poverty. When working full-time is not enough to lift a family out of poverty, efforts to encourage work over welfare will not succeed and government budgets will be further strained.
- ***Impact on future generations*** —The research is clear that poverty has harmful and long-standing impacts on children. Children who grow up in poverty struggle in school and are more likely to live in poverty as adults.[15] Even modest changes in family income can make a big difference for children. Researchers at the University of Wisconsin found that increasing family income for children under age 6 resulted in those children earning more and working more as adults.[16] For example, an increase of $3,000 in family income—equivalent to an extra $1.44/hour for a full-time worker)—was found to advance a child's learning by the equivalent of two months, result in 135 additional hours worked per year after the child reaches 25, and was associated with a 17 percent increase in earnings as an adult.
- ***Long-term economic growth*** — The growing gap between high and low earners and stagnating wages for the majority of Americans is widely thought to have played an important role in both creating the current economic situation and the failure to fully recover. Countries with sustained economic growth for years, or even decades, generally have low levels of income inequality.[17] Standard & Poor's issued a report concluding "extreme income inequality is a drag on long-run economic growth," and downgraded its 10-year U.S. economic growth forecast as a result.[18]

Notes

[1] Lawrence Mishel, Josh Bivens, Elise Gould, and Heidi Shierholz. (2012). *The State of Working America, 12th Edition*. An Economic Policy Institute Book (pp. 53-54). Ithaca, NY: Cornell University Press.

[2] We use two sources of data for describing income trends in Colorado. Each source counts income slightly differently. 1) **The American Community Survey (ACS)**. ACS estimates of income, which are also used to produce most of the figures in this chapter and the poverty estimates in Chapter 5, include amounts reported for wage or salary income; net self-employment income; interest, dividends, or net rental or royalty income or income from estates and trusts; Social Security or Railroad Retirement income; Supplemental Security Income (SSI); public assistance or welfare payments; and retirement, survivor, or disability pensions. The ACS data on income does not include estimates from the following sources: capital gains, money received from the sale of property; the value of in-kind income from food stamps, public housing subsidies, medical care, employer contributions for individuals, etc.; withdrawal of bank deposits; money borrowed; tax refunds; exchange of money between relatives living in the same household; gifts and lump-sum inheritances, insurance payments, and other types of lump sum receipts. 2) **IRS Statistics on Income (SOI) Tax Stats Data**. The inequality analyses in this chapter use tax data reported by the Internal Revenue Service. These estimates include all market income (including capital gains). Put simply, whatever a tax-filer included as net income (pre-1943) and as adjusted gross income (from 1944-2012) when they filed their taxes is included. Importantly, these pre-tax estimates exclude a number of transfers and tax credits that have a small, but measurable impact on income concentration at the top.

[3] Mishel et al., *The State of Working America* (pp. 53-56).

[4] See Robert Wood Foundation. *County Health Rankings and Roadmaps* website. Available at: http://www.countyhealthrankings.org/app/colorado/2014/compare?counties=035%2B023.

[5] Mishel et al., *The State of Working America* (pp. 68-69).

[6] Mishel et al., *The State of Working America* (pp. 68-69).

[7] Mishel et al., *The State of Working America* (pp. 68-70).

[8] Francine D. Blau and Lawrence M. Kahn. (2007). The Gender Pay Gap: Have Women Gone as Far as they Can? *Academy of Management Perspectives*, *21*, 7-23. Available at: http://web.stanford.edu/group/scspi/_media/pdf/key_issues/gender_research.pdf.

[9] Institute for Women's Policy Research. (2015). *The Status of Women in the States, Employment and Earnings: 2015*. Available at http://statusofwomendata.org/.

[10] A note on estimates for Asian households in Colorado: Asian households comprise less than 2 percent of all households in Colorado. Because the population tends to be so small, the estimates are less stable. Observed differences may be within expected margins of error, and therefore not statistically significant.

[11] Data for this figure comes from the following sources. Estelle Sommelier and Mark Price. (2015). *The increasingly unequal states of America: Income inequality by state, 1917 to 2012.* Washington, DC: Economic Policy Institute. Available at http://www.epi.org/publication/income-inequality-by-state-1917-to-2012/. Thomas Piketty and Emmanuel Saez. (2012). Downloadable Excel files with 2012 data updates to tables and figures in Piketty and Saez (2003). http://elsa.berkeley.edu/~saez/TabFig2012prel.xls. Estelle Sommeiller.

(2006). *Regional income inequality in the United States, 1913–2003*. PhD. dissertation, University of Delaware.

[12] *Ibid*.

[13] *Ibid*.

[14] People living in families who earned $100,000 or more were more than twice as likely to vote as those who lived with families earning less than $20,000 (61 percent and 30 percent, respectively). U.S. Census Bureau. (2010). *Voting and Registration of those voted in the Election of November 2010*. Available at http://www.census.gov/newsroom/releases/archives/voting/cb11-164.html.

[15] Caroline Ratcliffe and Signe-Mary McKernan. (2012). *Child poverty and its lasting consequence*. Washington, DC: The Urban Institute.

[16] Greg J. Duncan and Katherine Magnuson. (2011). The Long Reach of Early Childhood Poverty. *Pathways*. Available at: http://www.stanford.edu/group/scspi/_media/pdf/pathways/winter_2011/PathwaysWinter11_Duncan.pdf.

[17] Andrew Berg and Jonathan Ostry. (2011). Equality and efficiency: Is there a trade-off between the two or do they go hand in hand. *Finance & Development*, 48(3).

[18] Standard & Poor's. (2014). *How Increasing Income Inequality is Dampening U.S. Economic Growth, and Possible Ways to Change the Tide*. Available at https://www.globalcreditportal.com/ratingsdirect/renderArticle.do?articleId=1351366&SctArtId=255732&from=CM&nsl_code=LIME&sourceObjectId=8741033&sourceRevId=1&fee_ind=N&exp_date=20240804-19:41:13.

CHAPTER 4: Wages

For most families, money earned from a job makes up about three-quarters of total family income.[1] This chapter focuses on trends in wages with particular attention on low and middle wage workers.

While median hourly wages in Colorado have historically been above the national median, wage growth in Colorado—as in the nation—has been strikingly uneven. For most Coloradans, wage growth has been slim to none, failing to keep pace with both rising costs and gains in productivity. The most substantial wage growth has been among the top 20 percent of earners in the state.

The current wage trends are discouraging for the ability of middle and low wage workers to keep pace with rising household costs. Wages have stagnated for the vast majority of workers in Colorado over the last decade—regardless of educational attainment.

To be clear, stagnating wages are not a forgone conclusion born of a struggling economy. In fact, productivity has grown by nearly 30 percent in Colorado since 2000, while the median wage dropped slightly over the same period. The long-term consequences of stagnating wages and rising wage inequality are troubling: Colorado cannot continue to effectively grow its economy when workers' pay so profoundly fails to rise in tandem with productivity.[2]

Fast Facts

In 2014, the median hourly wage in Colorado was $18.64 compared to $16.89 nationally.

Wage growth since 2000 has been uneven: wages for workers in the 80th percentile have increased 11.1 percent while wages in the 20th percentile are down 5.5 percent.

Median wages for workers with a bachelor's degree or higher are down 2.5 percent from 2000.

Wages for all Coloradans increased during the full-employment economy of the 1990s; only those in the top 20 percent saw continued growth beyond 2000.

Worker productivity has increased nearly 30 percent between 2000-2013, while the median wage dropped slightly over the same period.

Median wages are still down from 2007 and stagnant during the recovery

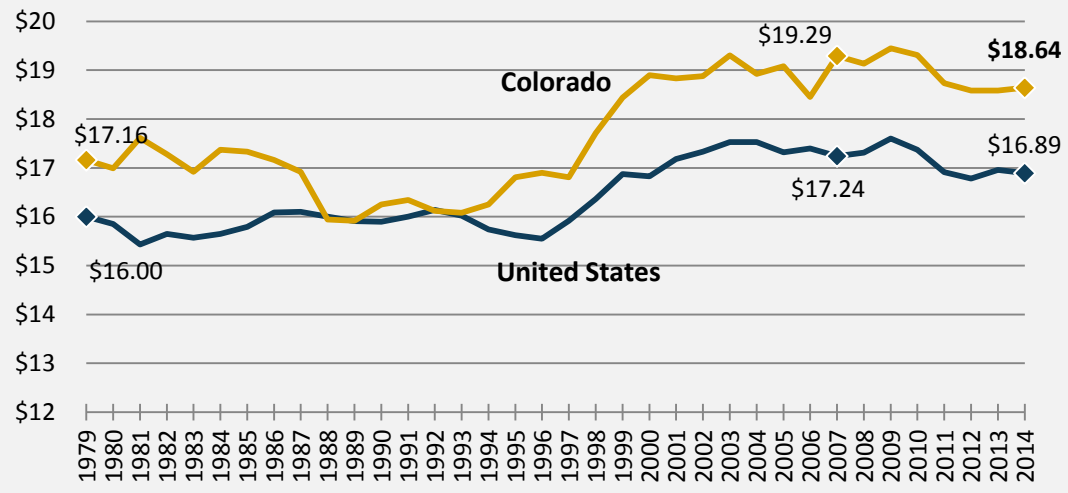
This chapter focuses primarily on inflation-adjusted median hourly wages of individual workers because trends in hourly wages drive annual earning trends. In 2014, the median hourly wage in Colorado was $18.64—equivalent to nearly $39,000 annually. That's still below the 2007 median wage of $19.29. (See Figure 4.1)

Even more striking is that the economic recovery for wages has really only meant that the median hourly wage in Colorado has stopped falling. While the unemployment rate has dropped every year since 2010, wages have been mostly stagnant over that same period. Dropping unemployment has not resulted in upward pressure on wages but simply translated into halting the decline of the median hourly wage. Expanding our timeframe, we can see that the majority of Coloradans have experienced minimal growth in wages since 1979—the current median wage is only $1.48 above the 1979 level in real dollars.

A recent analysis by the U.S. Bureau of Labor Statistics has concluded that wages have been stagnant for the vast majority of Americans during the recession and recovery period even after including benefits (i.e., health, pension and other benefits).[3] They found that the bottom 80 percent of workers had stagnant or declining hourly compensation (wages plus benefits) between 2007-2014. And the bottom 40 percent of workers experienced even greater decline in compensation than in wages over the same period, so that if we include benefits in the analysis, workers are even worse off than if we were just looking at wages. This is likely the result of low-wage workers receiving fewer or lower quality employment benefits.

***Figure 4.1**: Economic recovery for wages only means median wage has stopped falling*

MEDIAN HOURLY WAGES, COLORADO AND U.S., 1979-2014 (2014 DOLLARS)



Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

Education results in higher wages but not wage growth over time

Not surprisingly, workers with higher levels of education command higher wages. (See Figure 4.2.) The highest median wages are seen among those who complete college. In 2014, the median hourly wage of a worker with a bachelor's degree or higher ($25.83) was nearly twice the median wage of Coloradans who only completed high school ($14.96).

Although this data clearly illustrates the importance of education in improving earnings, the wages of Colorado's most educated workers have stagnated since 2000. The 2014 median wage for workers with a college degree in Colorado is down 2.5 percent from 2000.[4] This trend is apparent nationally as well. College graduates experienced stagnant or declining wages over the last decade in nearly every industry.[5]

Unfortunately, despite an improving economy, young graduates are still facing a difficult job market and stagnant wages.[6] Recent high school and college graduates are looking at entry-level wages that are lower than they were 15 years ago.

