STATE OF WORKING COLORADO

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COLORADO CENTER on LAW & POLICY

Forging Pathways from Poverty

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INTRODUCTION

AN ECONOMY THAT FAILS TO DELIVER FOR MOST COLORADANS: HOW DID WE GET HERE?

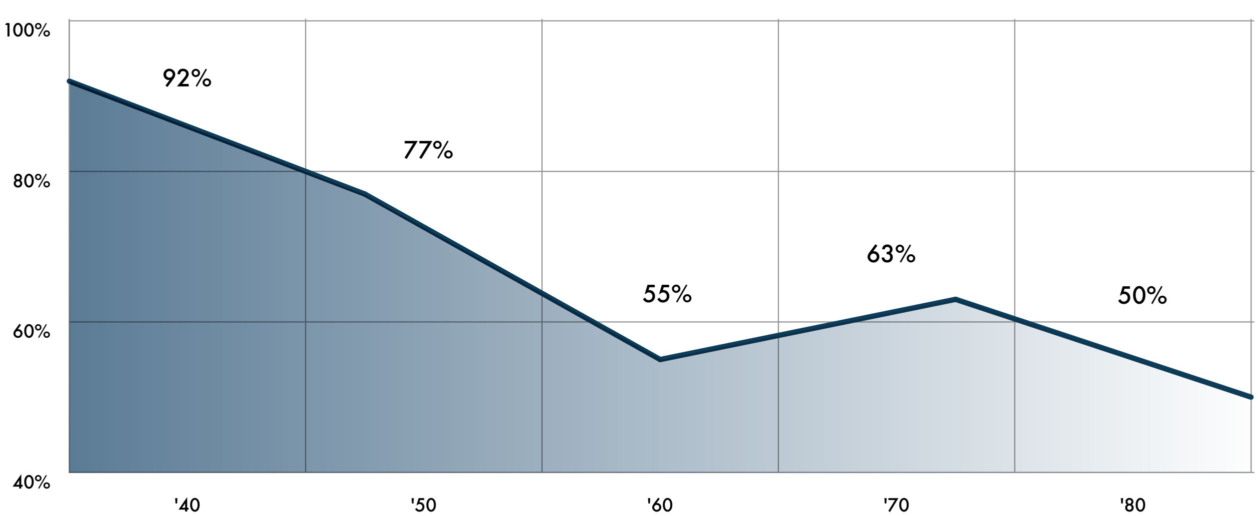
People across Colorado are perplexed by the mixed signals of today's economy. On one hand, we hear that the economy is booming with robust job growth, historically low unemployment rates, rapidly rising home values, and unprecedented increases in stock values. And yet far too many Coloradans struggle to find affordable housing, pay medical bills, meet their child care cost, and save for retirement. Financial insecurity is an increasingly common problem households are facing in Colorado and across the nation.

For generations, a tangible measure of the American dream has been whether each succeeding generation enjoyed better earnings and a higher standard of living. For example, 92 percent of Coloradans born in 1940 earned more money at age 30 than their parents did at the same age. Several generations later, the likelihood of enjoying a higher standard of living than the previous generation has significantly diminished. Among Coloradans born in 1980 – today's 38 year olds – only half of them make as much as their parents did. **SEE FIGURE BELOW.**

Many believe that economic growth advances the American dream of opportunity and generational upward mobility. The reality, presented in the data within this report, paints an alarming picture of an economy that disappoints a large and growing number of people. Why does it seem harder for us to afford everyday necessities when the economy is supposedly booming? How did we arrive here with an economy that fails to deliver basic financial security for most Coloradans?

THE FADING AMERICAN DREAM

Share of Americans making more money than their parents by age 30 if you were born in:



Source: Raj Chetty, et al., The Fading American Dream: Trends in Absolute Income Mobility since 1940, December 2016.

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The likelihood of enjoying a higher standard of living than the previous generation has significantly diminished.

A SNAPSHOT OF THE AMERICAN ECONOMY

President Kennedy famously described the potential of the American economy as a rising tide that will lift all boats. This notion has been an enduring theory of progress that has guided economic thinking and policymaking for years. And yet, the rising tide of the American economy over the past generation has only buoyed those at the top of the income spectrum.

Over the last several decades, economic gains have disproportionately gone to the top 1 percent. For the majority of workers, wages have stalled. Good jobs that provide the income and benefits necessary for a foothold in the middle class are harder to find while the basic needs such as housing, health care and child care are increasingly out of reach. Deeply rooted structural inequality keeps women and people of color from achieving their full potential. Internationally, the U.S now lags behind most developed nations in measures of income equality and socioeconomic mobility.[1]

HOW WE GOT HERE

Since the 1980s, policymakers have relied on the idea that markets perform perfectly on their own to shape the rules of the U.S. economy. This neoclassical economic theory assumes that everyone has complete and identical information about their economic choices, that people always operate rationally, and that there are no barriers to accessing opportunities. Regarding inequality, this model of economic growth proposes that differences in income are based on the differences in contributions that each individual makes to society. If you are educated, skilled and work hard, you 'should' receive an income commensurate with your contribution.

Further, this logic supposes that there is a tradeoff between progressive equitable redistribution and economic performance. Policies that increase taxes or government transfers of wealth cause inefficiencies in the market. These policy changes would change workers' income and their wages would no longer be reflected purely by their contribution.

Any person navigating the health insurance market knows we are not all operating with perfect information; and if you've caught yourself buying a candy bar while in line at the grocery store you're likely not acting completely rationally. Neoclassical economic theory is flawed in its assumptions, and the repercussions of basing policy on a faulty theory are widespread. Nationally, a declining economic growth rate, stagnant median wages, significant economic recessions, and increasing concentration of wealth in a small percentage of households all point to the failings of policies based in this paradigm.

The rules that govern the American economy have led us astray over the past 40 years. Starting with the "trickle-down economics" of the early 1980s, policies of deregulation and reduction in taxes

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have largely served to increase income inequality by concentrating wealth among those who already possess it. The marginal tax rate for the top incomes has been drastically reduced, and tax deductions have shifted to favor more wealthy households rather than supporting low-income families. Yet a Congressional Research Service report found that there is no evidence that indicates reducing taxes correlates with economic growth. Additionally, reductions in rules and regulations of the financial sector during the 1990s and early 2000s expanded the market power of a few institutions, increased systemic predatory lending, encouraged widespread fraud and increased market manipulation. Finally, collective bargaining power of workers has been diminished through weakened labor laws and declining union participation. This has empowered employers to roll back benefits, not increase wages commensurate with worker productivity, and ignore deteriorating working conditions.

Rising inequality contributes to social and economic volatility. A shrinking middle-class means more people living in poverty, or financing their lifestyles on debt. Less equitable distribution of wealth results in less economic opportunity for the large majority of our country's population, which in turn slows the very demand that drives our economy. Increasing inequality is not inevitable, and in fact is a recent trend in the United States. This trend is a direct result of the policies, regulatory rules and structural institutions our government has shaped since the 1980s.

92%

of Coloradans born in 1940 earned more money at age 30 than their parents did at the same age.

Among Coloradans born in 1980, ONLY HALF of them make as much as their parents did.

WHERE WE GO FROM HERE

The U.S. economy, the largest in the world, is only as strong as the American workers driving its growth. Over the last half century, the national policy decisions outlined above have increased wealth disparities, increased financial instability and undermined people's economic opportunity. The most recent expression of federal fiscal policy, the Tax Cuts and Jobs Act of 2017, unfortunately perpetuates the debunked theory of trickle-down economics. While it is too soon to fully understand the effects of this Act on our economy, historical analysis and forecasting predict the large majority of the gains will be realized by the top 1 percent of earners. Our economy is large and complex and a significant and concentrated effort will be required in order to reverse the current trends. Changing course will not be easy, but we must improve the institutions and rewrite the rules that structure our economy so that the rising tide does indeed lift all boats.

1.

OUR STRONG ECONOMY

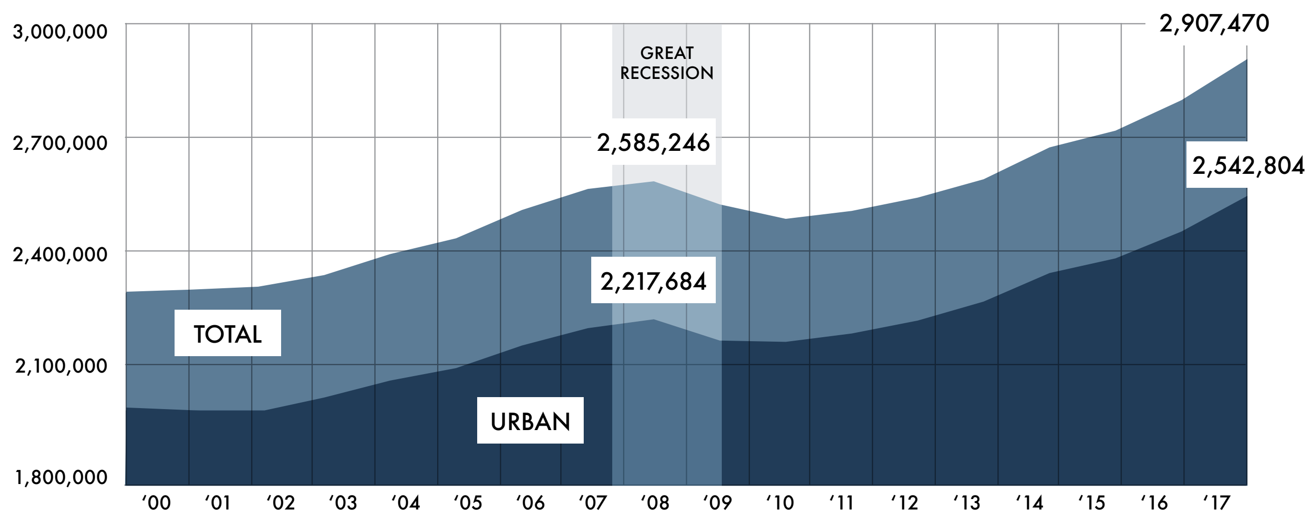
For the past several years, Colorado has stood out as having one of the strongest performing state economies in the country. Job growth has been robust for the past several years, consistently ranking Colorado among the top states for job creation. The unemployment rate has dropped steadily since 2010 to 2.8 percent in 2017—well below the national rate of 4.4 percent. Median household income continues to rise and is now above the pre-recession level. These conditions combine to create a strong economic foundation in our state.

108,000 Number of jobs added to the state economy since increasing the minimum wage from $8.31 to $9.30 in 2017.

