



State of Working Colorado 2014

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Letter from the Executive Director

At the Colorado Center on Law and Policy we work to advance the health, economic security and well being of low-income Coloradans through research, education, advocacy and litigation. Each year, in partnership with the Economic Policy Institute, we produce the *State of Working Colorado* as a means of taking inventory of Colorado's economy and how our state's workers are faring.

Colorado's economy has become something of a paradox: More people are working and, in that sense, the economy appears to be recovering from the recession. But more working families are struggling to make ends meet as wages have failed to keep pace with increases in productivity and inflation.

To borrow a quote from Lawrence Mishel of the Economic Policy Institute, there's lots of income being produced, it's just not going to workers. The data displayed in the pages that follow support that fact—productivity as a whole has risen, our economy is growing, but far too many workers aren't seeing the benefit of these gains.

The *State of Working Colorado* helps bring trends like that into focus. This report presents data about the economy and the people who power the economy. And what that data shows is that the wealthiest Coloradans are enjoying tremendous gains in income while a much larger number of the lowest-wage workers—those who fuel economic growth—have seen little, if any, income growth in the past few decades.

Colorado is not unique in that regard. This trend is being seen throughout the country as a growing crisis of income inequality. It's a gap that must be closed. The economic recovery will not be real, meaningful, or enduring until hardworking families can get ahead.

I hope you will use the *State of Working Colorado 2014* to learn more about the condition of our economy. And join us in advancing policies here in Colorado that will narrow the widening income gap and, more importantly, allow working families to achieve the economic security they have earned.



Claire Levy

Executive Director

Colorado Center on Law and Policy

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Executive Summary

The United States economy fell into a deep and severe recession in December 2007. The Great Recession officially ended in June 2009 but its impact continues to be felt in Colorado and across the nation. Across several broad indicators, the Colorado economy is showing important signs of recovery. But many Coloradans—especially minorities, single parent families, and low-income workers—continue to struggle to make ends meet.

Unemployment and poverty rates remain high and wages for those at the bottom of the earning spectrum have stagnated. Economic gains are not evenly distributed across the state and income is increasingly concentrated among a small share of high earners. Productivity has become divorced from wages over the last decade. The conditions that will propel the economy forward—low unemployment, a living wage for low-income workers and broadly shared economic growth—are still lacking.

State of Working Colorado 2014 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 Coloradans.

1. Employment

Compared to the nation, 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, on average, more educated compared to the nation. And Colorado is one of only 16 states to have recovered all jobs lost since the 2007 recession. While this is encouraging, analysis reveals that the road to recovery is long, and that recovery is taking much longer to reach low-income families.

- The number of jobs in Colorado has returned to pre-recession levels. As of June 2014, Colorado's economy had 2.4 million jobs, an increase of 96,300 jobs compared to December 2007.
- The state is still experiencing a jobs deficit, however, because job growth has not kept pace with population growth. Colorado needs an additional 152,238 jobs to keep up with population growth.

- A struggling economy often forces people in search of full-time work to settle for a part-time position. One in five employed Coloradans works part-time involuntarily—still above pre-recession levels.
- While the number of low- and high-wage jobs has increased, the number of mid-wage jobs has declined by 25,500 since 2007.
- The employment-to-population ratio has remained steady for prime working age adults (ages 25 to 54) in recent years, signaling that declining unemployment is likely due to people dropping out of the labor market.
- Union membership in Colorado continues to drop and remains substantially lower than the national average. Union membership in Colorado has fallen from 12.1 percent of the workforce in 1995 to 9.2 percent in 2013.

2. Unemployment

Losing a job in a struggling economy can have significant and long-lasting negative consequences for workers and their families. People who leave their jobs voluntarily and stay in the labor force generally move up by taking a job with better pay and working conditions. Workers who leave jobs involuntarily, such as when a worker is laid off, typically pay a high price. Displaced workers—particularly during periods of high unemployment—are less likely to find another job, take longer to secure another position and tend to earn substantially lower wages than in their previous job. Many Coloradans who lost jobs during the 2007 recession are still out of work and even more are working below their full potential.

- Colorado has endured a long period of relatively high unemployment (albeit lower than national unemployment rates). As of June 2014—five years from the end of the Great Recession—unemployment in Colorado was 5.5 percent. This is still about 2 percentage points above the pre-recession unemployment rate.
- The underemployment rate for 2013 was 12.5 percent—dropping slightly in recent years but still well above pre-recession levels. The underemployment rate counts jobless workers looking for work, those who have given up searching for a job, and involuntary part-time workers.
- About one in five black and Latino residents looking for work are either underemployed or unemployed—a rate nearly twice that of white Coloradans.
- Unemployment rates by county range from a low of 3 percent to a high of 12 percent. The highest unemployment rates are concentrated in and around the San Luis Valley.
- In 2013, 37 percent of all jobless workers were facing long-term unemployment—nearly triple the 2007 rate. Colorado has barely moved off the peak long-term unemployment rate of 41 percent reached in 2010. More than half of people who have received unemployment insurance in Colorado have exhausted their benefits.