Figure 4.2: *Higher levels of education result in a higher median wage*

MEDIAN HOURLY WAGES AND ANNUAL SALARY EQUIVALENT, BY EDUCATIONAL ATTAINMENT, 2014

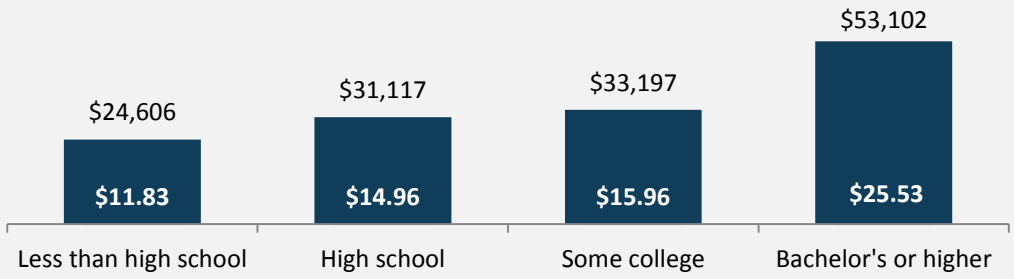
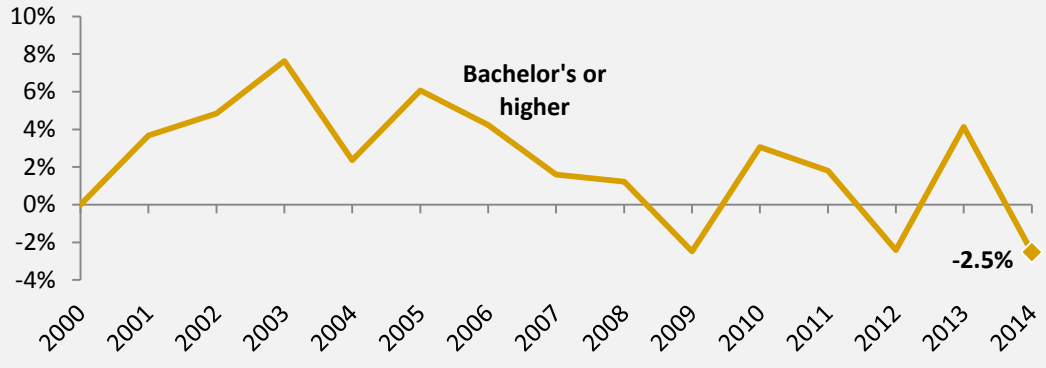


Figure 4.3: *Lost decade for Coloradans with college education*

CUMULATIVE PERCENT CHANGE IN WAGES FOR COLLEGE GRADUATES, 2000-2014 (2014 DOLLARS)



Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

Looking at Wages by Percentiles

Median wage is only one point in the income distribution. In this chapter, wages are also reported by percentile groups. Specifically, the next few figures report on wages at the 20th, 50th, and 80th percentiles to provide a measure of low, middle (or median) and high wages. A percentile is simply a value below which a given percentage of reported values fall. For example, the 80th percentile wage is the point at which 80 percent of all reported wages fall below that value.

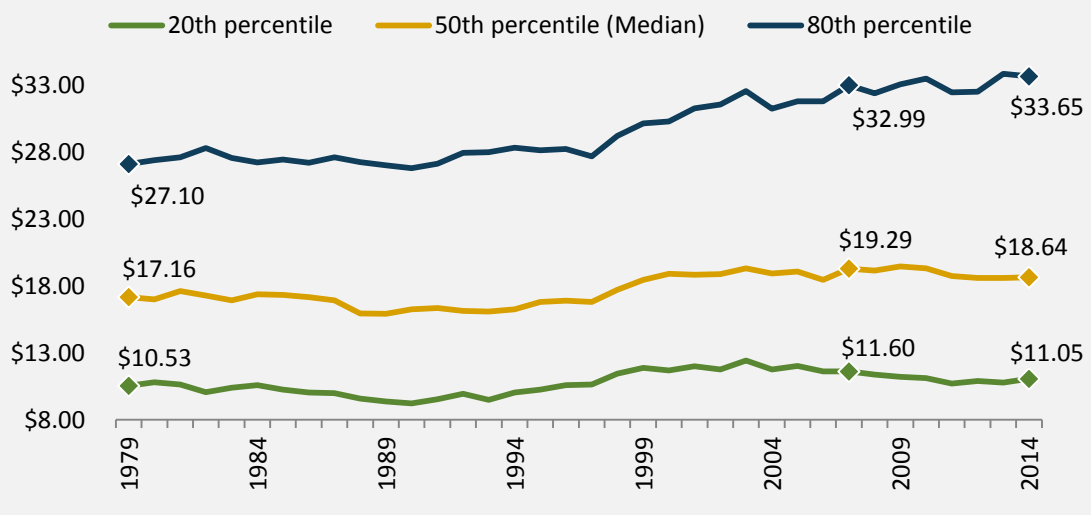
Growing gap between high-wage and low-wage earners

Wage inequality can be better understood when broken down into distinct wage earning groups. Figure 4.4 shows wages by percentiles—representing low, middle and high-wage earners. There are two things to note from this graph. As discussed above, wages for half of all Colorado workers are still down compared to 2007. High-wage workers, on the other hand, have recovered to the pre-recession level and seen a slight increase. Figure 4.4 also shows a growing wage gap between high-earners and low-earners. In 2014, high-wage workers (80th percentile) earned wages three times higher than workers at the 20th percentile—a gap that has grown since 1979.

If we compare the top 10 percent of Colorado earners (those in the 90th percentile) to the lowest 10 percent (those in the 10th percentile) the gap is even greater. The top 10 percent earned five times more than the lowest paid 10 percent, which puts Colorado in the top 10 states in the nation with the largest wage gap between high and low earners.[7]

***Figure 4.4**: Gaps between high and lower wage groups continue to grow*

HOURLY WAGES, BY WAGE PERCENTILE, 1979-2014 (2014 DOLLARS)



Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

Most Coloradans have seen little wage growth since 2000

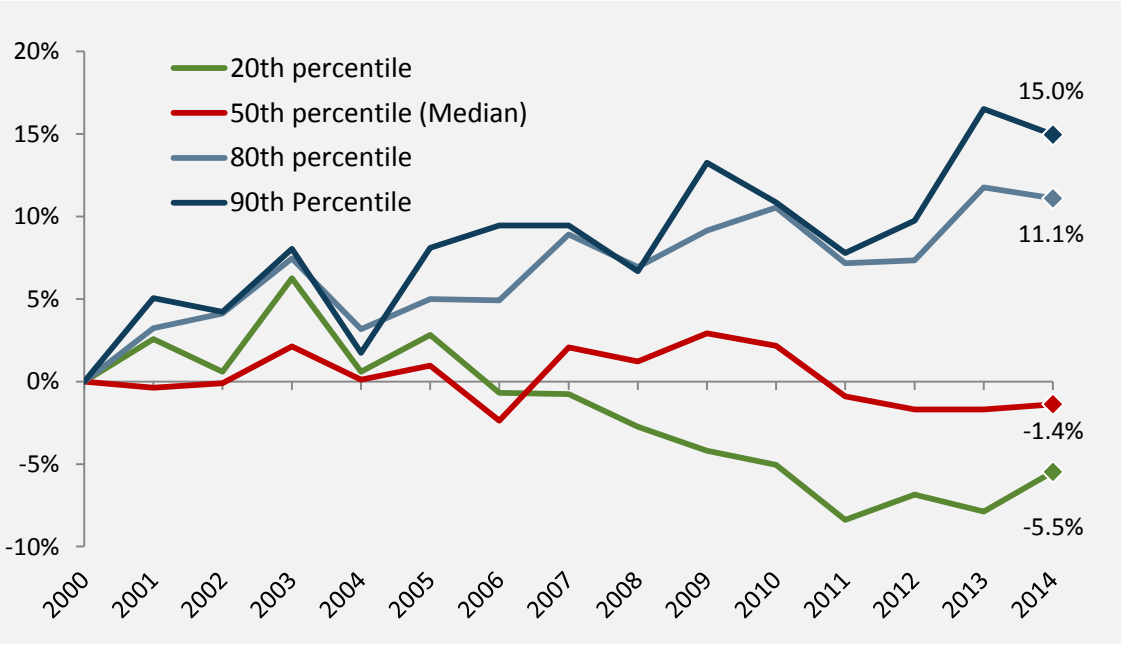
The wealthiest Coloradans have seen their wages grow much faster and more consistently than middle and low-wage earners across the state. Although all wage earners have seen their wages rise and fall to some extent over the past three decades, the highest earners experienced more consistent growth in real wages—particularly since 2000. (See Figure 4.5)

Meanwhile, for low-wage earners, the past decade or so has truly been a lost decade. In 2014, those in the 20th percentile earned wages 5.5 percent lower than they earned in 2000 in real dollars. Middle-wage earners are also down from 2000—earning 1.4 percent less than they did in 2000. Those at the top of the income spectrum (80th and 90th percentiles), however, have experienced more steady growth and are up 11 to 15 percent since 2000.

While wages have been mostly stagnant for the middle-class, costs have continued to rise creating a middle-class squeeze that strains families and ultimately hinders economic growth. The costs of basic needs like health care, child care and housing have increased significantly and are taking up larger shares of family budgets since 2000. In fact, costs for a two parent, two child family to meet their basic needs have increased by over $10,000 between 2000 and 2012.[8] Not only is this harmful for individual families but it also has serious implications for the overall economy. Middle-class households are important drivers of aggregate demand. Giving a dollar to low or middle income household produces three times more consumption than giving a dollar to a high income household.[9]

***Figure 4.5**: Wage growth is not evenly distributed across the income spectrum*

PERCENT CHANGE IN WAGES, BY INCOME GROUP, 2000-2014 (2014 DOLLARS)



Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

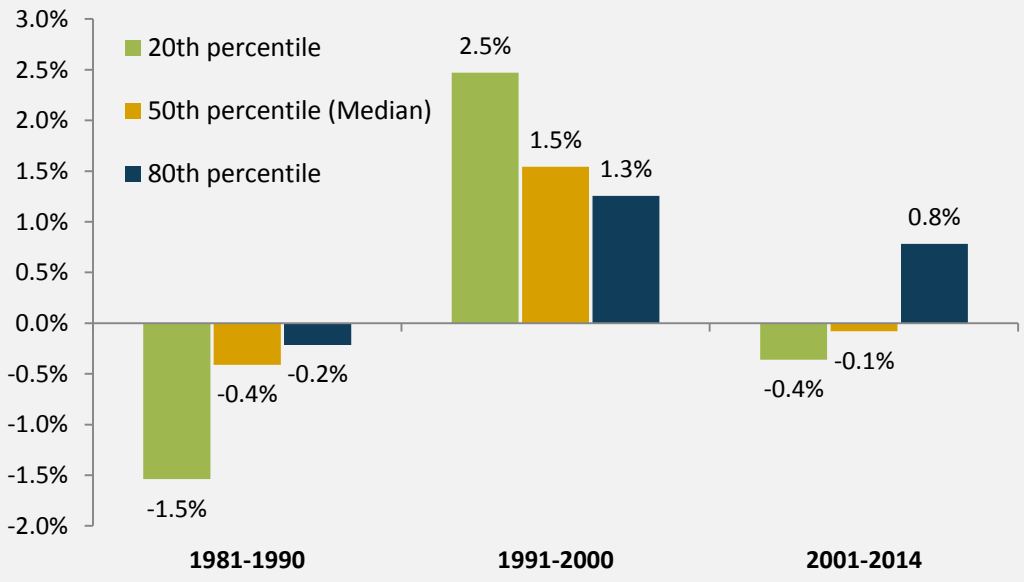
Low- and middle-wage workers have lost ground since 2000

Figure 4.6 is another way of looking at wage trends. By examining the average annual percent change over a decade, we can assess whether that period was, in general, one of growth or decline in wages. Breaking the data down into earning groups allows us to determine for whom wages were growing or dropping. A few interesting patterns emerge. Low-wage earners (20th percentile) have experienced the most volatile wages with declines year after year during the 1980s, followed by a period of growth during the 1990s and once again declining in more recent years.

Figure 4.6 also illustrates the major shift in fortunes of low, middle, and high-wage earners that occurred over the past 10 years. In earlier decades, although the magnitude of change in wages varied, the general direction of the change was the same across the earnings spectrum. More recently, however, high-wage earners have enjoyed increasing wages while low and middle-wage earners experienced declining wages. The 2000s have been a lost decade for low and middle wage earners, with the bottom 20 percent earning wages equivalent to what they earned in 1998 and the middle earning wages equivalent to what they earned in 1999.