ROBUST JOB GROWTH

As of September 2018, the Colorado economy had 3,096,700 jobs and ranked among the top 10 states for job growth. Much of this growth has being driven by jobs in finance, technology, health care and the food and retail service sectors. This growth continued statewide following the first minimum wage increase after passage of Amendment 70 in 2016, which gradually increases the wage floor to $12/hour by 2020. In 2017, the minimum wage increased from $8.31 to $9.30. Since increasing the minimum wage, over 108,000 jobs have been added to the state economy. **SEE FIGURE 1.1**

FIGURE 1.1 STRONG STATEWIDE JOB GROWTH
Total Employment and Employment in Urban Counties, 2000-2017



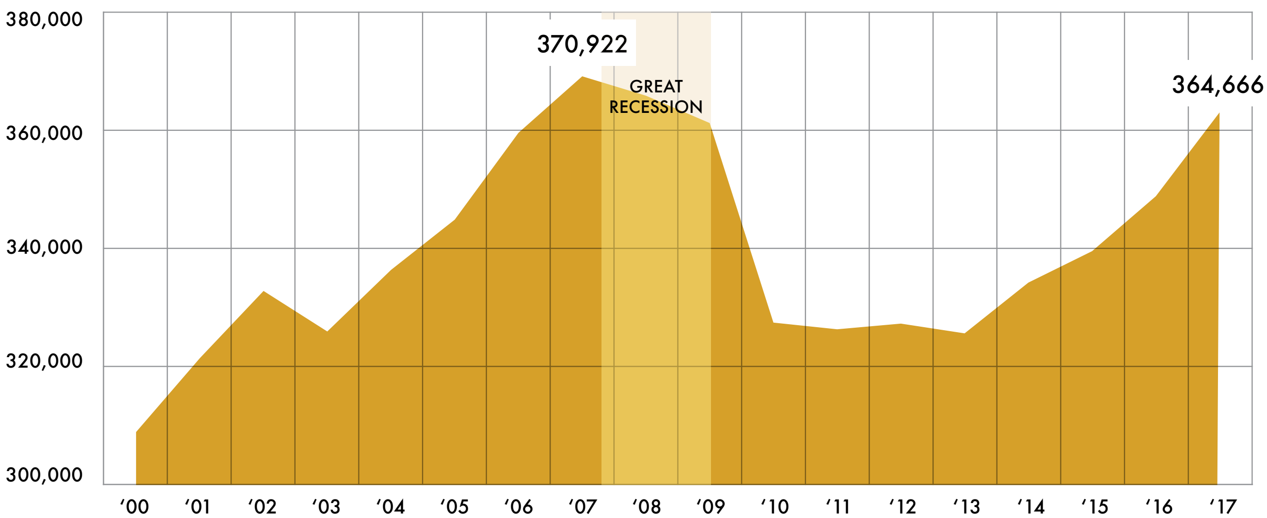
Source: U.S. Bureau of Labor Statistics Local Area Unemployment Statistics

1.

OUR STRONG ECONOMY

Job recovery in Colorado's rural counties has been slower. In 2017, total rural employment was still down slightly compared to pre-recession levels but has been steadily increasing since 2013. In 2017, 14,529 jobs were added to rural communities. Household income tends to be lower and poverty rates higher in rural communities compared to urban areas of the state. **SEE FIGURE 1.2**

FIGURE 1.2 RURAL JOB GROWTH REMAINS STRONG FOLLOWING MINIMUM WAGE INCREASE
Total Employment in Rural Counties, 2000-2017



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

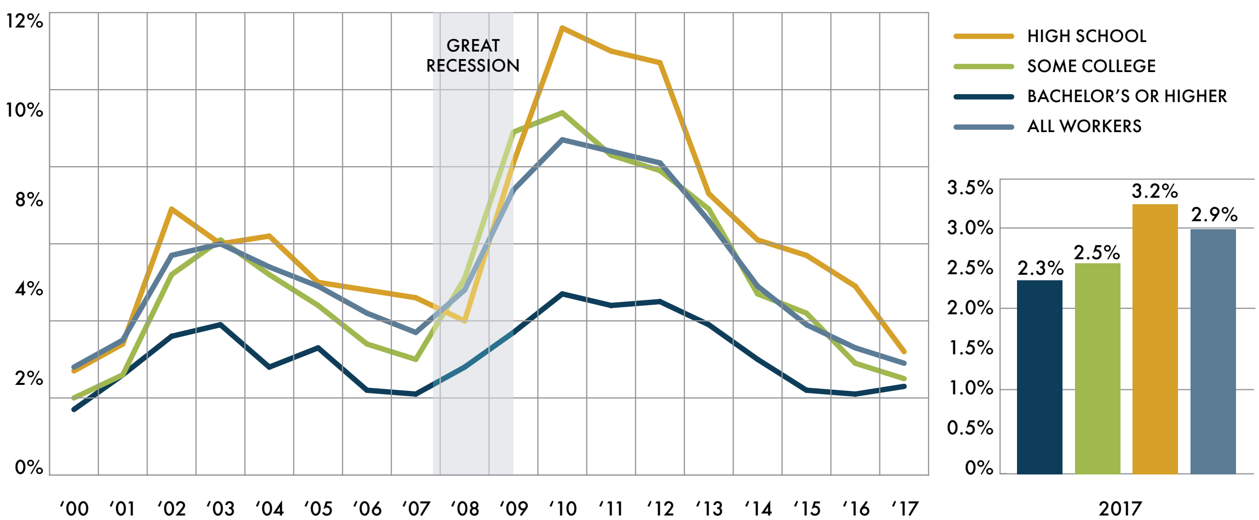
LOW UNEMPLOYMENT

The annual unemployment rate in Colorado fell to 2.8 percent in 2017—well below the national rate of 4.4 percent and the 6th lowest rate in the country. A testament to the strength of the labor market is the fact that the unemployment rate has continued to drop across the labor force, even among populations that typically have higher rates of joblessness such as workers who only finished high school. In Colorado, about 60 percent of workers do not have a college degree, so the employment prospects for this population are an important indicator of how the economy is performing. The unemployment rate among this population has dropped substantially in Colorado since 2010. **SEE FIGURE 1.3**

The unemployment rate among workers who do not have a college degree has dropped substantially in Colorado since 2010.

1.
OUR STRONG ECONOMY

FIGURE 1.3 HISTORICALLY LOW UNEMPLOYMENT RATES
Unemployment Rate Statewide and by Education, 2000-2017

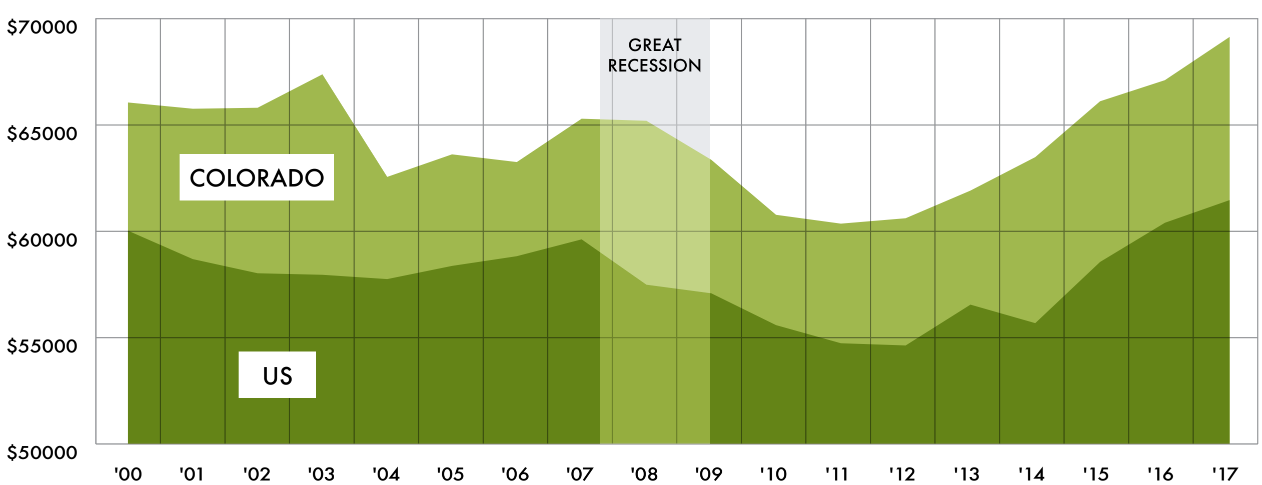


Source: U.S. Bureau of Labor Statistics Local Area Unemployment Statistics and Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

RISING HOUSEHOLD INCOME

Median household income in Colorado rose to $69,100 in 2017—up 3 percent from 2016—ranking Colorado in the top 10 states for income growth. In 2015, this measure finally surpassed the pre-recession level with a 4.1 percent increase from 2014. However, as we'll see in the following section, hourly wages have been slower to recover. This likely means that these gains in household income are due to increased work hours per household rather than wage gains for individual workers. **SEE FIGURE 1.4**

FIGURE 1.4 RISING HOUSEHOLD INCOME
Median Household Income, Colorado and U.S., 2000-2017 (2017$)



Source: U.S. Census Bureau American Community Survey

2.

STAGNANT WAGES

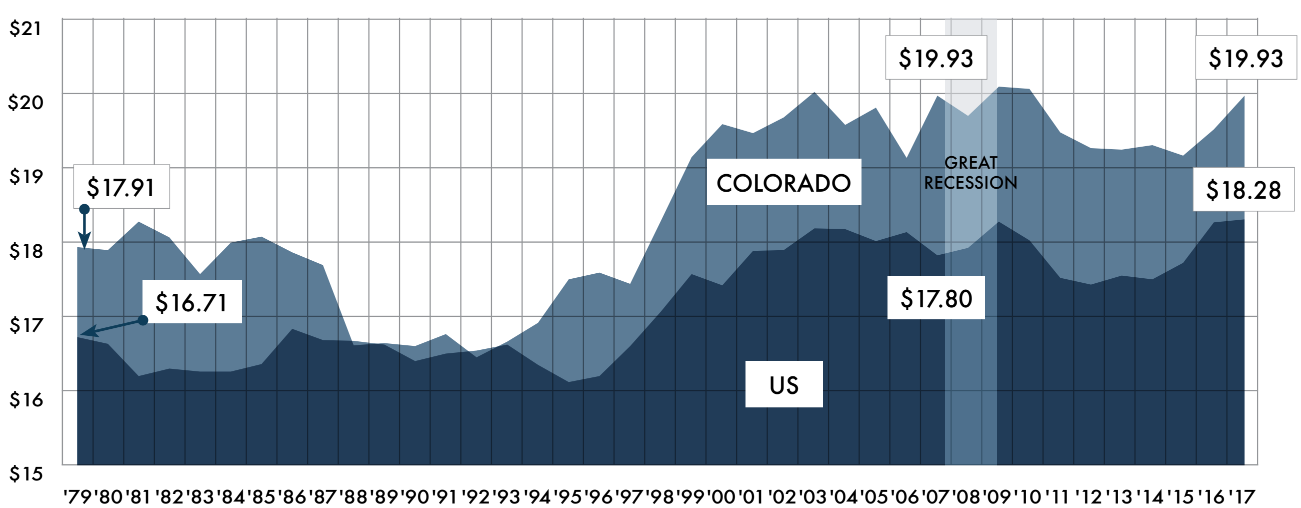
Colorado's strong economic growth has not translated into higher pay and better jobs for the majority of workers in the state. Our robust job growth, rising productivity and historically low unemployment rates have not resulted in substantial wage increases or broadly shared prosperity. In this way, Colorado's economy is following in the footsteps of the national economy where the majority of workers are missing out on the gains of economic growth.

STAGNANT WAGES FOR THE MAJORITY OF WORKERS

In 2017, the median hourly wage in Colorado reached $19.93 which finally returned it to the 2007 pre-recession level after nearly a decade. While the unemployment rate has dropped every year since 2010, the median wage has been mostly flat over that same period with modest increases starting in 2015. Declining unemployment has not delivered the upward pressure on wages we would expect in a tight labor market. Over the last four decades, the majority of Coloradans have experienced minimal growth in wages. The current median wage is only up 11 percent from the 1979 level after adjusting for inflation.