***Figure 4.6**: Wages for all Coloradans increased during the 1990's; only those in the top 20 percent saw continued growth beyond 2000*

AVERAGE ANNUAL PERCENT CHANGE IN WAGES, BY INCOME LEVELS, 1981-2014



Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

Income gains are due to working more hours, not higher pay

Income for the middle 20 percent of households primarily comes from wages. Much of the income growth experienced by the middle fifth of households in America has been driven by increasing work hours rather than increasing wages.[10] For example, between 1979 and 2007, working-age households in the middle fifth of the income distribution increased their average annual hours worked by 327—the equivalent of 40 days. Married families with children in the same income bracket increased their work hours even more dramatically by 577—or 72 days—over the same time period. While this increase in work hours certainly resulted in higher incomes it also comes at the cost of a less ideal work-life balance and greater overall household strain. Full employment, which would provide employees with greater bargaining power, is the surest way for low and middle-income families to achieve quick and noticeable gains in income that can otherwise only be realized by working longer hours.

Productivity gains no longer lead to wage increases

Productivity, put simply, is economic output per worker. It is calculated using the Gross Domestic Product (in this case for Colorado), and dividing it by the total number of people in the labor force. Increased productivity has historically resulted in rising wages and better living standards. In recent decades, however, growth in wages for most families has lagged significantly behind the nation's growth in productivity.

This trend first started to take hold nationally in the early 1970s. In the period between 1948 and 1973, nationally productivity increased nearly 97 percent. Those gains were shared with workers as hourly compensation rose by 91.3 percent.[11] Starting in the early 1970s, we see a very different trend. Nationally, productivity grew 72.2 percent between 1973 and 2014—enough to have allowed substantial leaps in living standards for most Americans if the gains had been broadly shared. But hourly compensation of the median worker only grew 9.2 percent and most of that growth occurred during the strong labor markets of late 1990s—growth that has been all but erased for most workers in the past decade or so.[12]

In Colorado the story has been similar. Gross state product per worker grew 68.7 percent between 1979 and 2013. Meanwhile, median wages grew only 12.7 percent. (Figure 4.7) The split between gains in productivity and wages is readily apparent in Figure 4.7. Focusing on the last decade or so, we can see how it has been a lost decade for most Colorado workers. Between 2000 and 2013, productivity increased by nearly 30 percent while median wages have essentially been stagnant over the same period.

***Figure 4.7**: Productivity increases in Colorado but wages fail to follow*

CUMULATIVE PERCENT CHANGE IN PRODUCTIVITY AND MEDIAN WAGE, 1979-2013

U.S. Census Bureau Current Population Survey and Colorado Bureau of Economic Analysis Data

Nationally low-wage workers are more educated but earn less than they did in 1968[13]

Today's labor force is more highly educated than ever before. Has this growth in educational attainment resulted in higher wages—particularly for low-wage workers? Unfortunately, the answer is no. Less than half of low-wage workers (those in the bottom 20 percent of the income distribution) had finished high school in 1968. By 2012, 79 percent of low-wage workers in America had completed high school. We see a similar upward trend with college attendance. In 1968, only about 17 percent of low-wage workers had some college education or completed college. As of 2012, nearly half of low-wage workers had at least some college experience. Over this same time period between 1968 and 2012, productivity has more than doubled.

The punch line? Despite doubling productivity and impressive gains in educational attainment, low-wage workers earn a federal minimum wage ($7.25/hour) that is 24 percent less than its peak inflation adjusted value in 1968.[14]

Difficult to support a family working a full-time minimum wage job

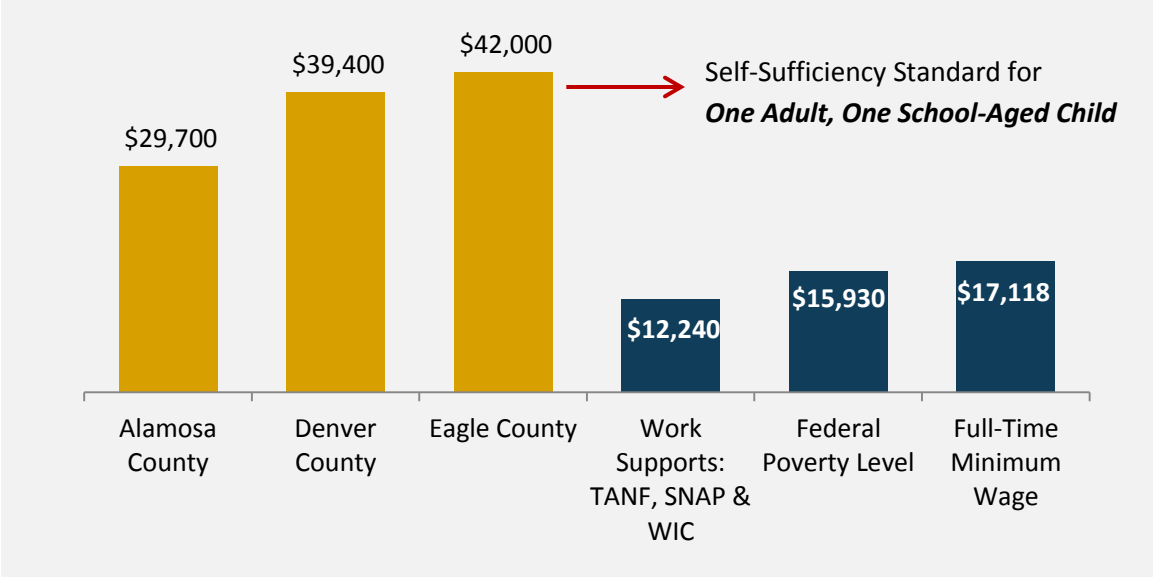
A government set wage floor compensates for the significant and growing imbalance in bargaining power between employers and low-wage workers. Colorado, like 28 other states, has a minimum wage above the federal minimum of $7.25/hour.[15] Since 2007, the minimum wage in Colorado has been adjusted annually for inflation and reached $8.23/hour in 2015. While adjusting for inflation is an important step in protecting low-wage incomes and ensuring consistent purchasing power over time, the minimum wage in Colorado still falls significantly short of its historical value.

Between 1938—when the minimum wage was established—through the 1960s, the minimum wage provided an adequate floor for wages. At its peak value in 1968, the minimum wage was equal to a little more than half of what the average production worker made and was enough to keep a family of three above the poverty line.[16] Throughout the 1960s and 1970s, a full-time minimum wage job was enough to keep a family of two above the poverty line. That is no longer true today. Over time, the value of the minimum wage has eroded and the wage gap between minimum wage workers and the average American wage earner has grown significantly.

Today, at $8.23 an hour, a minimum wage worker in Colorado only makes about one-third of the average wage.[17] Working full-time year round for minimum wage totals only about $17,000 in annual income—that is only slightly above the poverty line for a family of two ($15,930) and below the poverty line for a family of three ($20,090).[18]

***Figure 4.8**: Cost of living far exceeds full-time minimum wage salary*

SELF-SUFFICIENCY STANDARD COMPARED TO OTHER INCOME BENCHMARKS, 2015



Self-Sufficiency Standard for Colorado, 2015

Looking at the Self-Sufficiency Standard for Colorado, which calculates the income for a family to meet basic needs without public or private assistance, we see that in most parts of the state, even a single adult would fall short of meeting their basic needs while working a minimum wage job.[19] Once we add child care into the equation, a single adult with one child living anywhere in Colorado would have to work two to three full-time year round minimum wage jobs to make ends meet. Even two-adults each working a full-time minimum wage job fall short in providing for a family of four in most counties across the state.

About 600,000 Coloradans—just over one-quarter of the labor force— are in low-wage jobs paying less than $12/hour.[20] Contrary to popular belief, the majority of these workers are adults. Only 15 percent are under the age of 20. Women and people of color are more likely to be employed in low-wage jobs in Colorado.

The weight of current research points clearly to the conclusion that minimum wage increases have little to no negative impact on employment of minimum wage earners.[21] Further, low and middle-income workers are more likely to spend pay increases than other income groups. The additional spending would have an overall stimulative effect on the economy resulting in increasing consumer demand and job growth.

Notes

[1] Lawrence Mishel, Josh Bivens, Elise Gould and Heidi Shierholz. (2012). *The State of Working America, 12th Edition.* An Economic Policy Institute Book, (pp. 173). Ithaca, NY: Cornell University Press.

[2] This is also the assessment of Standard & Poor's, a nonpartisan organization focused on providing economic research for investors and others. In August 2014, Standard & Poor's reduced their 10-year forecast for economic growth for the U.S. citing "extreme income inequality is a drag on long-run economic growth." They conclude that growing income inequality in America is making it harder to recover from the recession and achieve levels of economic growth common several decades ago. See Standard & Poor's. (2014). *How increasing income inequality is dampening U.S. economic growth, and possible ways to change the tide*. Available at: https://www.globalcreditportal.com/ratingsdirect/renderArticle.do?articleId=1351366&SctArtId=255732&from=CM&nsl_code=LIME&sourceObjectId=8741033&sourceRevId=1&fee_ind=N&exp_date=20240804-19:41:13

[3] Kristin Monaco and Brooks Pierce. (2015). *Compensation Inequality: Evidence from the National Compensation Survey*. U.S. Department of Labor, Bureau of Labor Statistics. Available at http://www.bls.gov/opub/mlr/2015/article/compensation-inequality-evidence-from-the-national-compensation-survey.htm.

[4] CCLP analysis of U.S. Census Bureau, current population survey data.

[5] Mishel et al., *The State of Working America* (pp. 175-176).

[6] Elise Gould, Will Kimball, and Alyssa Davis. (2015*). Class of 2015: Despite an Improving Economy, Young Grads Still Face an Uphill Climb*. Washington, DC: Economic Policy Institute. Available at http://www.epi.org/publication/the-class-of-2015/.

[7] U.S. Bureau of Labor Statistics. (May 2015). Spotlight on Statistics: A Look at Pay at the Top, the Bottom, and in Between. Available at http://www.bls.gov/spotlight/2015/a-look-at-pay-at-the-top-the-bottom-and-in-between/pdf/a-look-at-pay-at-the-top-the-bottom-and-in-between.pdf.

[8] Jennifer Erickson, ed. (2014). *The Middle-Class Squeeze*. Washington, DC: Center for American Progress. Available at https://www.americanprogress.org/issues/economy/report/2014/09/24/96903/the-middle-class-squeeze/.

[9] *Ibid.*

[10] Mishel et al., *The State of Working America* (pp. 53-56).

[11] Josh Bivens and Lawrence Mishel. (2015). *Understanding the Historic Divergence Between Productivity and a Typical Worker's Pay: Why it Matters and Why it's Real*. Washington, DC: Economic Policy Institute. Available at http://www.epi.org/publication/understanding-the-historic-divergence-between-productivity-and-a-typical-workers-pay-why-it-matters-and-why-its-real/.

[12] *Ibid*.

[13] Lawrence Mishel. (2014). *Low-wage workers have far more education than they did in 1968, yet they make far less*. Economic Policy Institute. Available at: http://www.epi.org/publication/wage-workers-education-1968/

[14] David Cooper. (2015). *Raising the Minimum Wage to $12 by 2020 Would Lift Wages for 35 Million American Workers*. Washington, DC: Economic Policy Institute. Available at: http://www.epi.org/publication/raising-the-minimum-wage-to-12-by-2020-would-lift-wages-for-35-million-american-workers/.

[15] National Conference of State Legislatures. (2015). *2015 Minimum Wage by State.* Available at: http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx

[16] David Cooper. (2013). *Raising the Federal Minimum Wage to $10.10 Would Lift Wages for Millions and Provide a Modest Economic Boost*. Washington, DC: Economic Policy Institute. Available at http://www.epi.org/publication/raising-federal-minimum-wage-to-1010/.

[17] According to data from the Bureau of Labor Statistics, the average hourly wage for production workers in Colorado in 2014 was $25.03 and the average hourly wage of all private nonfarm workers was $26.29.

[18] U.S. Department of Health and Human Services, Annual update of the HHS poverty guidelines 2015. Available at: https://www.federalregister.gov/articles/2015/01/22/2015-01120/annual-update-of-the-hhs-poverty-guidelines.

[19] Diana M. Pearce. (2015). *Self-Sufficiency Standard for Colorado: 2015*. Colorado Center on Law & Policy. Available at http://www.selfsufficiencystandard.org/docs/Colorado2015.pdf.