Certain conditions are required for wages to increase sustainably and consistently over time. The foundation for rising wages is growing labor productivity. Rising productivity is the central story of the growing U.S. economy and has been driven by advances in technology, a more highly educated labor force and enhanced business practices. Yet rising productivity diverged with wage growth in the late 1980s.[2] We also need a workforce with adequate bargaining power and policies that ensure that the gains of economic growth are broadly shared. **SEE FIGURE 2.1**

FIGURE 2.1 MEDIAN WAGE FINALLY RETURNS TO PRE-RECESSION LEVEL 10 YEARS AFTER THE GREAT RECESSION BEGAN
Median Household Income, Colorado and U.S., 2000-2017 (2017$)



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

2.

STAGNANT WAGES

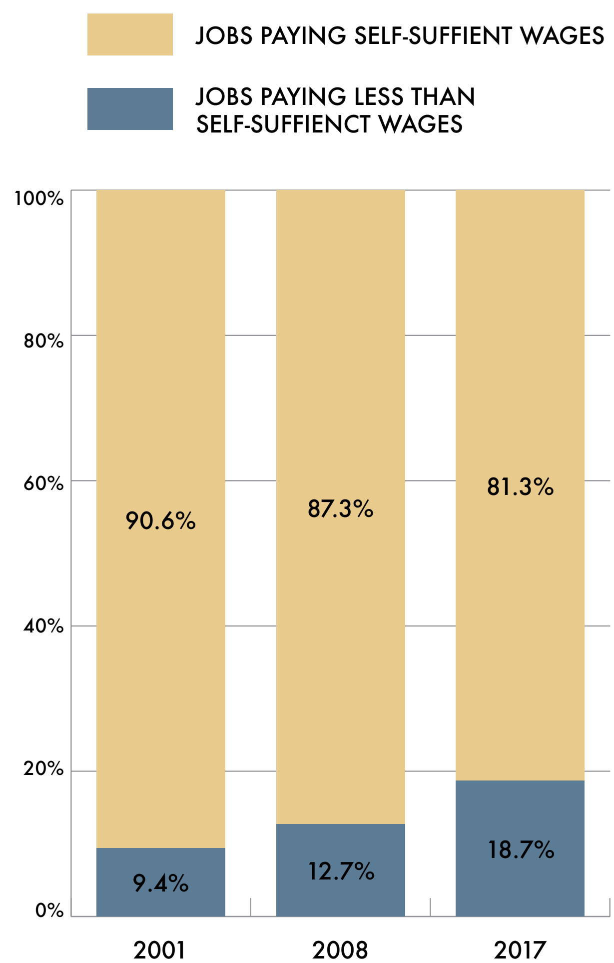
GROWTH OF LOW-WAGE JOBS

While job growth has been strong in the state, an increasing share of this growth is occurring in low-wage sectors. We consider low-wage jobs as those that do not allow a person or household to be self-sufficient. Being self-sufficient means that a person can meet all of their (and their family's) basic needs without any form of public or private assistance. The estimated share of jobs providing annual income less than what's necessary for a single adult to be self-sufficient has more than doubled between 2001 and 2017.

Low-wage service sector employees—child care workers, home health care aides and food service workers— represent essential members of our communities. Yet, these jobs increasingly do not pay enough for many workers to make ends meet. For example, one of the job categories growing the most in our state is Personal Care and Services, adding over 40,000 jobs from 2011-2017. In 2001, about 25 percent of these jobs paid wages below self-sufficiency for a single adult. By 2017, over half of jobs in this sector would not support a basic-needs budget for a single adult. **SEE FIGURE 2.2**

FIGURE 2.2 GROWING SHARE OF COLORADO JOBS PAY LESS THAN SELF-SUFFICIENCY WAGE[3]

Share of jobs paying less than self-sufficiency wage for a single adult, 2001, 2008 and 2017



Source: 2018 Self-Sufficiency Standard for Colorado; Bureau of Labor Statistics Occupational Employment Statistics from 2001, 2008 and 2017

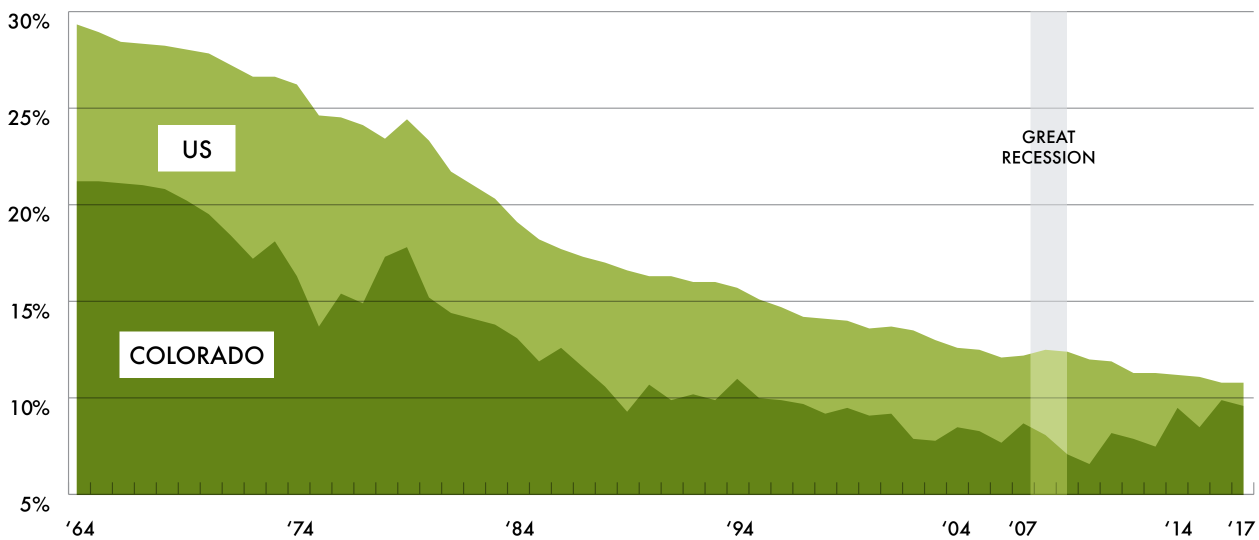
DECLINING UNION MEMBERSHIP AND REDUCED BARGAINING POWER FOR WORKERS

Union membership has been steadily declining in Colorado and across the nation for decades. Eroding bargaining power helps explain in part why we're seeing growing productivity and low unemployment coupled with stagnant wages. Between 1979 and 2012, the 10 states with the most collective bargaining saw median wages grow by 23.1 percent compared to only 5.2 percent growth in states with eroded collective bargaining.[4] 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. Furthermore, the union wage premium is higher for people of color compared to Whites, playing an important role in addressing racial/ethnic wage gaps.[5]

SEE FIGURE 2.3

FIGURE 2.3 DECLINING UNION MEMBERSHIP

Percent of nonagricultural wage and salary employees who are union members, Colorado and U.S., 1964-2017



Source: Barry T. Hirsch, David A. Macpherson, and Wayne G. Vroman, "Estimates of Union Density by State," Monthly Labor Review, Vol. 124, No. 7, July 2001, pp. 51-55. Data available at www.unionstats.com.

iStock.com/Tempura

2.

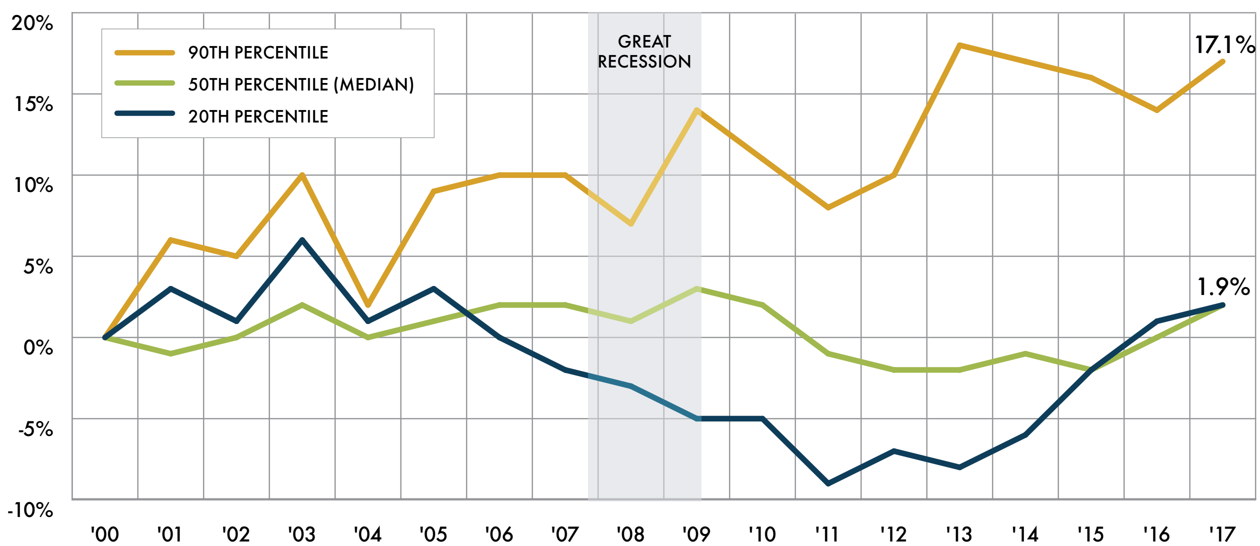
STAGNANT WAGES

WAGE GAINS ONLY EXPERIENCED BY TOP EARNERS

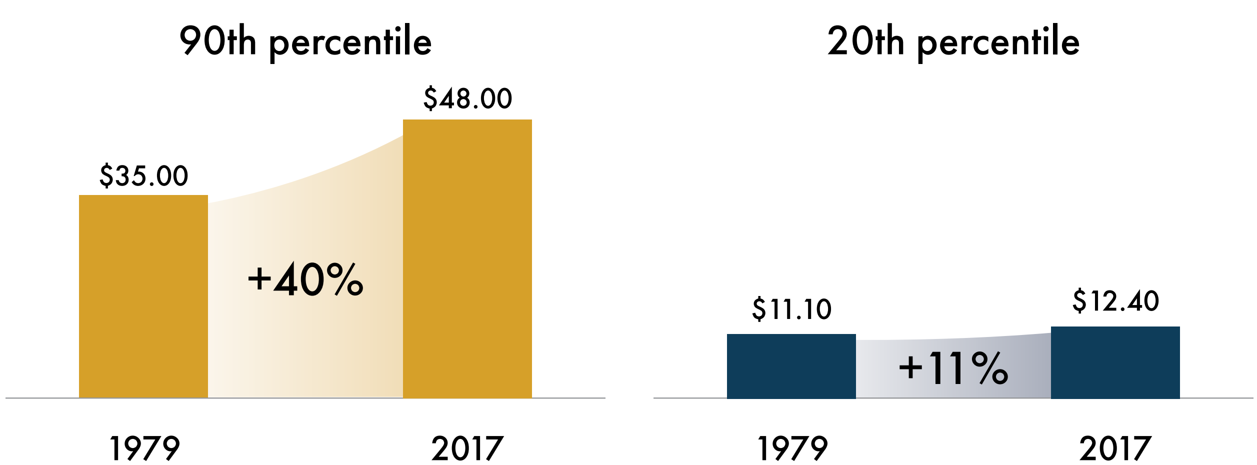
The wealthiest Coloradans have seen their wages grow much faster and more consistently compared to middle- and low-wage earners. Although all workers across the wage spectrum have seen their wages rise and fall to some extent over the past three decades, the highest earners in the state have experienced more consistent wage growth since 2000. Workers earning wages at the 90th percentile have seen their inflation-adjusted wages increase from $35 in 1979 to nearly $48 an hour in 2017—a nearly 40 percent increase. At the other end of the distribution, workers earning wages in the 20th percentile have only seen an 11 percent increase from about $11.10 in 1979 to $12.40 an hour in 2017. **SEE FIGURE 2.4**

FIGURE 2.4 **ONLY TOP EARNERS HAVE EXPERIENCED SUSTAINED WAGE GROWTH SINCE 2000**

Percent change in hourly wages by income group, 2000-2017 (2017$)



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



3.

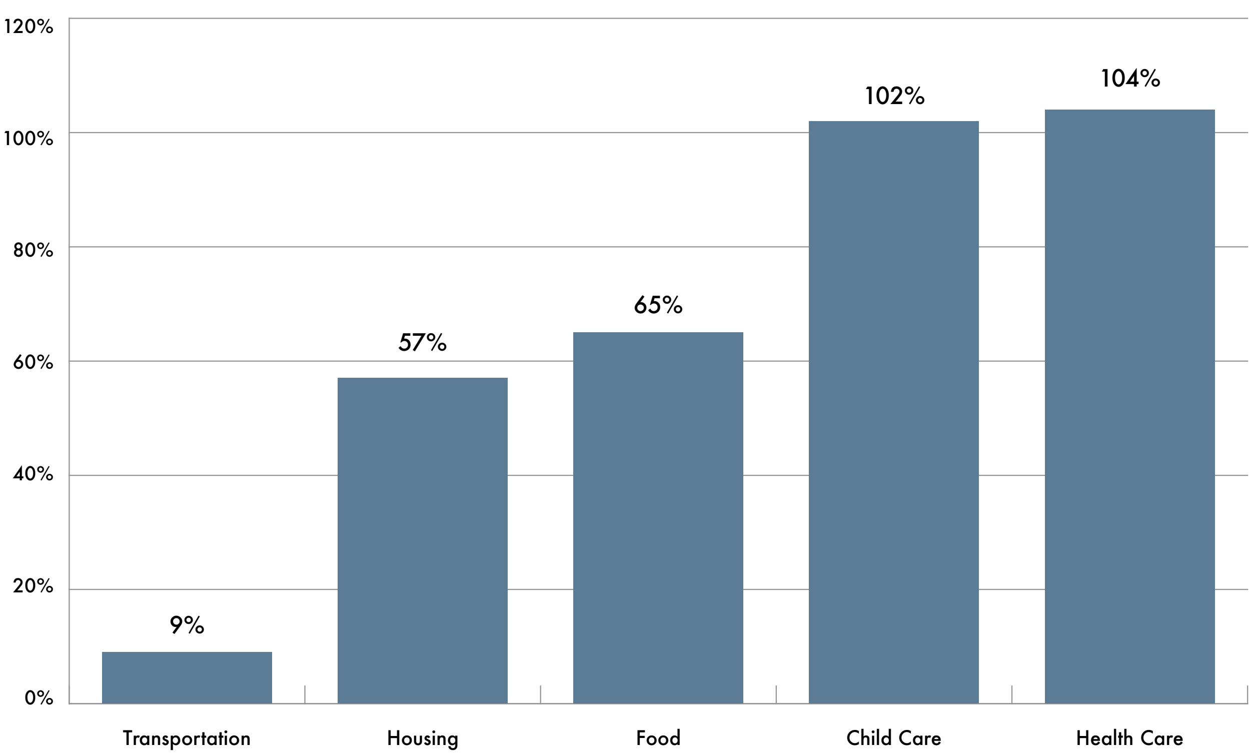
RISING COST OF LIVING

Far too many families in our state are not feeling the benefits of our growing economy. What they feel most acutely is how the cost of living has skyrocketed and wages failed to keep pace, making it harder to buy a home, pay the rent, afford health care and child care, or save for retirement. Recent data from the 2018 Self-Sufficiency Standard for Colorado found that the cost of basic needs statewide has risen far faster than wages, leaving many families vulnerable to financial insecurity, particularly families living in rural areas of the state.

SUBSTANTIAL COST OF LIVING INCREASES STATEWIDE

The cost of living in Colorado continued to increase unabated through the Great Recession. Across the state, the basic costs of living all families face have increased by nearly 80 percent on average between 2001 and 2018. Over the same period, the inflation-adjusted median wage increased only 2 percent. Child care and health care costs have doubled over this period, resulting in increasing pressures on family budgets. **SEE FIGURE 3.1**

FIG 3.1 COST OF LIVING INCREASES STATEWIDE
Percent change in Self-Sufficiency Standard budget costs, 2001-2018



Source: Diana Pearce, Overlooked & Undercounted 2018: Struggling to Make Ends Meet in Colorado. Available at https://cclponline.org/pub_library/sss2018

3.

RISING COST OF LIVING

MANY COLORADO FAMILIES ARE FACING SEVERE HOUSING COST CRUNCH

The cost of housing in Colorado has skyrocketed: average rent for 1- and 2-bedroom apartments in Colorado has increased by one-third since 2009 while income for the median renter household has increased by only 2 percent over that same period.[6] A common measure of housing affordability is whether a household spends 30 percent or less of its gross income on housing costs. Households paying more than that are considered to be housing burdened and are at risk of falling into debt and potentially losing their housing. Among all households in Colorado, about 30 percent are housing burdened, and 14 percent are severely burdened, paying more than half their income on housing. The problem is even more pressing among 430,000 households in the state earning incomes below self-sufficiency: nearly three-quarters are facing a housing burden and nearly half are severely burdened. **SEE FIGURE 3.2**

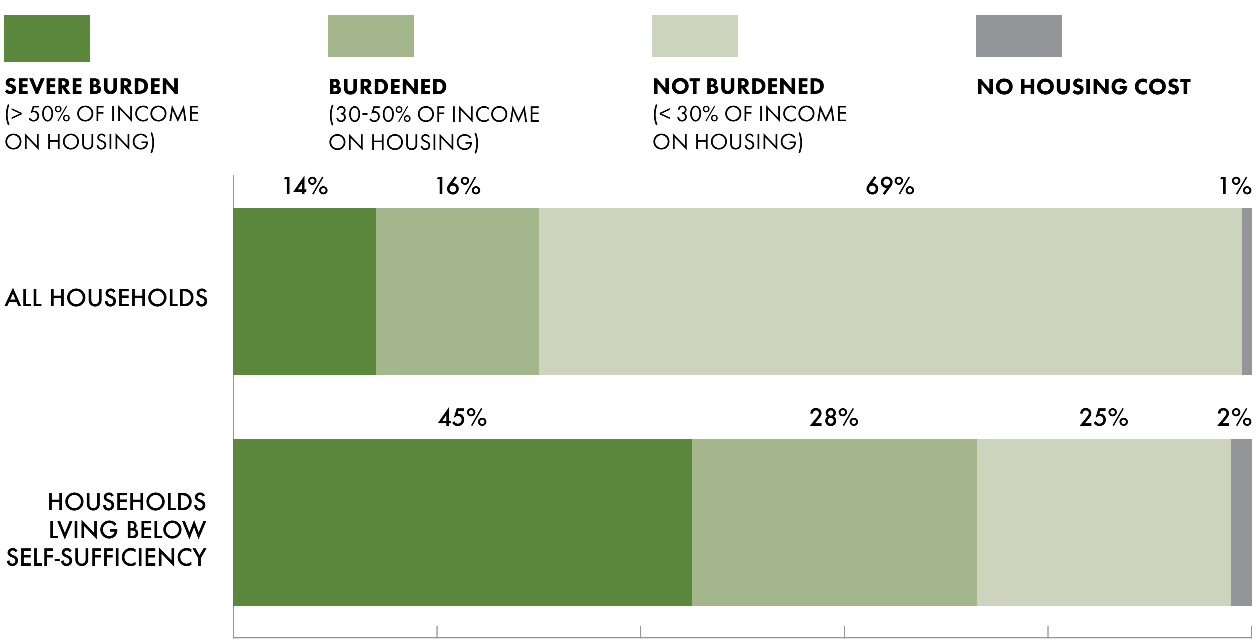
SINCE 2009:

RENT INCREASED 1/3
for 1- and 2-bedroom apartments

INCOME INCREASED 2%
for the median renter household

FIGURE 3.2 MAJORITY OF FINANCIALLY INSECURE HOUSEHOLDS EXPERIENCE SUBSTANTIAL HOUSING BURDEN

Share of Colorado households that are housing burdened, 2016



Source: Diana Pearce, Overlooked & Undercounted 2018: Struggling to Make Ends Meet in Colorado. Available at https://cclponline.org/pub_library/sss2018.

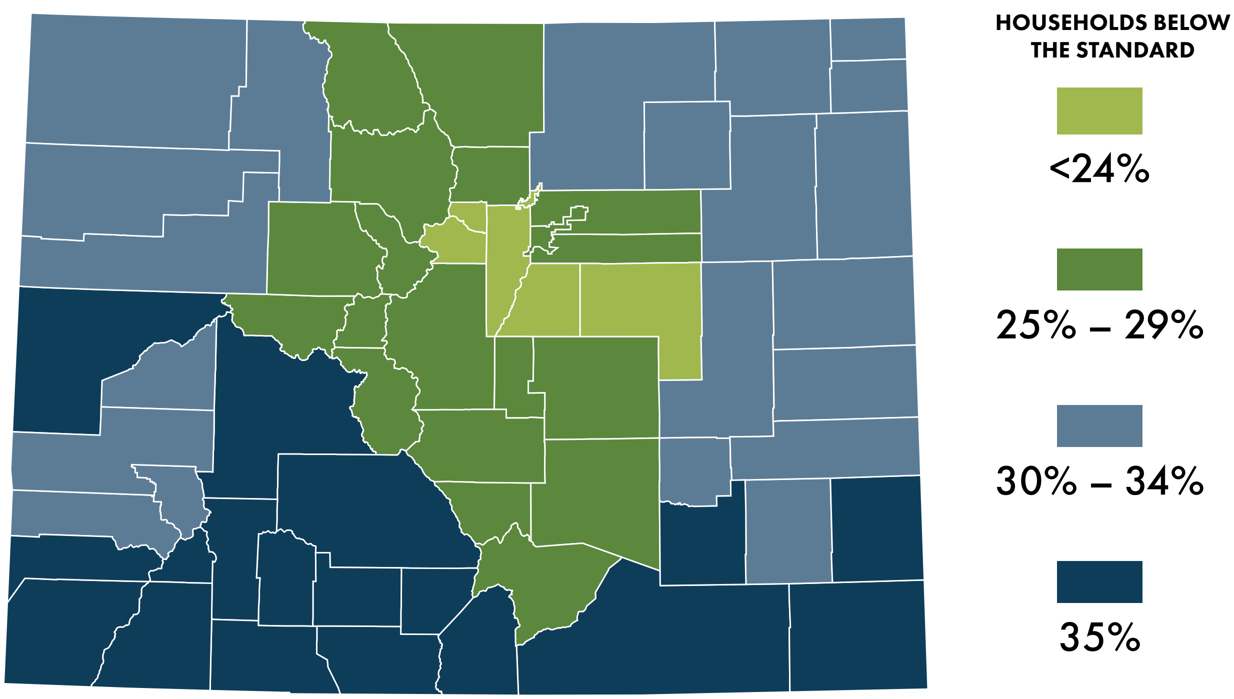
3.