[20] Chris Stiffler. (2015). Low-Wage Jobs in Colorado are Growing, Putting More Pressure on Taxpayers. Colorado Fiscal Institute. Available at http://www.coloradofiscal.org/wp-content/uploads/2015/04/Low-Wage-Jobs-Colorado-Report.pdf.

[21] John Schmitt. (2013). *Why does the minimum wage have no discernible effect on employment?* Washington, DC: Center for Economic and Policy Research. Available at: http://www.cepr.net/documents/publications/min-wage-2013-02.pdf.

CHAPTER 5: Poverty

The economic trends outlined in the previous chapters—on unemployment and underemployment, stagnant wages, and increasing income disparity—all lead to this discussion of poverty. The following chapter outlines key findings about Coloradans living on the economic edge.

Poverty rates dropped in Colorado in 2014 to levels not seen since before the recession began. The overall poverty rate dropped to 12 percent and the child poverty rate dropped to 15.4 percent. These levels remain substantially higher than 2000, when more families were still experiencing the benefits of the full employment economy of the 1990s. Twice as many children live in poverty today in Colorado than in 2000.

Poverty rates among people of color in Colorado are even higher making it clear that the economic recovery is more theoretical than reality for these families. The poverty rate among Latinos is 21.4 percent and 19.5 percent for black Coloradans.

We are now six years into an economic recovery that is clearly still leaving far too many families behind. Economic insecurity and poverty remain more pervasive than would be suggested by the high-level headlines about how the state economy is performing. Wage stagnation coupled with rising costs, growing income inequality and eroding labor standards all contribute to persistently high rates of poverty and economic insecurity in the state.

Fast Facts

In 2014, 12 percent of Coloradans lived in poverty—a rate note seen since 2007 but still substantially higher than 2000 (8.7 percent).

Nearly 1 in 3 Coloradans live at or near the poverty level.

The poverty rate among whites in Colorado is 8.7 percent—lower than the statewide poverty rate and several times lower than Latinos (21.4 percent), blacks (19.5 percent) and American Indian/Alaskan Natives (20.6 percent).

Single mothers with children account for 10.7 percent of families in Colorado, but are 42.2 percent of all families in poverty.

Nearly 37 percent of all children in Colorado lived at or near the poverty level in 2014.

Poverty rate dropped to pre-recession level in 2014

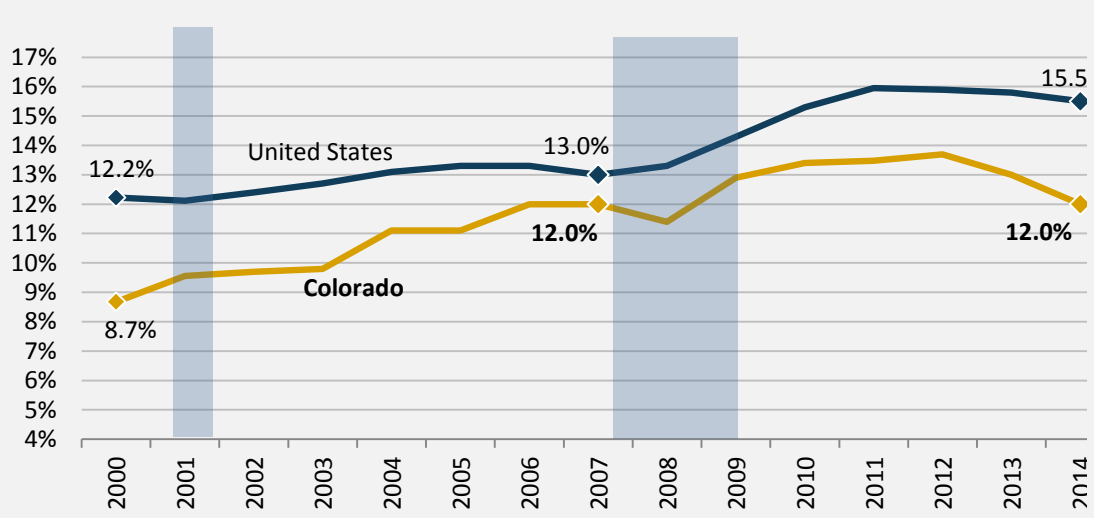
Historically, poverty rates have tracked business cycles—increasing during recessions and declining during periods of economic expansion. The pattern since 2000 has been slightly different both nationwide and in Colorado. Poverty rates have actually continued to increase during the recovery following the 2001 and 2007 recessions. (See Figure 5.1) In 2001, the poverty rate in Colorado was 9.6 percent and increased to 12 percent by 2007. After a slight decrease in 2008, poverty rates rose year after year to the 2012 peak of 13.7 percent—the second highest statewide poverty rate since 1980.

The state's poverty rate dropped to 12 percent in 2014, finally falling to a level not seen since 2007**.** Furthermore**,** Colorado was among only 12 states to see a decline in the poverty rate. Meanwhile, 36 states experienced no statistical change in the percentage of people living in poverty between 2013 and 2014. The Center on Budget and Policy Priorities has called this trend the "new normal" where economic recoveries take years to reach low- and middle-income households. In fact, economic insecurity has become a commonplace experience in America with four in five workers experiencing a period of economic struggle at some point during their working years.[1]

A substantial share of people in Colorado, however, are living on much less than the federal poverty level. A full 46 percent of Coloradans in poverty are living in deep poverty—that is, living on an income that is half of the poverty line. In 2014, that meant $5,835 per year for an individual and $9,895 for a family of three. And the number of people living in deep poverty increased by 27,200 between 2007 and 2014.

***Figure 5.1**: Poverty finally drops to 2007 rate in Colorado*

PERCENT OF POPULATION LIVING IN POVERTY, COLORADO AND U.S., 2000-2014



U.S. Census Bureau American Community Survey

Poverty Measures

Federal Poverty Level

The federal poverty level (FPL), the official measure of poverty, dates back to the 1960s. It was based on a low-cost food budget that was then multiplied by three to account for all other costs of daily life. It is adjusted annually for inflation. Experts widely agree that the federal poverty level severely underestimates the actual cost of modern living. The FPL does not take into account geographic differences within the 48 contiguous states, rising standards of living, job-related expenses such as transportation and child care, growing health care costs, or the effects of government policies that alter families' disposable income. Far from just a philosophical debate, the meaning of poverty and how it is measured impacts eligibility for programs such as Medicaid, the Colorado Child Care Assistance Program, and Colorado Works (Temporary Assistance for Needy Families).

Table 5.1: 2014 Federal Poverty Level

Family Size	100% FPL	200% FPL
1	$11,670	$23,340
2	$15,730	$31,460
3	$19,790	$39,580
4	$23,850	$47,700
5	$27,910	$55,820
6	$31,970	$63,940
7	$36,030	$72,060
8	$40,090	$80,180

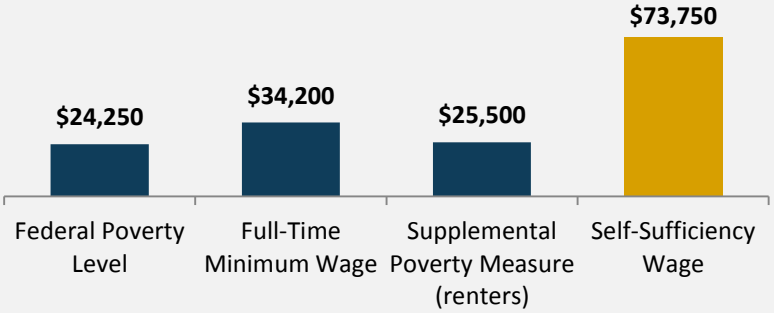
Self-Sufficiency Standard

One alternative measure of poverty is the Self-Sufficiency Standard, which calculates the income required for a family to meet its basic needs without public or private assistance.[2] The standard adjusts for family composition and geographic location, and it accounts for routine costs of family living, such as health care and child care. As Figure 5.2 shows, the estimated annual income required for a family of four to cover basic needs in Denver is nearly three times the FPL. Depending on the county, the Self-Sufficiency Standard for a family of four ranges from two to four times the federal poverty level.

Supplemental Poverty Measure

Another alternative is the U.S. Census Bureau's Supplemental Poverty Measure (SPM), which was also crafted to more holistically reflect the cost of meeting basic needs. The SPM determines poverty status by expanding the definition of family income to include tax credits and noncash benefits. It also acknowledges the importance of work expenses such as child care, and out-of-pocket health expenses.

Figure 5.2: **SELF-SUFFICIENCY STANDARD FOR A FAMILY OF 2 WORKING ADULTS AND 2 CHILDREN IN DENVER COMPARED TO INCOME BENCHMARKS, 2015**



Self-Sufficiency Standard for Colorado (2015) and U.S. Census Bureau

While the SPM and the Self-Sufficiency Standard reflect a better understanding of poverty and the costs of providing for basic needs, the official poverty measure remains useful. The federal poverty level tells us how many people are in a specific condition, while the Self-Sufficiency Standard explains what people must earn to be self-sufficient.

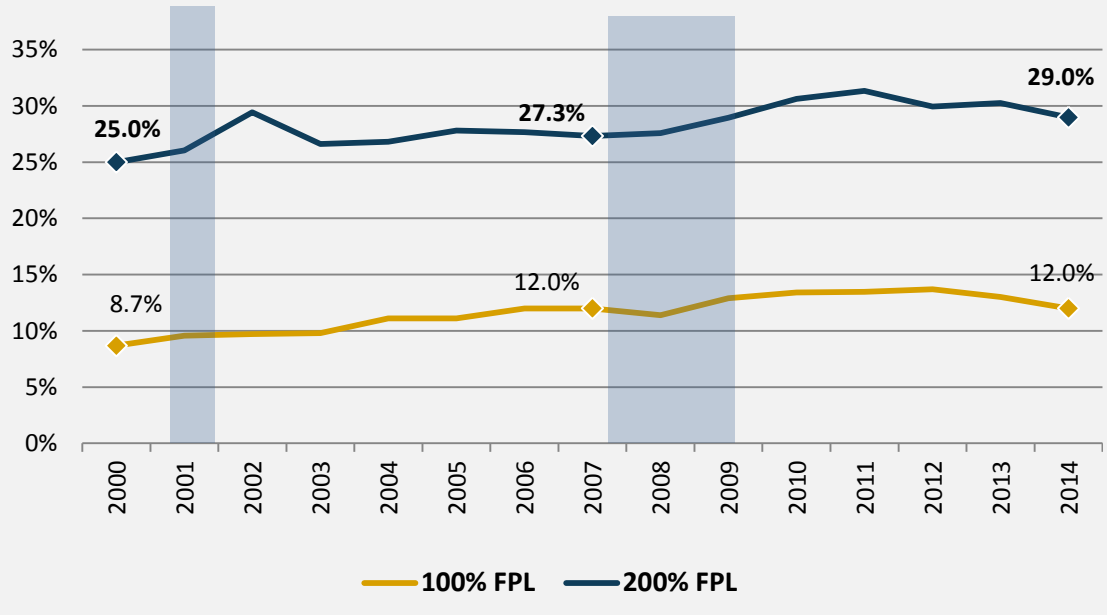
Nearly one in three Coloradans living at or near poverty

Although the federal poverty level (FPL) is the most commonly used official metric of economic need, many regard it as an inadequate measure of those who struggle to make ends meet. Looking only at 100 percent of the federal poverty level underestimates the share of the population experiencing economic hardship. Defining poverty as those with incomes under twice the federal poverty level provides a more complete picture of the share of Coloradans living in need, because it more realistically reflects the burden of housing and health care costs. The Self-Sufficiency Standard for Colorado—the level at which families can meet basic needs without public or private support—generally requires an income above 200 percent of FPL or even higher in some parts of the state.[3] Many low-income assistance programs set eligibility above 100 percent of FPL, such as the Low-income Energy Assistance Program, Colorado Child Care Assistance Program, Medicaid, and Child Health Plan Plus.

Figure 5.3 shows the share of Coloradans with incomes under 200 percent of FPL—that is, less than $23,340 for an individual and $39,580 for a family of three in 2014. Using this metric more accurately identifies the share of households that cannot meet their basic needs in Colorado. By this measure, the share of Coloradans without basic economic security was 29 percent in 2014 or nearly one in three households in the state.

Figure 5.3: *Nearly one in three Coloradans live in or near poverty*

PERCENT OF COLORADANS LIVING AT 100 AND 200 PERCENT OF FPL, 2000-2014



U.S. Census Bureau American Community Survey

How does the U.S. stack up against peer countries in addressing poverty? [4]

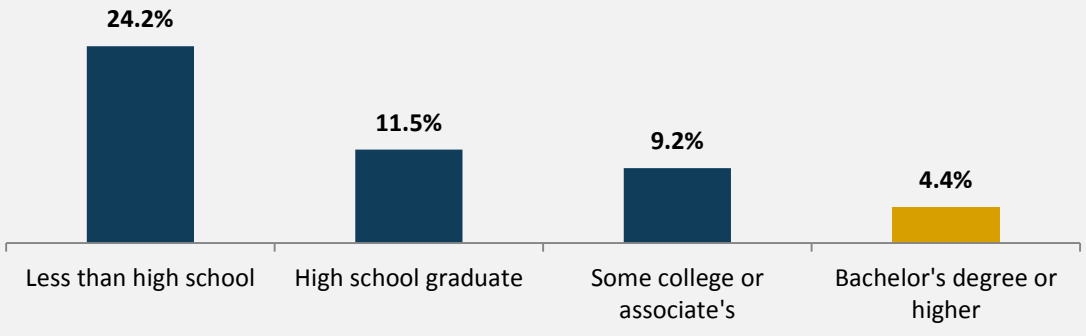
The American dream of moving up the economic ladder may be becoming more myth than reality. Workers at the bottom of the earning scale are more likely to remain stuck there generation after generation compared to low-income people in peer countries. As a result, the U.S. has a higher relative poverty rate compared to other developed countries. Using the "relative poverty" measure—that is, the percentage of households earning less than half of the median income—the U.S. had the third highest poverty rate among the 31 Organization for Economic Cooperation and Development (OECD) countries in 2012 (falling just below Israel and Mexico). The U.S. had a relative poverty rate of 17.9 percent compared to an average of 10.1 percent among the other countries examined.[5] The U.S. also does not stack up well to peer countries on the resources available to help lift people out of poverty. The U.S. spent 19.2 percent of GDP on social programs in 2014 compared to 23.2 percent on average among peer countries.[6] A 4 percent difference in GDP is significant—totaling an estimated $694 billion.

Education lifts people out of poverty

Poverty disproportionately affects certain groups—often in predictable ways. Less than 5 percent of Coloradans with at least a bachelor's degree lived in poverty in 2014. (See Figure 5.4) On the other end of the education spectrum, nearly one-quarter of those without a high school diploma lived in poverty. These findings validate the notion that education is a key pathway out of poverty. An education, however, does not provide the earnings boost it once did. Low-wage workers are now more highly educated than in years past yet earn a minimum wage nationally that is 24 percent less than its peak inflation-adjusted value in 1968.[7] Even college graduates logged disappointing wage growth over the last decade in nearly every occupation.[8]

Figure 5.4: *Education is a key pathway out of poverty*

POVERTY RATES, BY EDUCATIONAL ATTAINMENT, 2014

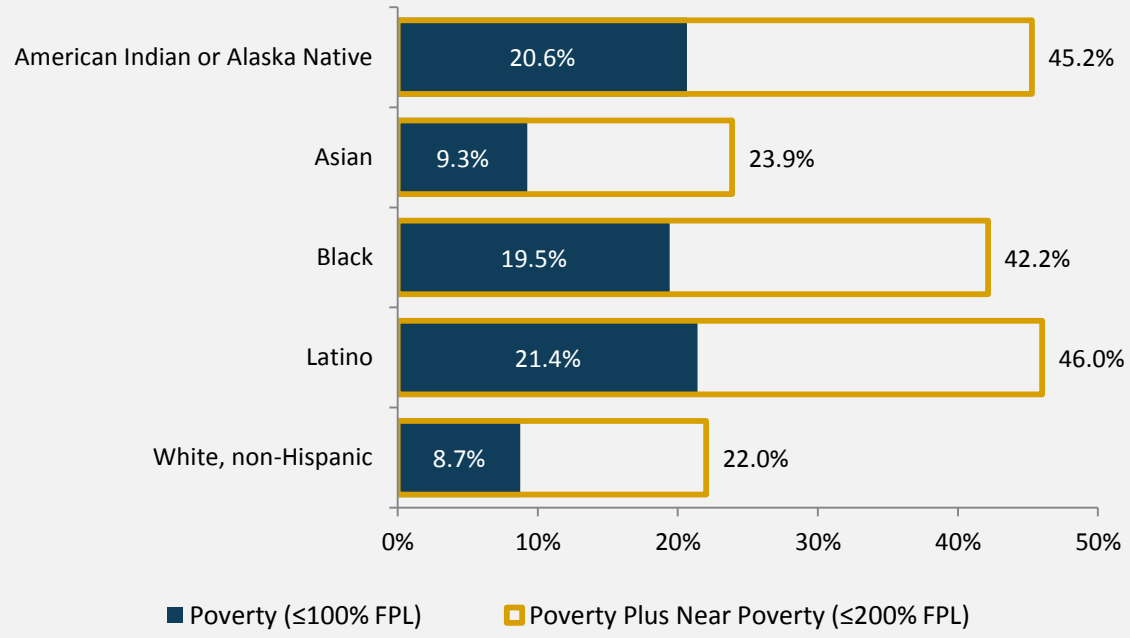


U.S. Census Bureau American Community Survey. Data for Coloradans over age 25.

Stark disparities in poverty rates by race and ethnicity

Poverty rates vary widely by race and ethnicity.[9] (See Figure 5.5) The poverty rate among white, non-Hispanics in Colorado is 8.7 percent—lower than the statewide poverty rate of 12 percent and several times lower than Latinos (21.4 percent), blacks (19.5 percent) and American Indian/Alaskan Natives (20.6 percent). The poverty rate among Asian households is 9.3 percent. Even more striking is the share of people living at or near poverty (under 200 percent of the federal poverty level): 46 percent of all Latinos in Colorado live at or near poverty; 42.2 percent of black Coloradans; nearly 24 percent of Asians; and 45.2 percent of American Indian or Alaskan Natives.

Figure 5.5: *Nearly half of all Latinos in Colorado live at or near poverty*
POVERTY RATES, BY RACE AND ETHNICITY, 2014

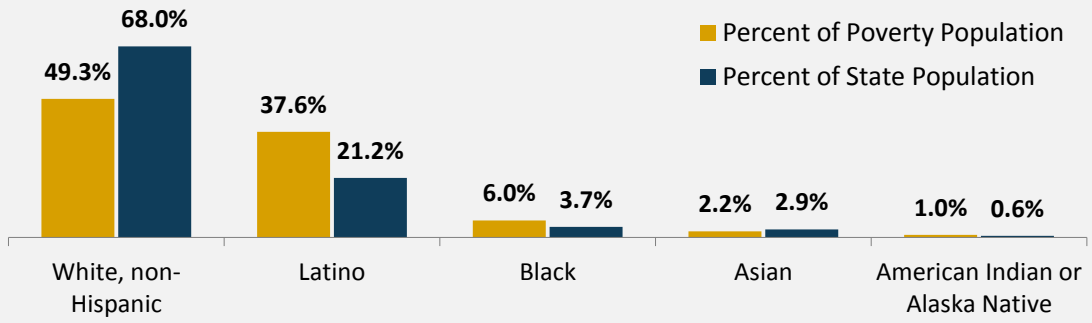


U.S. Census Bureau American Community Survey

Latinos, blacks, and American Indian/Alaskan Natives experience higher rates of poverty, and are overrepresented in the population living in poverty in Colorado. (See Figure 5.6) For example, Latinos make up about 21 percent of the total state population, but accounted for about 38 percent of the population living in poverty in 2014. Blacks are also overrepresented in the poverty population accounting for less than 4 percent of the total statewide population but 6 percent of people living in poverty in Colorado. The opposite pattern holds for whites, who account for 68 percent of the total population and 49 percent of the population living in poverty.

Figure 5.6: *Latinos and blacks disproportionately in poverty*

SHARE OF POPULATION IN POVERTY AND STATE POPULATION, BY RACE AND ETHNICITY, 2014



U.S. Census Bureau American Community Survey

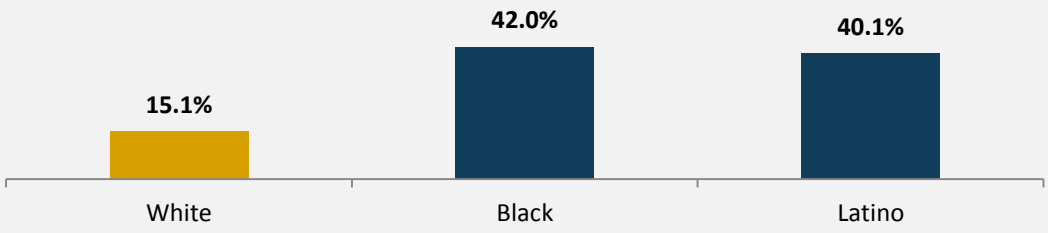
People of color more likely to live in high poverty neighborhoods

Poverty is not distributed evenly across the state—some neighborhoods and some communities have higher than average poverty rates. The full employment economy of the 1990s helped reduce concentrated poverty across the country, but since 2000 it has been on the rise.[10] In 2000, 9.5 percent of Coloradans lived in neighborhoods with a poverty rate of 20 percent or more. By 2010, 21.3 percent of Coloradans lived in poverty neighborhoods—an increase of 650,000 residents.[11] A growing body of research has concluded that living in high poverty neighborhoods only further taxes low-income families and makes breaking the cycle of generational poverty even more difficult.[12] The clustering of families in poverty actually changes the experience of living in poverty—making it more difficult, more stressful and feel more pervasive because it extends outside the home and touches the entire neighborhood.

People of color are more likely to experience this clustering. Figure 5.7 shows the percent of Coloradans by race and ethnicity that live in neighborhoods with 20 percent or more people living below the federal poverty line. While 15 percent of whites live in poverty communities, 42 percent of blacks, and 40 percent of Latinos live in such neighborhoods.

Figure 5.7: *Black and Latino Coloradans more likely to live in concentrated poverty*

PERCENT OF POPULATION LIVING IN CONCENTRATED POVERTY, BY RACE AND ETHNICITY, 2009-2013



U.S. Census Bureau American Community Survey

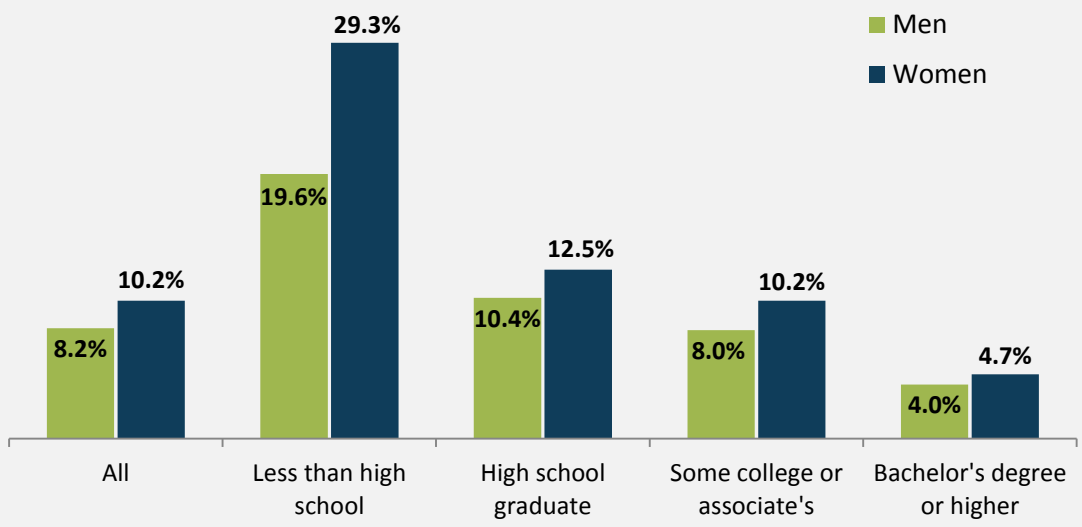
Women are more likely to live in poverty regardless of education

In Colorado, women are more likely to live in poverty compared to men. Of the 447,472 people over 18 living in poverty, 43 percent are single women—although single women account for only 24 percent of the overall population. Marriage provides some protection from slipping into poverty. Married individuals account for over half of the total adult population and only one-quarter of those living in poverty.