RISING COST OF LIVING

RURAL COLORADO EXPERIENCES HIGHEST RATES OF INCOME INSECURITY

Our state faces another significant divide along geographic lines. According to new data in the 2018 Self-Sufficiency Standard for Colorado, households in rural communities have the highest rates of financial insecurity. In many rural counties of the state, the share of households living below self-sufficiency ranges from 30 to 41 percent. The communities in Southern Colorado, particularly along the San Luis Valley, experience the highest rates of income insecurity.[7] Our rural communities and remote mountain towns are struggling with a declining and aging population base, fewer good-paying job opportunities, and seasonal economies that often cannot sustain local workers. **SEE FIGURE 3.3**

FIG. 3.3 RURAL COUNTIES HAVE HIGHER RATES OF INCOME INSECURITY
Share of the Colorado households* with incomes below self-sufficiency by county, 2016



NUMBER OF HOUSEHOLDS (PER 10,000)

Source: Diana Pearce, Overlooked & Undercounted 2018: Struggling to Make Ends Meet in Colorado. Available at https://cclponline.org/pub_library/sss2018.

* This analysis is based on the Self-Sufficiency Standard, which assumes all adult household members work. The population sample for this analysis excludes household members not expected to work, such as the elderly and people with a work-limiting disability.

4.

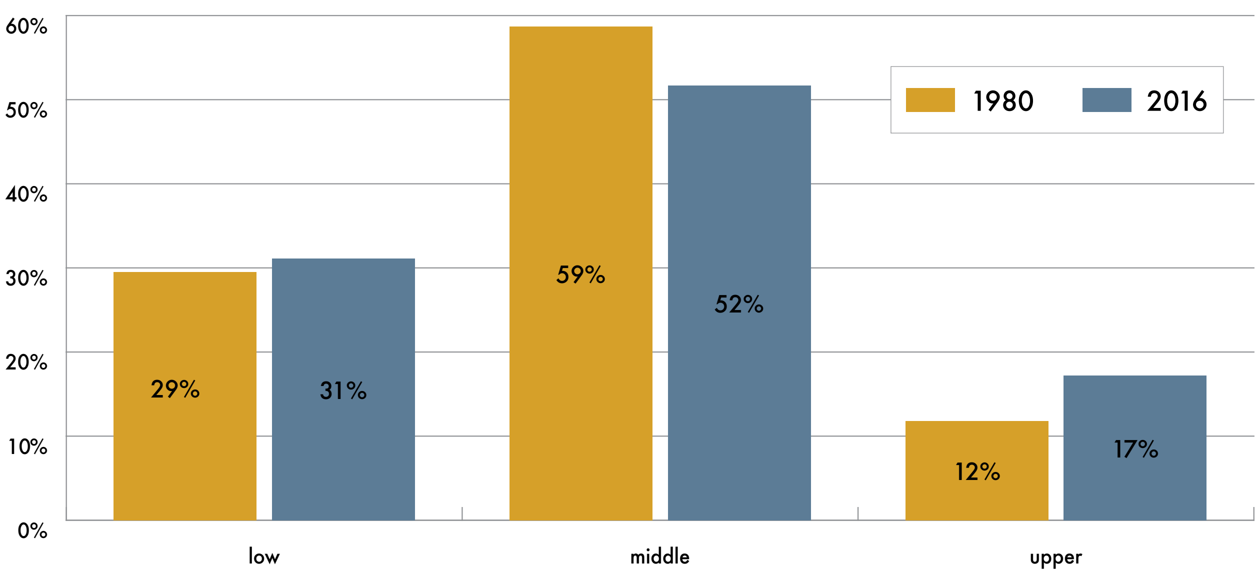
INCREASING INEQUALITY

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 since the 1980s. This growth is occurring without broadly shared prosperity.

COLORADO'S MIDDLE CLASS IS SHRINKING

The proportion of middle income households has fallen over the last 40 years, and the rate of decline has increased since the turn of the century.[8] One sign of overall progress: the share of households in the upper-income group increased more than the share of households in the lower-income group. However, median low-incomes have grown less than 15%, while the upper-income households have seen growth of median income greater than 25% since 1980. There is a widening gap between upper-income earners and low- and middle-income earners. Nationally, in 2016 this gap was the highest ever recorded.[9] In Colorado, median income for the richest households was more than seven times higher than median income of the lowest-income households. This means that low- and middle-income families fall further behind while wealth continues to concentrate at the top. Increasing inequality reduces economic opportunity by diminishing mobility for those at the bottom, and undermines democratic systems by allowing increased political influence of the wealthy.[10] **SEE FIGURE 4.1**

FIGURE 4.1 THE SHRINKING MIDDLE CLASS[11]
Share of Coloradans in lower, middle and upper income groups, 1980 and 2017



Source: IPUMS-USA, University of Minnesota, www.ipums.org, 1980 5% sample and 2016 5-year sample

4.

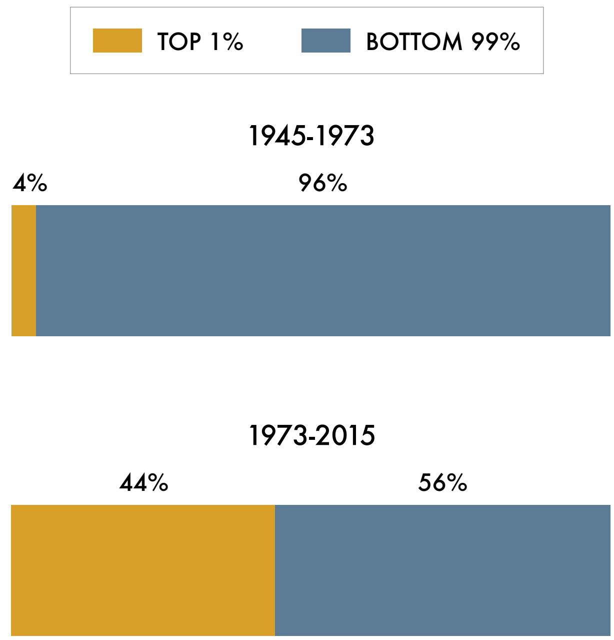
INCREASING INEQUALITY

WEALTH ACCUMULATES AT THE TOP

The average annual income for the top 1 percent of earners in Colorado is 26.3 times more than the average income of the bottom 99 percent, ranking Colorado 20th in the 50 states in highest ratio of income inequality. Historically, inequality has not been inevitable. In Colorado, between 1945 and 1973, the top 1 percent of earners accounted for only 4 percent of all income growth. Between 1973 and 2015, however, the same earners captured a staggering 44 percent of all growth in income in Colorado. The policies that govern our economy (outlined in the introduction to this report) have influenced the way wealth accumulates across the income spectrum. **SEE FIGURE 4.2**

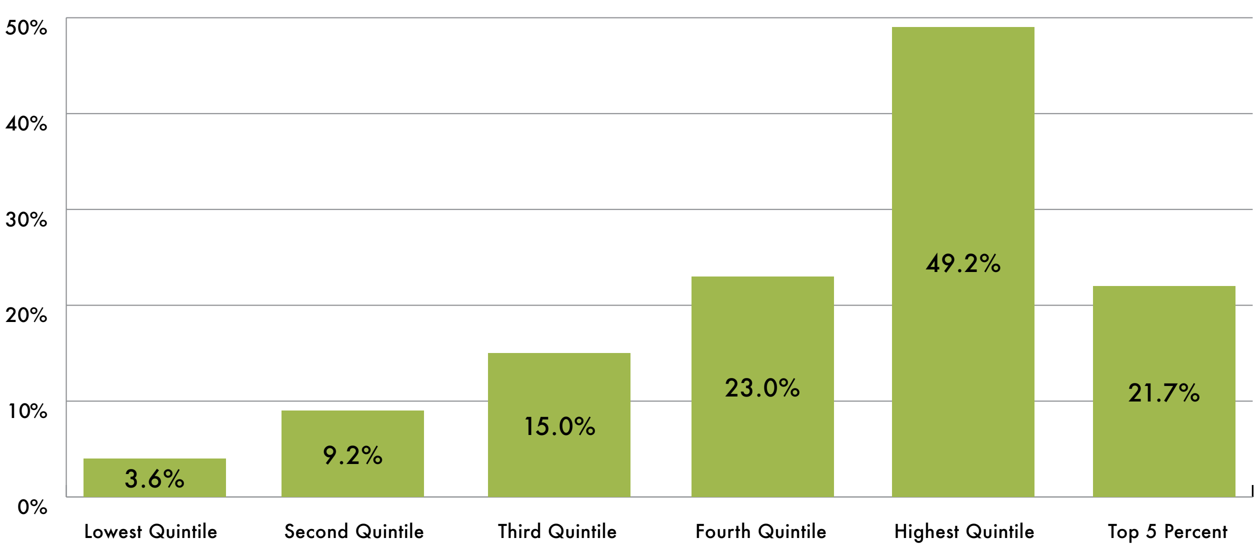
In 2017, nearly half of the state's total personal income was earned by the richest 20 percent of Colorado households. This means that one of every two dollars earned in the state went to 20 percent of households and the other dollar was split—unevenly—among the remaining 80 percent of households. **SEE FIGURE 4.3**

FIGURE 4.2 TOP 1% IN COLORADO CAPTURES A GROWING SHARE OF INCOME GROWTH
Share of overall income growth captured by the top 1% and the bottom 99%



Source: Sommeiller, Estelle, and Mark Price. 2018. "The New Gilded Age: Income inequality in the US by state, metropolitan area and county." Economic Policy Institute. Available at http://epi.org/147963.

FIGURE 4.3 HALF OF THE STATE'S INCOME IS CONCENTRATED AMONG 20 PERCENT OF THE POPULATION
Share of total state income by income group, 2017



Source: 2017 American Community Survey 1-year estimates

5.