The gender poverty gap, which also exists at the national level, is symptomatic of other disparities between men and women such as the gender pay gap discussed in earlier chapters. Women are more likely to live in poverty compared to men at every level of educational attainment. (See Figure 5.8) Again, illustrating the impact of education on economic stability, differences in poverty rates between men and women shrink at progressively higher levels of education.

***Figure 5.8**: A larger share of women live in poverty at every educational level*

POVERTY RATES, BY GENDER AND EDUCATIONAL ATTAINMENT, 2014



U.S. Census Bureau American Community Survey. Data for Coloradans 25 and older.

Poverty is highest among single mother families

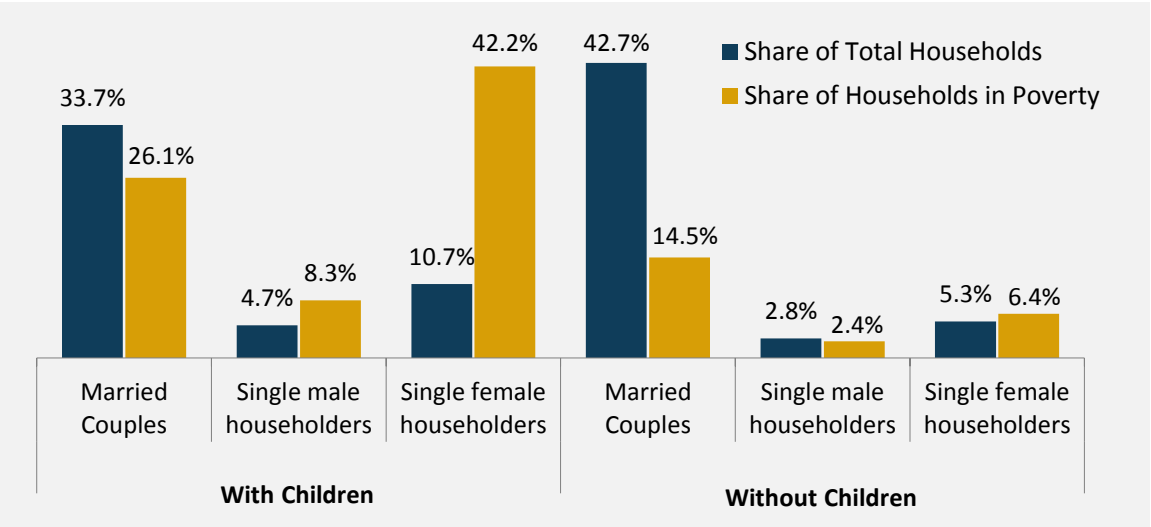
Single women with children account for the greatest share of families living in poverty.[13] Although only 10.7 percent of Coloradans live in single mother households, they account for 42.2 percent of households in poverty. (See Figure 5.9) Single father households, on the other hand, account for less than 5 percent of the total population and 8.3 percent of the families in poverty.

While being a single parent substantially increases the likelihood of poverty for both men and women, the challenge of making ends meet is more pronounced among single mothers. Single mother families face all the challenges of being a single parent coupled with significant labor market disparities. For example, median annual income among single mothers in Colorado is $30,400—64 percent of median income for single father households ($47,370) and just one-third of the median income for married couples with kids ($91,564).[14] Women make up nearly 58 percent of minimum wage workers in Colorado.[15]

Education is essential to lifting women out of poverty. Over half of single mothers in Colorado with less than a high school diploma live in poverty. (See Table 5.2) With each progressively higher level of educational attainment, the share of women living in poverty declines. Among single mothers who finished high school, 36 percent are poor. Among single mothers with a bachelor's degree or higher, 10 percent live in poverty in Colorado.

Figure 5.9: *Single mothers account for disproportionate share of families in poverty*

SHARE OF TOTAL HOUSEHOLDS AND HOUSEHOLDS IN POVERTY, BY FAMILY TYPE, 2014



U.S. Census Bureau American Community Survey

Table 5.2: *Women with higher education are significantly less likely to live in poverty*
SHARE OF WOMEN AGE 25 AND OLDER IN POVERTY, BY EDUCATION LEVEL, 2014

	Single Mothers	Single Women
Less than High School	58%	33%
High School	36%	16%
Some college or associate degree	24%	16%
Bachelor's degree or higher	10%	9%

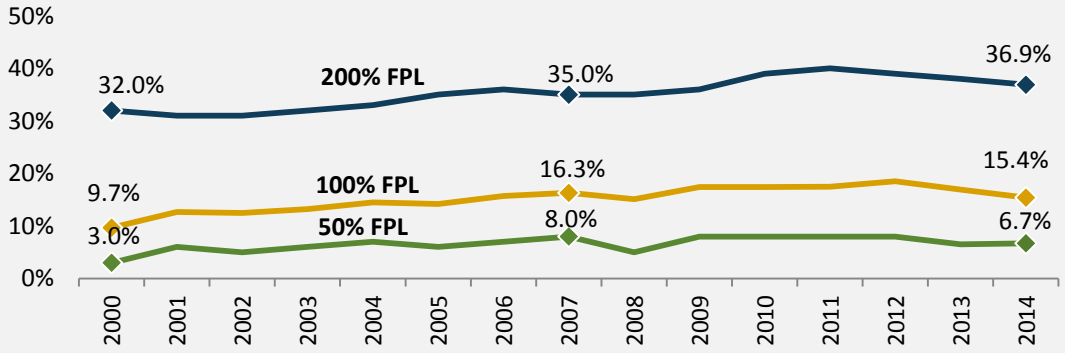
U.S. Census Bureau American Community Survey

Child poverty drops to pre-recession levels

The child poverty rate is the percent of children under 18 who live in a household with an income below the federal poverty level. Between 2000 to 2007, the share of Colorado children in poverty increased from 9.7 percent to 16.3 percent—an increase of more than 100,000 children living in poverty. During this period, Colorado had one of the fastest growing child poverty rates.[16]

The child poverty rate continued to increase after 2007 but at a slower rate. In 2014, the child poverty rate dropped to 15.4 percent—finally falling slightly below the 2007 rate but still remains significantly higher than the 2000 rate (9.7 percent). (See Figure 5.10) The percentage of children living in deep poverty—those in households with incomes less than half of the federal poverty level—remained virtually unchanged between 2007 and 2012 before dropping slightly to 6.7 percent in 2014. That equates to about 82,500 children in deep poverty—up substantially from 38,000 in 2000. If we look at households earning less than 200 percent of FPL to better reflect the threshold below which households struggle to meet their basic needs, the percentage of children living at or near poverty jumps to nearly 37 percent.

Figure 5.10: *Nearly 40 percent of children live in households under 200% FPL*
PERCENT OF CHILDREN LIVING IN HOUSEHOLDS BELOW 50%, 100% AND 200% OF FPL, 2014



U.S. Census Bureau American Community Survey

Child poverty rates vary by race and ethnicity

Latino and black children are considerably more likely to live in poverty compared to white and Asian children in Colorado. (See Figure 5.11) In 2014, 8.5 percent of white and 6.2 percent of Asian children lived in households with income under the poverty line. Latino children had the highest child poverty rate of 28.3 percent, which equates to 110,300 children. More than 13,688 black children—or 27 percent—live in poverty.

Poverty rates are also high among children living in single parent homes. (See Figure 5.12) Nearly 38 percent of Colorado children living with a single mother live in poverty. The poverty rate for children living with a single father is lower but still significant at nearly 17 percent. By comparison, 8 percent of children residing in a married couple household live in poverty.

Figure 5.11: *Over one-quarter of black and Latino children live in poverty*
CHILD POVERTY RATE, BY RACE AND ETHNICITY, 2014

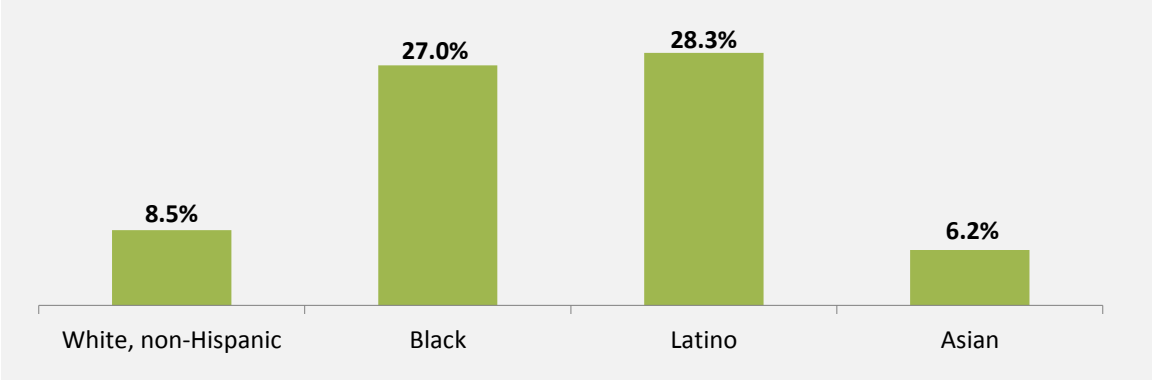
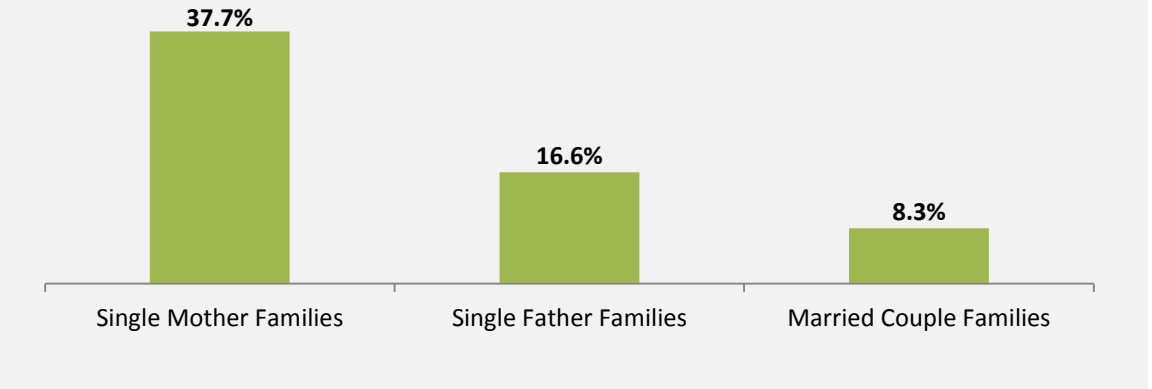


Figure 5.12: *Poverty highest for children living in single mother families*
CHILD POVERTY RATE, BY FAMILY TYPE, 2014



U.S. Census Bureau American Community Survey

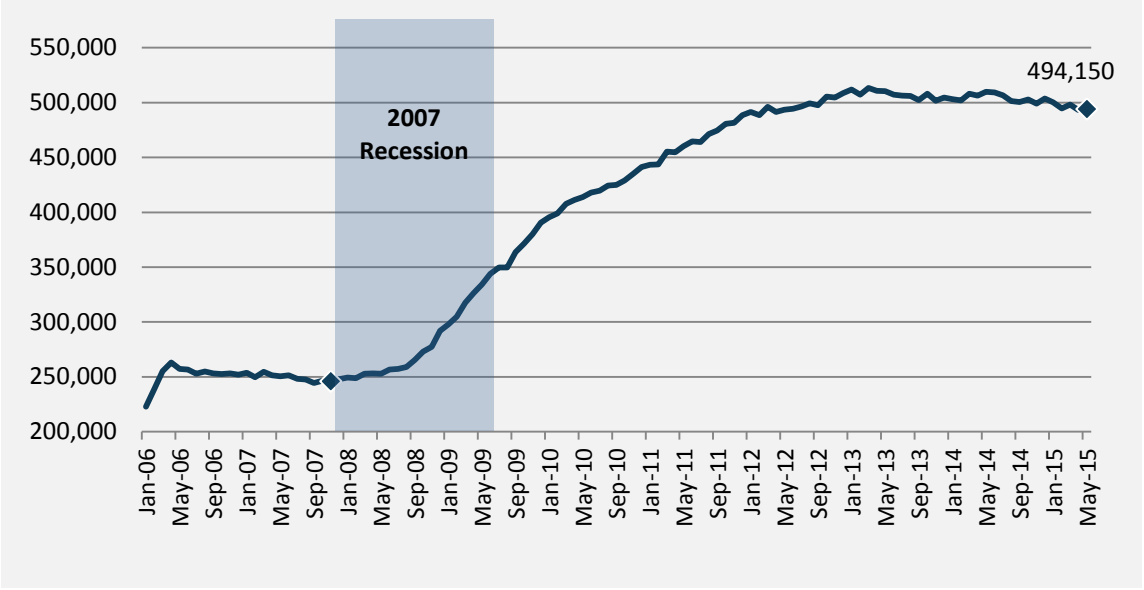
SNAP enrollment continues to increase but doesn't fully reflect need

Food stamps—now called the Supplemental Nutrition Assistance Program, or SNAP—provide food assistance based solely on need. It is often the first line of defense against hunger for thousands of families in Colorado and millions of families across the nation.