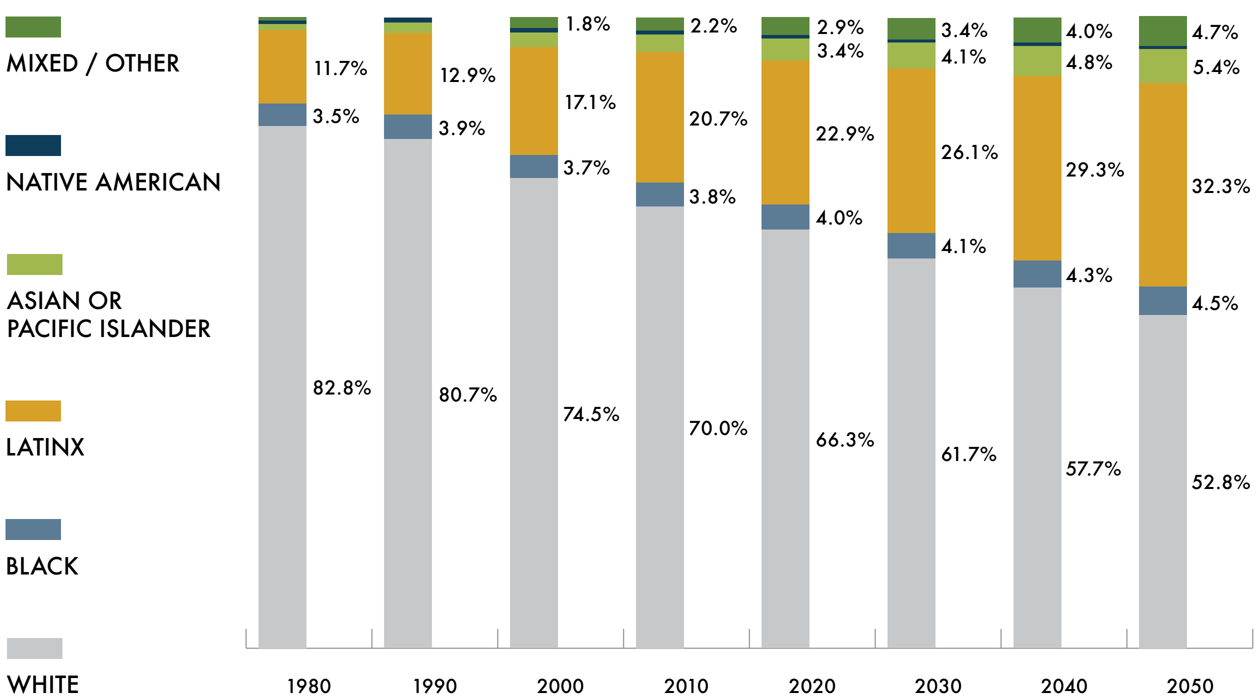
SYSTEMIC RACIAL DISPARITIES

Colorado is increasingly a multiracial state with a persistent race-based economic divide. As people of color comprise a larger share of the labor force, their social and economic progress will contribute to the success and growth of the state's economy. The persistent disparities in income, employment and poverty by race and ethnicity are the ongoing consequence of our nation's history of unequal access to good schools, safe neighborhoods, money to finance home ownership and disproportionate targeting by the criminal justice system. As our state demographics shift, these disparities will impact our collective growth.

COLORADO IS INCREASINGLY BECOMING A MULTIRACIAL STATE

Between 2000 and 2017, people of color increased from one-quarter of the state's population to nearly one-third. By 2050, an estimated 48 percent of the state's labor force will consist of people of color. Since 2000, people of color have represented over half of Colorado's population growth, driven primarily by growth in the Latinx population. Population growth among people of color has helped slow population decline in some rural counties across the state bringing increased economic vitality, cultural diversity and more youth.[12] **SEE FIGURE 5.1**

FIGURE 5.1 COLORADO IS BECOMING INCREASINGLY DIVERSE
Race and Ethnicity of Coloradans, 1980-2050



Source: PolicyLink analysis of U.S. Census Bureau data. Available at http://nationalequityatlas.org/indicators/Race~ethnicity/Trend:32756/Colorado/false/

5.

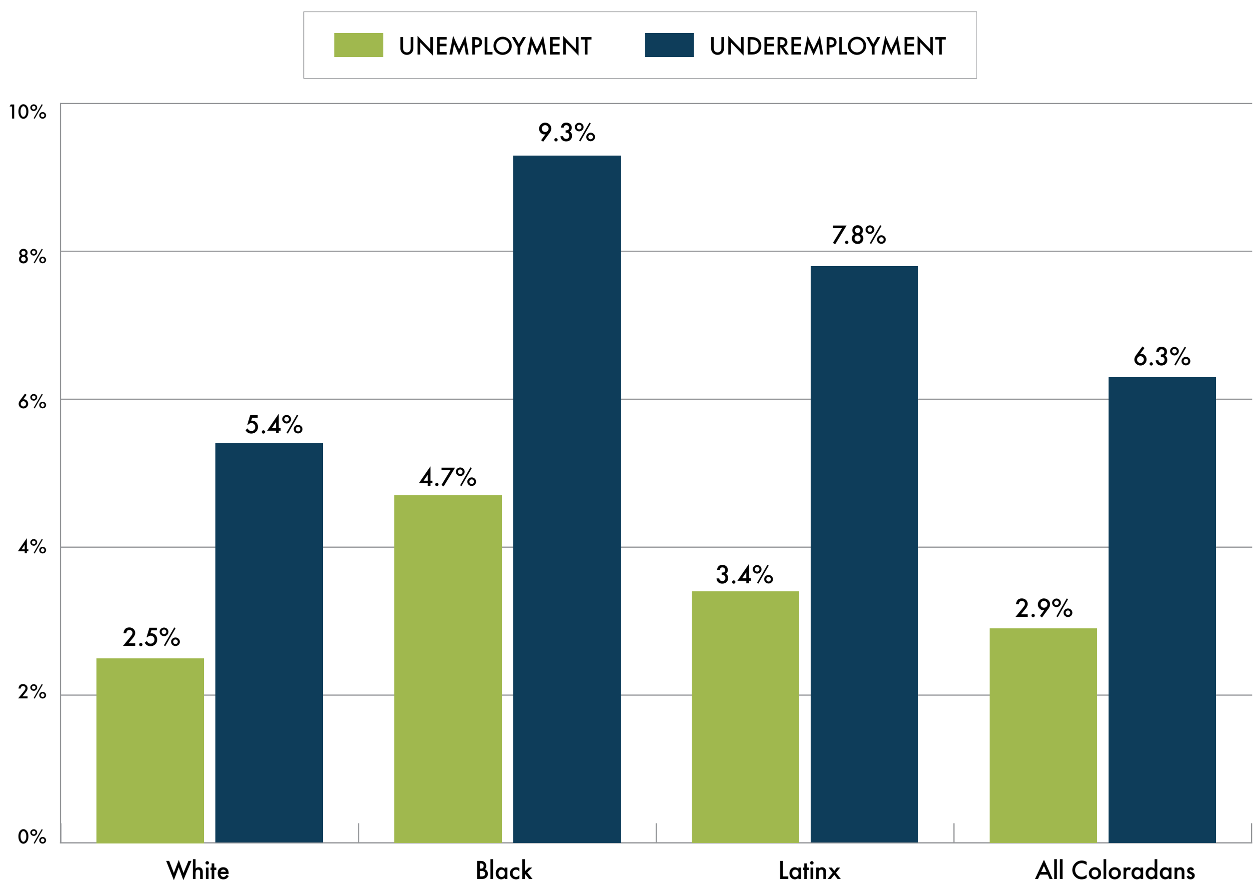
SYSTEMIC RACIAL DISPARITIES

HIGHER JOBLESSNESS AND UNDEREMPLOYMENT FOR BLACK AND LATINX COLORADANS

While Colorado's strong economy has resulted in falling jobless rates across the population, disparities exist between races and ethnicities in unemployment and underemployment. Unemployment counts jobless workers actively looking for work, while underemployment captures workers in part-time jobs that want full time work, and workers who had been looking for a job but have given up their search. Underemployment does not capture yet another group of people who would also be considered underemployed, those who are working jobs beneath their skill level (i.e. an engineer working in a coffee shop). Both unemployment and underemployment measure slack in our labor markets.

People of color have higher rates of unemployment and underemployment compared to White people. In 2017, the unemployment rate was nearly twice as high for Black workers as for White workers. Even higher educational attainment does not close the gap: nationally, more educated Black workers experience unemployment rates similar to or higher than less educated White workers.[13] **SEE FIGURE 5.2**

FIG. 5.2 WORK IS MORE DIFFICULT TO FIND FOR LATINX AND BLACK COLORADANS
Unemployment and Underemployment Rates, by Race and Ethnicity, 2017



Source: Economic Policy Institute analysis of Current Population Survey Microdata

5.

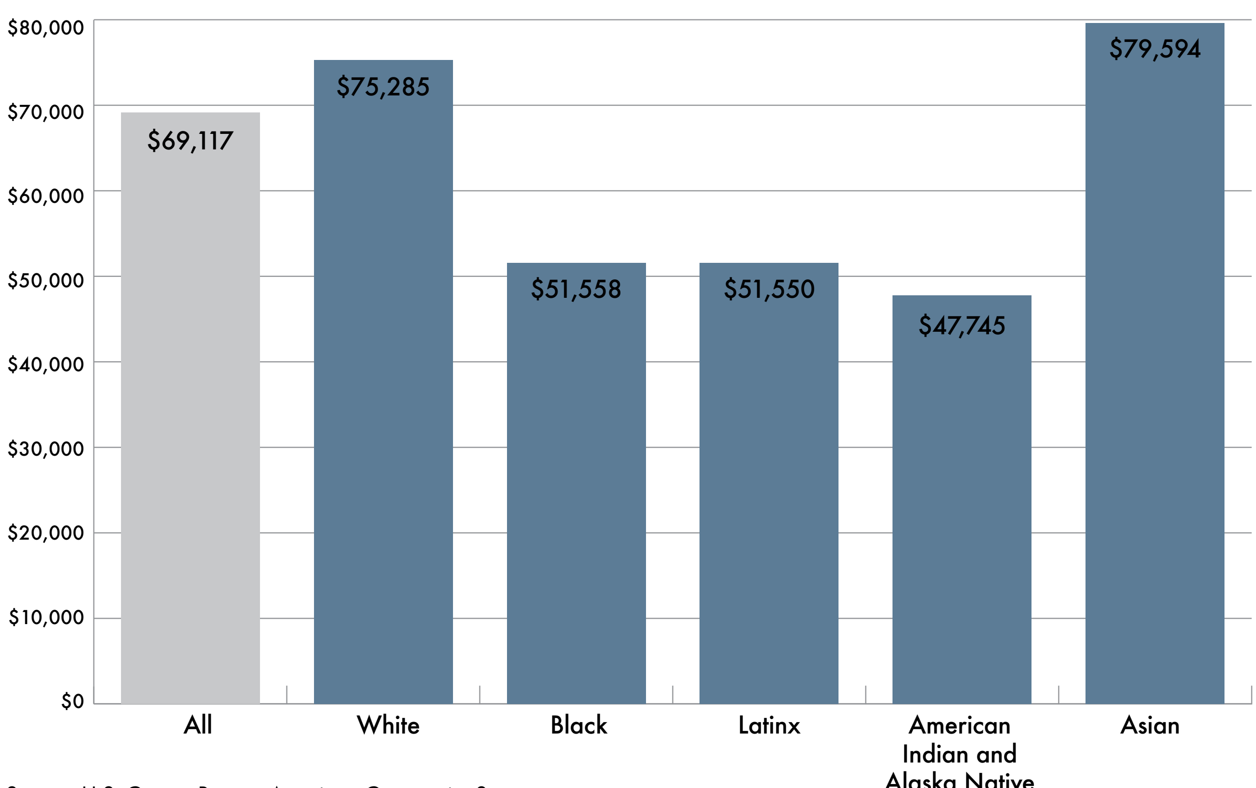
SYSTEMIC RACIAL DISPARITIES

The gap in income between families of color and White families is just as large as it was five decades ago.

PERSISTENT RACE-BASED INCOME GAPS

Median household income varies substantially by race and ethnicity, even after adjusting for education.[14] In Colorado in 2017, median income for Latinx and Black households was just 68 percent of White median household income. Among American Indian and Alaskan Native households, median income was 63 percent of White households. Median income for Asian[15] households appears to be higher than for any other demographic, but Asian households are more likely to include three or more working people, and disparities exist between White and Asian workers when adjusting for educational attainment.[16] These trends have persisted over time: the gap in income between families of color and White families is just as large as it was five decades ago.[17] **SEE FIGURE 5.3**

FIG 5.3 RACE-BASED INCOME GAPS ARE SIGNIFICANT AND PERSISTENT
Median Household Income, by Race and Ethnicity, 2017



Source: U.S. Census Bureau American Community Survey

5.

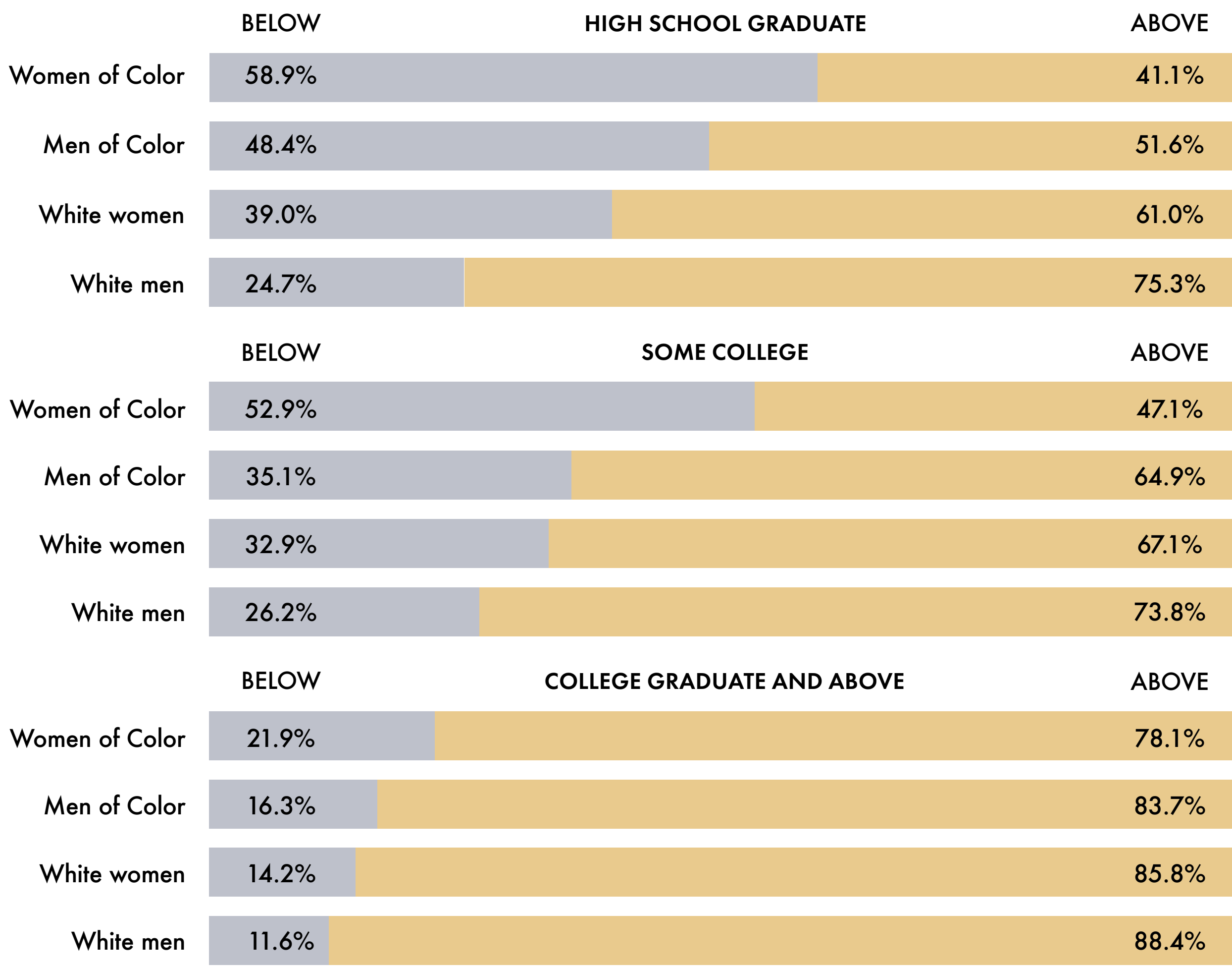
SYSTEMIC RACIAL DISPARITIES

PEOPLE OF COLOR EXPERIENCE LOWER RETURNS FOR EDUCATION AND HIGHER RATES OF INCOME INADEQUACY

Education results in higher annual earnings and lower likelihood of living in poverty, and recent data from the 2018 Self-Sufficiency Standard for Colorado shows that people of color experience lower returns for their investment in education. Both men and women of color have higher rates of income inadequacy than White men at every level of educational attainment. Among workers with only a high school education in Colorado, about one-quarter of White men lack basic economic security compared to nearly 60 percent of women of color with the same level of education. These differences are rooted in structural inequality that is pervasive across institutions. **SEE FIGURE 5.4**

FIG 5.4 PEOPLE OF COLOR NEED MORE EDUCATION TO ACHIEVE THE SAME DEGREE OF ECONOMIC SELF-SUFFICIENCY AS WHITE MEN

Population below self-sufficiency by race/ethnicity and educational attainment, 2016



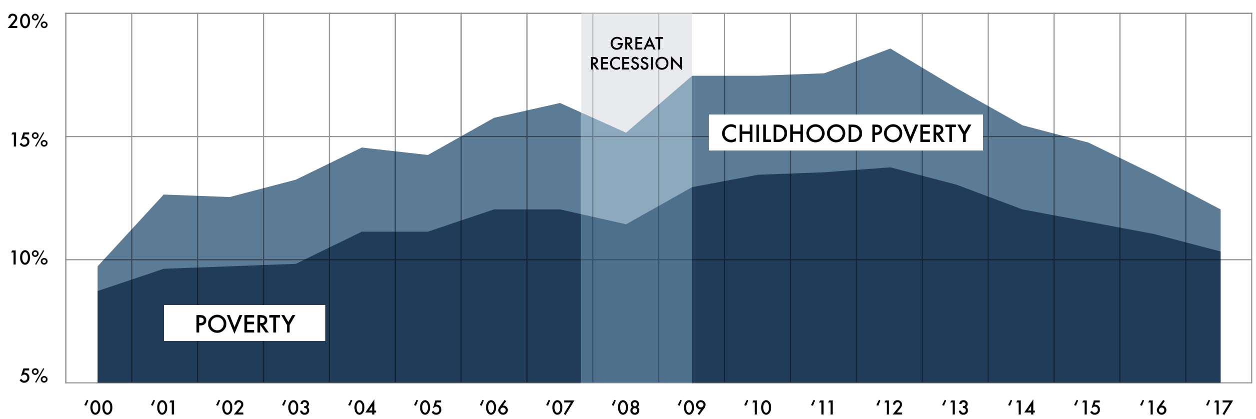
Source: Diana Pearce, Overlooked & Undercounted 2018: Struggling to Make Ends Meet in Colorado. Available at https://cclponline.org/pub_library/sss2018.

6.

ECONOMIC INSECURITY

Poverty and economic insecurity remain far more pervasive in Colorado than would be suggested by the unemployment rate and job growth numbers. Nearly a full decade following the end of the Great Recession, the poverty rate in Colorado remains over 10 percent. Moreover, we know that the official poverty measure fails to provide a full count of the number of people struggling financially to make ends meet. The Self-Sufficiency Standard finds that 27 percent of Colorado households struggle to meet their basic needs.

FIG. 6.1 POVERTY RATES ARE DROPPING BUT STILL REMAIN HIGH DESPITE A STRONG ECONOMY
Percent of total population and children living in poverty, Colorado, 2000-2017



Source: US Census Bureau American Community Survey 2017 1-year estimates

OFFICIAL POVERTY RATE STILL REMAINS IN DOUBLE DIGITS

Historically, poverty rates have tracked business cycles—increasing during recessions and declining during periods of economic expansion. More recently, though, the poverty rates have actually continued to increase during the recovery periods following the 2001 and 2007 recessions. Between 2008 and 2012, the poverty rate in Colorado rose year after year to a peak of 13.7 percent—the second-highest statewide poverty rate since 1980. The state's poverty rate has been now fallen 3.4 percentage points below the high point in 2012.

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 and 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.[18] The child poverty rate continued to increase after 2007 but at a slower rate. In 2017, the child poverty rate dropped to 12 percent—now 5.5 percentage points below its peak of 18.5 percent in 2012. **SEE FIGURE 6.1**

6.

ECONOMIC INSECURITY

MORE THAN ONE IN FOUR COLORADO HOUSEHOLDS LACK BASIC ECONOMIC SECURITY

The Self-Sufficiency Standard for Colorado generally requires an income of at least 200 percent of FPL or higher in many Colorado communities.[19] According to the 2018 Self-Sufficiency Standard, more than one in four Colorado households lacked enough income to cover their necessities. Only about one-third of those households are captured by the official poverty measure. In fact, the problem of financial struggle in Colorado is much broader—in total 430,150 households across the state do not earn enough income to meet their basic needs. And the vast majority of these households (88 percent) have at least one worker in the house. It is not lack of work that is driving this level of economic insecurity in Colorado but rather lack of opportunity to find a job that pays a self-sufficient income. **SEE FIGURE 6.2**

PEOPLE OF COLOR DISPROPORTIONATELY EXPERIENCE FINANCIAL INSECURITY

While financial insecurity in our state is far more

FIG 6.2. 430,150 HOUSEHOLDS IN COLORADO CANNOT MEET THEIR BASIC NEEDS

Of Colorado households below the Standard:

88% have at least one worker

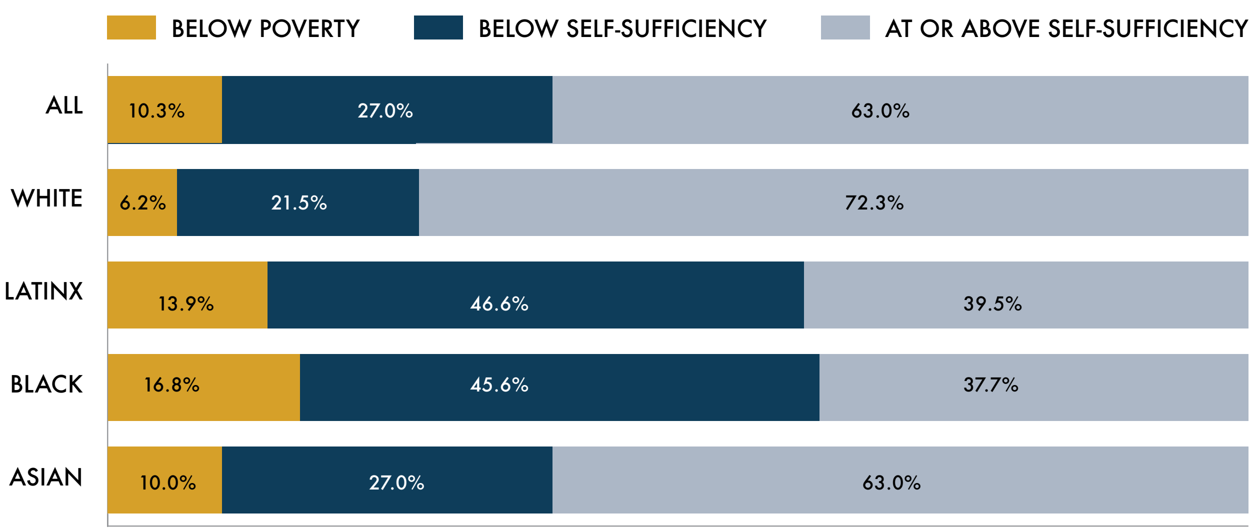
61% have at least some college

73% experience a high housing-cost burden

Source: Diana Pearce, Overlooked & Undercounted 2018: Struggling to Make Ends Meet in Colorado. Available at https://cclponline.org/pub_library/sss2018.