SNAP enrollment in Colorado has increased dramatically since the 2007 recession and has continued to rise well past the official end of the recession. (See Figure 5.13) SNAP enrollment more than doubled between 2007 and May 2015 from about 246,000 recipients to just under half a million. Even with growing enrollment numbers, it is important to note that enrollment does not fully reflect need. According to 2013 data from the U.S. Department of Agriculture, only about 57 percent of Coloradans eligible for food stamps were enrolled in the program.[17] In fact, Colorado has been one of the poorest performing states—ranking 46th in the nation on the Program Access Index which measures the degree to which eligible populations have access to SNAP benefits.[18]

Figure 5.13: *SNAP enrollment is more than double pre-recession level*

SNAP ENROLLMENT, 2006 – MAY 2015



U.S. Department of Agriculture SNAP program data

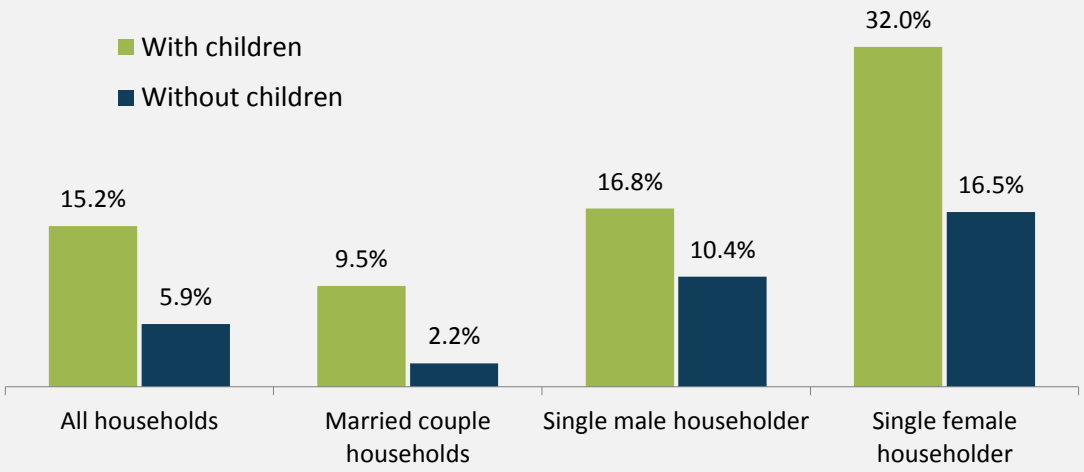
Looking at food stamp receipt by household type, three distinct patterns emerge that are consistent with patterns in poverty rates highlighted throughout this chapter. (See Figure 5.14)

- Single parent households receive food assistance at significantly higher rates compared to married couple households. This difference highlights the important income differences between two-parent and single-parent households.

- Among single parents, single mother households have higher rates of SNAP receipt than single father households. Again, single mothers have the highest poverty rates and the lowest median income.
- Finally, across the board, households with children receive food assistance at significantly higher rates than households without children. As discussed earlier, the presence of children increases the likelihood of living in poverty.

Figure 5.14: *Single parent households have highest rate of SNAP receipt*

SNAP RECIPIENCY RATES, BY HOUSEHOLD TYPE, 2014



U.S. Census Bureau American Community Survey

Notes

[1] Mark Robert Rank, Thomas A. Hirschl, and Kirk A. Foster. (2014). *Chasing the American Dream: Understanding What Shapes Our Fortunes*. New York: Oxford University Press.

[2] The Self-Sufficiency Standard is based on a minimally adequate basic needs budget that includes the following expenses: housing (rent and utilities), child care so the parents can work, food for in home preparation, transportation costs (cost of car insurance, gas costs to and from child care and work, etc.), costs of health care, taxes, and other necessities such as clothing, paper products, telephone service, and personal hygiene items. For more information, see Diana Pearce. (2015). *The Self-Sufficiency Standard for Colorado 2015.* Colorado Center on Law & Policy. Available at http://www.selfsufficiencystandard.org/docs/Colorado2015.pdf.

[3] *Ibid*.

[4] Lawrence Mishel, Josh Bivens, Elise Gould and Heidi Shierholz. (2012). *The State of Working America, 12th Edition.* An Economic Policy Institute Book (pp. 420-421, pp. 447-454). Ithaca, NY: Cornell University Press.

[5] Organization for Economic Cooperation and Development (2015), Poverty Rate (indicator). Available at https://data.oecd.org/inequality/poverty-rate.htm.

[6] Organization for Economic Cooperation and Development (2015), Social Spending (indicator). Available at https://data.oecd.org/socialexp/social-spending.htm.

[7] David Cooper. (2015). *Raising the Minimum Wage to $12 by 2020 Would Lift Wages for 35 Million American Workers.* Washington, DC: Economic Policy Institute. Available at: http://www.epi.org/publication/raising-the-minimum-wage-to-12-by-2020-would-lift-wages-for-35-million-american-workers/

[8] Mishel et al., *The State of Working America* (pp. 175-176)

[9] A note on estimates for Asian and American Indian/Alaska Native individuals in Colorado. Asians comprise about 3 percent of the population in Colorado; American Indian/Alaska Natives comprise less than 1 percent of the population. Because these groups are so small, the estimates are less stable. Observed differences between groups may be within expected margins of error, and therefore not statistically significant from other groups. This is especially true when observed differences are relatively small (within several percentage points).

[10] Paul A. Jargowsky. (2013). "Concentration of Poverty in the New Millennium. Changes in Prevalence, Composition, and Location of High Poverty Neighborhoods." A report by The Century Foundation and Rutgers Center for Urban Research and Education. Available at http://www.tcf.org/assets/downloads/Concentration_of_Poverty_in_the_New_Millennium.pdf

[11] Alemayehu Bishaw. (2014). *Changes in areas with concentrated poverty: 2000 to 2010*. Washington, DC: U.S. Census Bureau. Available at https://www.census.gov/content/dam/Census/library/publications/2014/acs/acs-27.pdf.

[12] For example, see Federal Reserve Bank of Cleveland. (2008). "The Enduring Challenge of Concentrated Poverty in America: Case Studies From Communities Across the U.S.A.," a joint project of the Community Affairs Offices of the Federal Reserve System and the Metropolitan Policy Program at the Brookings Institution. Available at http://www.frbsf.org/community-development/files/cp_fullreport.pdf.

[13] The Census produces estimates for households and individuals. Household estimates describe the conditions of all individuals living in a single housing unit. Figure 5.9 refers to families, a subset of households that describe the living conditions of all individuals in a single housing unit who are related by marriage, birth, or adoption.

[14] U.S. Census Bureau, 2014 American Community Survey, Table B19126

[15] CCLP analysis of U.S. Census Bureau, 2013 Current Population Survey Outgoing Rotation extract data prepared by the Economic Policy Institute.

[16] Colorado Children's Campaign. (2015). *Kids Count in Colorado 2015*. Available at http://www.coloradokids.org/data/kidscount/2015kidscount/.

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Connecting the Dots

The *State of Working Colorado* is a comprehensive compilation of data examining how well the Colorado economy is doing in lifting living standards for all Coloradans. This chapter lays out cross-cutting themes from the report to connect the dots on the story being told by this vast collection of data.

The Colorado economy has shown impressive signs of recovery. In fact, Colorado has one of the strongest performing economies in the country. Job growth has been steady. Unemployment has dropped to levels not seen since before the Great Recession. Yet, more than five years into an economic expansion that began in 2009, it is clear that while the economy has rebounded, broadly shared prosperity has not.

The Colorado economy has grown but without broadly shared prosperity. For the majority of Colorado workers, very little has changed in the five years since the recovery began.

Real median household income in Colorado is still down from 2007. Median hourly wages have been stagnant since the recovery began—meaning that the only impact of the recovery on wages has been to forestall further decline. Long-term unemployment is still triple the 2007 rate. Economic gains are increasingly concentrated among a small share of high earners in the state. The link between productivity and worker's wages has been severed: the economy continues to grow and produce, but the fruits of that labor accrue disproportionately to the top.

It is true that the Colorado economy is humming along more smoothly than it was just a few years ago. It is also true that it is still not in top health. The conditions that will propel the Colorado economy toward sustained and robust growth—employment for every worker who wants a job, a living wage for low-income workers and broadly shared economic growth—are still lacking. The result is that many Coloradans—especially minorities, single-parent families, and low-wage workers—continue to struggle to make ends meet.

1. Job growth lags population growth and is concentrated in low-wage jobs with fewer benefits

As of July 2015, Colorado's economy had a total of 2.5 million jobs, an increase of 166,800 compared to December 2007. While the job recovery is good news, job growth in Colorado still lags significantly behind population growth—creating a large jobs deficit. The state population has

grown by 13 percent since the start of the recession. Colorado was the fourth fastest growing state in the nation in 2014. To keep pace with its rapid population growth, Colorado needs to create 140,600 additional jobs. The monthly average addition of nonfarm jobs has grown from 1,700 in 2010 to 6,600 in 2014. This growth rate, however, is still not sufficient to keep up with population growth. The Colorado economy needs to add an average of 8,500 jobs a month over the next three years to account for current and projected population growth.

Colorado has seen growth mostly in jobs paying below self-sufficiency wages. Colorado had about 286,000 more low-wage jobs in 2014 compared to 2007 while losing higher wage jobs that provided basic economic security.

An increasing share of these new jobs, however, do not pay self-sufficiency wages. Between 2007 and 2014, job growth has occurred almost exclusively in occupations with wages below self-sufficiency. Colorado had about 286,000 more low-wage jobs in 2014 compared to 2007. Over the same period, the percentage of jobs paying wages that ensured basic economic security shrank from 50 to 45 percent of all jobs—a net loss of 51,370 jobs that paid self-sufficiency wages. In part, the trend in the number of jobs offering below self-sufficiency wages is tied to wage stagnation, not only suggesting that new jobs tend to be created at the lower end of the income spectrum, but also that jobs that used to offer economic security no longer do so. In other words, the salaries in some occupations have lost ground to the rising costs of living at the same time that new job growth has been concentrated in lower wage service industry jobs.

If we look at the full compensation package for workers (wages plus benefits), the situation is even more troublesome for the lowest paid workers in the U.S. The Bureau of Labor Statistics recently concluded that the bottom 40 percent of workers have experienced even greater decline in compensation—that is, the full package of wages plus benefits such as employer paid health insurance and retirement, etc.—than the drop seen in wages between 2007 and 2014.

2. Despite low unemployment, still significant signs of labor market slack

Colorado ranked 15th in the nation for average annual unemployment in 2014. And as of June 2015, the monthly unemployment rate of 4.3 percent has nearly dropped to pre-recession levels. While unemployment at just over 4 percent justifies a high-five as a positive economic development, other indicators point to far more slack in the labor market than suggested by the unemployment rate. The Colorado economy still is not generating the quantity or quality of jobs needed to meet the demand of workers to be employed.

Looking beyond the unemployment rate provides a fuller understanding of the health of the labor market. Underemployment is still high at 9.4 percent and even higher for Latino, black and young workers.