FIG. 6.3 NEARLY HALF OF LATINX AND BLACK HOUSEHOLDS IN COLORADO LACK FINANCIAL SECURITY

Percent of Colorado households* living below poverty and below self-sufficiency, by race and ethnicity, 2016



Source: Diana Pearce, Overlooked & Undercounted 2018: Struggling to Make Ends Meet in Colorado. Available at https://cclponline.org/pub_library/sss2018.

* This analysis is based on the Self-Sufficiency Standard, which assumes all adult household members work. The population sample for this analysis excludes household members not expected to work, such as the elderly and people with a work-limiting disability.

6.

ECONOMIC INSECURITY

38% of households with children lack adequate income

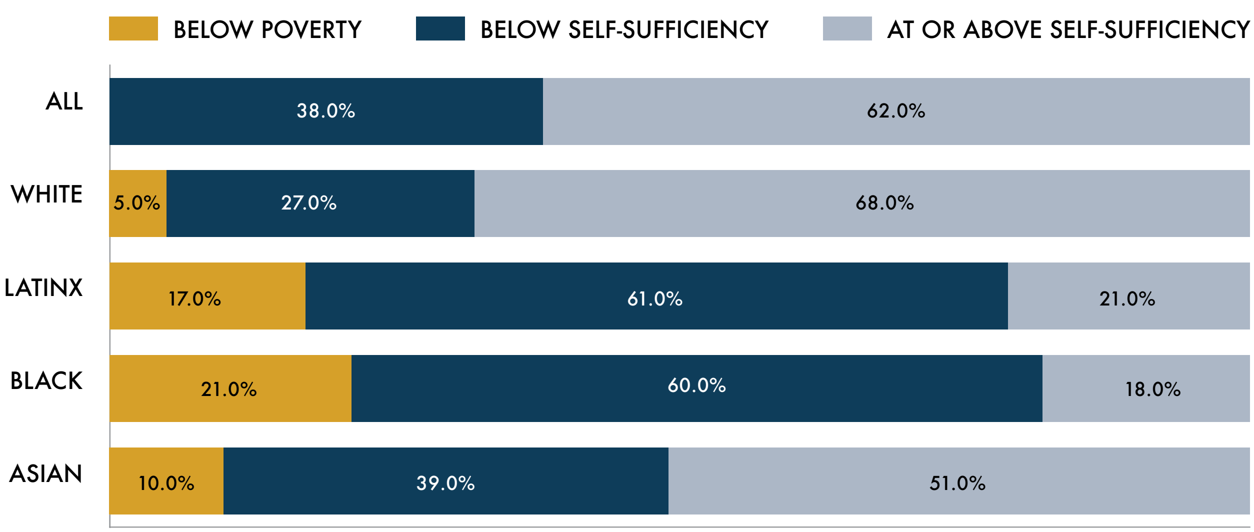
common than would be expected given the strength of our economy, what's also striking is the share of people of color living on the economic edge. Latinx households and Black households in our state are more than twice as likely to experience financial insecurity as White households. **SEE FIGURE 6.3**

COLORADO FAMILIES WITH CHILDREN ARE AT GREATEST RISK OF NOT MEETING THEIR BASIC NEEDS

A full 38 percent of households with children lack adequate income, compared to 21 percent of households without children, in part reflecting the higher costs associated with raising children. Of the 430,150 households living below the Self-Sufficiency Standard, over half (54 percent) have at least one child. Children of color are considerably more likely to live in households that lack adequate income compared to White children. Poverty and financial insecurity are now widely viewed as one of the most significant threats to child health. Recently, pediatricians have called for classifying childhood poverty as a disease.[20] Living in families in financial distress puts children at risk of premature birth, low birthweight and for developing conditions with lifelong consequences such as asthma, obesity, diabetes and mental illness. **SEE FIGURE 6.4**

FIG. 6.4 MORE THAN HALF OF LATINX AND BLACK HOUSEHOLDS WITH CHILDREN IN COLORADO LACK FINANCIAL SECURITY

Percent of Colorado households* with children living below poverty and below self-sufficiency, by race and ethnicity, 2016



Source: Diana Pearce, Overlooked & Undercounted 2018: Struggling to Make Ends Meet in Colorado. Available at https://cclponline.org/pub_library/sss2018.

* This analysis is based on the Self-Sufficiency Standard, which assumes all adult household members work. The population sample for this analysis excludes household members not expected to work, such as the elderly and people with a work-limiting disability.

7.

CONCLUSION

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Colorado has much to celebrate. Our economy has diversified to attract new industries, our state has become a magnet for highly educated, creative workers, and incomes are rising while unemployment is at historic lows. We must remember, though, that these measures of economic performance do not tell the whole story.

Many workers in our state are earning wages that are not adequate to cover their basic needs. Meanwhile, rent increases every year, high-quality childcare becomes too expensive for middle-income earners, and many people have to choose between saving for college and paying for costly health care expenses. Systemic discrimination disproportionately affects people of color, who have to work harder to make ends meet. Financial insecurity is a reality for too many Coloradans, despite our prospering economy.

We seek to build a Colorado where everyone – no matter what their age, background, race, gender or economic status – has the opportunity to live meaningful, fulfilling lives. Achieving that vision requires seriously reckoning with the disparities evident in the data presented in this report. That is why Colorado Center on Law and Policy will continue to advocate for worker protections, affordable and safe housing, equitable access to quality health care, and policies that ensure the most vulnerable populations can achieve financial security.

The State of Working Colorado presents data about how Coloradans are faring. Policy-makers, opinion-leaders, community organizers and all those who care to improve these conditions should use this data to identify more equitable paths forward. Together, we can structure our policies and institutions to shape a better Colorado that works for all of us.

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 policymakers and researchers.

Current Employment Statistics Survey (CES): The CES is a survey of approximately 143,000 businesses and government agencies representing 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.

Endnotes

1. C. Balestra and R. Tonkin. 2018. “Inequalities in household wealth across OECD countries: Evidence from the OECD Wealth Distribution Database”, OECD Statistics Working Papers, 2018/01, OECD Publishing, Paris. http://dx.doi.org/10.1787/7e1bf673-en (visited 11/19/2018).
2. Economic Policy Institute analysis of unpublished total economy data from Bureau of Labor Statistics, Labor Productivity and costs program; employment data from Bureau of Labor Statistics, Local Area Unemployment Statistics; and Bureau of Economic Analysis, State/National Income and Product Accounts public data series. Prepared for CCLP on request, August 2018.
3. Wage thresholds for this analysis were defined using data from the Self-Sufficiency Standard for Colorado. The self-sufficiency thresholds were determined by calculating the median self-sufficiency salary for a single adult across Colorado’s 17 metro counties for 2001 ($16,200), 2008 ($20,300) and 2017 ($26,660). The self-sufficiency salaries are based on the local cost of living and defined as an income sufficient to meet basic needs without public or private support. Those 17 counties account for well over 70 percent of the jobs in the state in 2017. We excluded mountain resort communities 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. The self-sufficiency thresholds for 2001, 2008 and 2017 were then compared to annual wages at the 10th, 25th, 50th, 75th and 90th percentiles for the most detailed occupations (as defined under the Standard Occupation Classification System) made available through the Occupational Employment Statistics Program (OES). A count of jobs in each occupation category paying less than the sufficiency thresholds was estimated by multiplying the appropriate wage percentile by the number of jobs in that category. While this method likely results in slightly underestimating the number of jobs that fall below the identified thresholds, it does provide a rough estimate of the share of low wage jobs in a single year and over time.
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10. Lawrence R. Jacobs and Theda Skocpol, Editors. 2005. Inequality and American Democracy: What we know and what we need to learn. Russel Sage Foundation: Yew York.
11. Pew Research Center defines middle-class households as those with incomes, adjusted for household size, from 66.7 percent to 200 percent of median household income. Lower-income households have incomes less than 66.7 percent of median; and upper-income households, more than 200 percent of median. For this analysis, Colorado Center on Law and Policy applied the Pew Research Center’s methodology to U.S. Census microdata for Colorado. Full methodology available at http://www.pewsocialtrends.org/2015/12/09/the-american-middle-class-is-losing-ground/ (visited 11/13/2018).
12. Headwaters Economics. 2017. “Minority Populations Driving County Growth in the Rural West.” Available at https://headwaterseconomics.org/economic-development/trends-performance/minority-populations-driving-county-growth/ (visited 11/13/2018).
13. Gillian B. White. December 21, 2015. “Education Gaps Don’t Fully Explain Why Black Unemployment Is So High.” The Atlantic. Available at https://www.theatlantic.com/business/archive/2015/12/black-white-unemployment-gap/421497/ (visited 11/13/2018).
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15. While we refer here to Asian households as one category, we know that there is likely a tremendous amount of variation among Asian subgroups that gets lost when we aggregate data into a single category.
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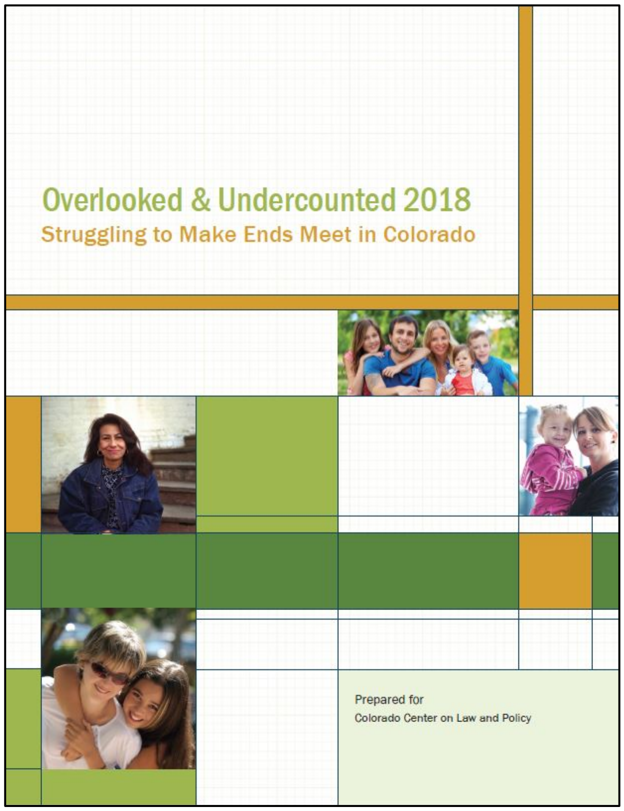
Want to learn more about working Coloradans?



If you enjoyed the *2018 State of Working Colorado* and want to learn more about how Coloradans are faring, check out *Overlooked & Undercounted 2018: Struggling to Make Ends Meet in Colorado.* Released in late 2018 as part of CCLP's Self-Sufficiency Standard series, the report includes an extensive geographic breakdown by county that shows what percentage of households in each county fall under the self-sufficiency standard, along with what it takes to be self-sufficient without needing public benefits. It also details what ethnicities, family types and genders are furthest behind.

This comprehensive picture of what poverty looks like in Colorado is an excellent companion to the State of Working Colorado, and can be downloaded at www.cclponline.org/sss2018.

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