We have to look beyond the unemployment rate to fully understand the health of the labor market. The unemployment rate only counts jobless workers actively looking for work. The *underemployment* rate adds to our understanding of the strength of the labor market by counting involuntary part-

time workers and those who have given up looking for a job in addition to the standard metric of unemployment. The underemployment rate has been declining in recent years but at 9.4 percent for 2014, it is still 2 percentage points above pre-recession levels. Underemployment rates are even higher for Latino (15.8 percent) and black (19.5 percent) Coloradans and young workers (24 percent) still struggling to get a foothold in the economic recovery.

Another helpful indicator of the health of the labor market is the employment-to-population ratio—that is, the proportion of the working age population (25 to 54 years old) that is employed. It is a measure of the ability of the economy to create jobs for the working age population. In 2014, 81 percent of the prime working age population in Colorado was employed, which is still nearly 3 percentage points below the pre-recession high.

Focusing on working age men for a moment, a new trend is becoming apparent across the nation and in Colorado. The share of prime-age men—those 25 to 54 years old—who are not working has more than tripled nationally since the late 1960s, to 16 percent. In Colorado, 18 percent of prime working age men are not employed—totaling nearly 200,000 men. Several counties in the state have 70 percent or more of prime age working men sitting out of the labor market. A Kaiser Family Foundation survey found that men are not returning to work because of low wages and/or low-quality jobs. An underutilized workforce hampers productivity and prevents the economy from realizing the benefits of full-employment.

3. Growing income gap while majority of workers experience wage stagnation

The Colorado economy has grown but without broadly shared prosperity. Only a small minority of Coloradans are really feeling the recovery. For the vast majority of Colorado workers, very little has changed in the 5+ years since the recovery officially began.

In 2014, the median hourly wage in Colorado was $18.64—still below the 2007 median wage. Even more striking is that the economic "recovery" for wages has really only meant that the median hourly wage in Colorado has stopped falling. While the unemployment rate has dropped every year since 2010, wages have been mostly stagnant over that same period. Declining unemployment has not resulted in upward pressure on wages but simply translated into halting the drop in the median hourly wage.

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What about the golden ticket of a college education? Not surprisingly, workers with higher levels of education command higher wages. However, a college education has not provided immunity to the trend of stagnant wages. The median wage for workers with a college degree in Colorado is down 2.5 percent from 2000. In fact, college graduates experienced stagnant or declining wages over the last decade in nearly every industry. The result is that although a college education is a

Historically, periods of economic prosperity and downturn impacted the whole population similarly. Our fortunes would rise and fall together. While the economy as a whole has grown over the past four decades, the benefits of that growth have not been broadly shared.

prerequisite for moving into the middle class, it is no longer a certain means for gaining financial ground over time.

Another concerning trend is the divergence between pay and productivity nationwide and in Colorado. Productivity has grown by nearly 30 percent in Colorado since 2000, while the median wage has been essentially stagnant over the same period. The long-term consequences of stagnating wages and rising wage inequality are troubling: Colorado cannot continue to effectively grow its economy when workers' pay so profoundly fails to rise in tandem with productivity.

Who is reaping the rewards of our growing economy? In years past, periods of economic prosperity and downturn impacted the whole population similarly. Our fortunes would rise and fall together. The historical trend of nearly uniform growth across the income spectrum diverged dramatically after 1979. While the economy as a whole has grown over the past four decades, the benefits of that growth have not been broadly shared. Income gains have disproportionately accrued to families at the top of the income distribution. Families at the bottom and the middle have grown more slowly or even lost ground since 2000. The Great Recession and the uneven recovery that followed has only widened the income gap. The result is that the income distribution in the state is more unequal today than the 1920s—the last historical high-water mark.

4. Poverty remains stubbornly high as wage stagnation impacts more workers, especially among people of color in Colorado

Historically, poverty rates have tracked business cycles—increasing during recessions and declining during periods of economic expansion. Poverty rates, however, have actually continued to increase during the recovery periods following the 2001 and 2007 recessions. Despite the economy picking up steam, poverty rates remain stubbornly elevated due to decades of wage stagnation, growing income inequality, and the erosion of labor standards. Addressing these policy issues would ensure broadly-shared prosperity where all workers experience a boost in living standards from the growing economy.

Despite the economy picking up steam, poverty rates remain stubbornly elevated due to decades of wage stagnation, growing income inequality, and the erosion of labor standards.

In 2001, the poverty rate in Colorado was 9.6 percent and rising to the 2012 peak of 13.7 percent—the second highest statewide poverty rate since 1980. The state's poverty rate dropped to 12 percent in 2014, finally falling to a level not seen since 2007. Colorado was among only 12 states to see a decline in the poverty rate between 2013 and 2014. A substantial share of

Coloradans are living on much less than the federal poverty level. A full 46 percent of Coloradans in poverty are living in deep poverty—that is, living on an income that is half of the poverty line. In 2014, that meant $5,835 per year for an individual and $9,895 for a family of three.

Although the federal poverty level (FPL) is the most commonly used official metric of economic need, many regard it as an inadequate measure of those who struggle to make ends meet. The Self-Sufficiency Standard for Colorado—the level at which families can meet basic needs without public or private support—generally requires an income at least 200 percent of FPL or even higher in some parts of the state. The share of Coloradans with incomes under 200 percent of FPL—that is, less than $23,340 for an individual and $39,580 for a family of three in 2014—was 29 percent in 2014 or nearly one in three households in the state.

The level at which families can meet basic needs without public or private support—generally requires an income of at least 200 percent of the Federal Poverty Level (FPL) or even higher in some parts of the state. Nearly one in three households in the state had an income under 200 percent of FPL in 2014.

Poverty rates vary widely by gender, race and ethnicity. Single mothers account for 10.7 percent of families in Colorado, but are 42 percent of all families in poverty. The poverty rate among white, non-Hispanics in Colorado is 8.7 percent—substantially lower than the statewide poverty rate of 12 percent and several times lower than the rate among Latinos (21.4 percent), blacks (19.5 percent) and American Indian/Alaskan Natives (20.6 percent). Even more striking is the share of people living at or near poverty (under 200 percent of the federal poverty level): 46 percent of all Latinos in Colorado live at or near poverty; 42 percent of black Coloradans; and 45 percent of American Indian/Alaskan Natives.

Reams of research papers in recent years have documented the toxic impact of concentrated poverty and why mobility matters for breaking the cycle of generational poverty. The full-employment economy of the 1990s helped reduce concentrated poverty, but since 2000 it has been on the rise. In 2000, 9.5 percent of Coloradans lived in neighborhoods with a poverty rate of 20 percent or more. By 2010, 21.3 percent of Coloradans lived in poverty neighborhoods—an increase of 650,000 residents. Black and Latino Coloradans are substantially more likely to live in high poverty communities. While 15 percent of whites live in neighborhoods marked by high poverty, 42 percent of blacks and 40 percent Latinos live in such neighborhoods.

The surest route out of poverty is a well-paying job. Unfortunately, as discussed above, despite declining unemployment, many Coloradans are underemployed, stuck in jobs with flat or declining wages that offer fewer benefits, and increasingly vulnerable due to eroding labor protections. Poverty and economic insecurity have become a common experience in America—with 4 in 5 workers experiencing a period of economic insecurity in their working years. Social insurance and assistance programs have helped mitigate the impact of these conditions in our economy by boosting the economic security of many families, but these programs have also been severely strained over time leaving people at the low end of the income spectrum struggling unnecessarily.

5. Unequal opportunity for people of color

People of color were hit harder by the economic downturn and the recovery has been much slower to reach Latino and black families in Colorado in particular. Median income among Latino households has increased slightly since 2007 but still lags significantly behind white households. In 2014, Latino median income was $44,174 or 66 percent of white median income ($67,360). Median income among Black households is still down 12 percent since 2007 and at $41,743 is only 62 percent of white median household income.

In Colorado, people of color represent 25 percent of the population but they are only about 15 percent of the population working in occupations that pay in excess of 200 percent of the self-sufficiency standard for a single adult.

These are deeply rooted patterns that have persisted for many decades and defy simple explanation. Hiring discrimination, educational disparities, and differing access to opportunity all contribute to the underrepresentation of people of color in higher paying jobs and their overrepresentation in low-paying jobs. In Colorado, people of color represent 25 percent of the total population 16 and over but they represent only about 15 percent of the population working in occupations that pay in excess of 200 percent of the self-sufficiency standard for a single adult. Put another way, the higher wage labor force is made up of an estimated 70,000 fewer persons of color than expected given underlying population demographics of the state.

Regardless of the economic climate, blacks and Latinos tend to experience higher rates of unemployment relative to their white counterparts. In 2014, the unemployment rate for black Coloradans was 11.4 percent—twice the rate for white workers (4.9 percent). The same is true for underemployment: black Coloradans experience underemployment (19.5 percent) at twice the rate of white Coloradans (9.7 percent). Likewise, Latino workers experienced relatively high rates of unemployment (7.4 percent) and underemployment (15.8 percent). Low unemployment and a tight labor market is the surest route to income gains for most American households. And the benefits of a full employment economy accrue most significantly to historically disadvantaged groups of workers. Nationally, the tight labor markets of the 1990s were the major driver of relative income gains for blacks.

6. Persistent gender wage and poverty gap

Women earn less than men at every educational level and the gap widens with increasingly higher levels of education. In 2014, Colorado women age 25 and older working full-time earned only 79.6 percent of the median income for men. The gap grows substantially at the upper rungs of the education ladder, with the largest income gap existing at the highest levels of education. Women who complete a bachelor's or graduate degree earn only 71 percent of median income for men with similar credentials.

Even with an additional level of education, median income for women is still lower than men one step below. For example, in 2014 a woman with a graduate or professional degree earned a median income of nearly $3,000 less than a man with only a bachelor's degree.

Given the gender pay gap, it's not surprising to find that a gender poverty gap also exists in the state. Women are more likely to live in poverty at every level of educational attainment. Poverty rates are highest among single mother families.

Recent research from economists at Cornell University concluded that 60 percent of the income gap between men and women is due to structural and social factors. That is, women tend to cluster into a smaller set of occupations, work fewer hours than men and are more likely to juggle jobs and family responsibilities that result in breaks in their employment history—all of which impact income. The authors found that the remaining 40 percent of the gender income gap cannot be easily explained by quantifiable differences between men and women and is likely due to discrimination.

Wages have been essentially stagnant for both men and women between 1999 and 2014 in Colorado, but women's earnings have fared slightly better than men's earnings. At the national level, since the 1970s, the median earnings of men are down by nearly 6 percent while median pay for women increased by more than 30 percent. This basic trend of more or less stagnant earnings for men but growing earnings for women still has not resulted in closing the pay gap. Assuming progress continues along the current trajectory, the disparity in earnings between men and women in Colorado will not close until 2057.

Given the gender pay gap, it's not surprising to find that a gender poverty gap also exists in the state. Women are more likely to live in poverty at every level of educational attainment. Poverty rates are highest among single mother families. Single women with children face all the challenges of being a single parent coupled with significant labor market disparities. The median annual income among single mothers in Colorado is $30,400—64 percent of median income for single father households ($47,370) and just one-third of the median income for married couples with kids ($91,564). Women make up nearly 58 percent of minimum wage workers in Colorado. Education is essential to lifting women out of poverty. Over half of single mothers in Colorado with less than a high school diploma live in poverty. With each progressively higher level of educational attainment, the share of women living in poverty declines. Among single mothers who finished high school, 36 percent are poor. Among single mothers with a bachelor's degree or higher, 10 percent live in poverty in Colorado.

This report highlights the challenges to achieving an economic recovery in Colorado that is broadly-shared and enduring. The outcomes presented here are not inevitable—they are the result of policy choices and can be addressed by policy changes. Our hope is that this data will inform the policy dialogue across the state and inspire ideas that will help build an economy that works for Coloradans across the income spectrum.

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About CCLP

The Colorado Center on Law and Policy advances the health, economic security and wellbeing of low-income Coloradans through research, education, advocacy and litigation.

To provide an effective and independent voice for poor families, CCLP **researches** and analyzes policy options, **advocates** at the legislature and before executive agencies, **educates** and engages diverse communities, **builds coalitions** with our community partners for systemic change, and **protects** the rights of low-income Coloradans through legal and administrative action.

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