3. Income

Colorado is still feeling the effects of the 2007 recession on household income. Median income has not yet fully recovered. Minorities were hit harder and experienced larger declines in income. And much like the nation, Colorado is experiencing growing income inequality. 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. The result is a widening gap between high, middle and low-income households that is seemingly no longer responsive to hard work.

- Between 2007 and 2013, real median household income in Colorado dropped by \$3,200 to \$58,823—a 5.2 percent decline. The good news is that since 2010, real median income has held steady. At this pace, however, it may take several years for median income to recover to the pre-recession level.
- Black household income declined 13.4 percent since 2007; American Indian/Alaska Native household income declined 16.1 percent.
- At all levels of education, median household income of women is less than men. Even with an additional level of education, median income for women is still lower than men with less education.
- Nearly half of the \$159 billion in income earned in Colorado in 2013 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.
- Colorado ranks among the top 20 states in the nation with the highest levels of income inequality.

4. Wages

The most substantial wage growth since 1979 has been among the top 20 percent of earners in the state. But 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 2013, the median hourly wage in Colorado was \$18.28 compared to \$16.69 nationally.
- Wage growth since 1979 has been uneven in the state. In 2013, those in the 20th percentile earned wages only 2.2 percent higher than 1979 in real dollars. Middle-wage earners fared slightly better, earning about 8 percent more than in 1979. Those at the top (80th percentile), however, earned nearly 25 percent more compared to 1979.
- The small amount of growth in wages for the bottom half occurred between 1991 and 2000, while wages for the top 20 percent have continued to rise into 2013.

- Productivity has increased by 20 percent since 2000, while the median wage dropped by 2 percent over the same period.
- In Colorado, many minimum wage workers are raising families: 68 percent of minimum wage workers are over the age of 20; three-quarters work more than 20 hours a week; and nearly 60 percent are women. Although the minimum wage in Colorado (\$8.00/hour for 2014) is higher than the federal minimum wage, as a full-time income it totals only \$16,600—well below the federal poverty level of \$19,790 for a family of three.

5. Poverty

Growing inequality and stagnant wages over the last several decades have had a particularly devastating impact on people at the very bottom of the income spectrum. Prosperity from steadily increasing productivity has not been widely shared—least of all among the poorest Coloradans. Poverty continues to hit some racial and ethnic groups harder, maintaining historical inequities. Unlike other measures of economic health, poverty rates have been much slower to respond to the economic recovery.

- The 2013 poverty rate of 13.0 percent is still slightly higher than before the recession began (12.0 percent) and significantly higher than in 2000 (8.7 percent).
- Forty-three percent of Coloradans in poverty live in deep poverty—that is, living on an income that is half of the poverty line. In 2013, that meant \$5,745 per year for an individual and \$9,765 per year for a family of three. And the number of people living in deep poverty increased by nearly 27,000 between 2007 and 2013.
- Nearly 1 in 3 Coloradans live in or near poverty (200 percent of the federal poverty level)—that’s more than 1.5 million people, or more than twice the population of Denver.
- The poverty rate among white, non-Hispanics in Colorado is 9.4 percent—lower than the statewide poverty rate and several times lower than Latinos, blacks and American Indian/Alaskan Natives.
- Single mothers with children account for 13 percent of families in Colorado, but are 39 percent of all families in poverty.
- Nearly 40 percent of all children in Colorado lived in or near poverty in 2012.

6. Health Care

Health care coverage is critical to achieving well-being and economic stability. Rising health care costs present serious challenges for the state. Increases in the cost of health care are unsustainable for federal and state budgets and are making it harder for workers and employers to make ends meet. As families struggle to make ends meet, many have very little to cover needed health care costs and, as a result, may delay or forgo care. Health also goes beyond health care access and affordability. Individual and community health and wellbeing are inextricably linked to social and

economic factors. Certain groups of people and places across the state have less access to health coverage and services and consistently have worse health outcomes.

- The vast majority of Coloradans—87.4 percent—are covered by public or private insurance, leaving 12.6 percent uninsured in 2013. Slightly over 8 percent of children are uninsured.
- The share of Coloradans covered by private health insurance has been declining. About three-quarters of Coloradans were covered by private health plans in the late 1990s, dropping to 70 percent by 2013.
- The share of Coloradans covered by public health benefits has been on the rise over the past decade—especially since 2007. In 2007, 20.4 percent of Coloradans were covered by some form of public insurance, increasing to 28.4 percent by 2013.
- The number of people covered by Medicaid has risen sharply. Since December 2013, caseloads have increased by 32.5 percent—a rate nearly triple the average annual changes between 2008-2013.
- Disparities in health outcomes are linked to race, ethnicity and income. According to the Colorado Health Access Survey, 20.2 percent of those at or below the federal poverty level reported having fair or poor health compared to just 5.2 percent of those over 400 percent of poverty. Latinos and blacks were more likely to report poor or fair health compared to whites.

CHAPTER 1: Employment

A job provides the foundation for economic well-being for most people of working age. Employment is the primary source of income for most families allowing them to meet their daily needs of living.

Compared to the nation, 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. And Colorado is one of only 16 states to have recovered all jobs lost since the 2007 recession.

While this is good news, the analysis in this chapter reveals that the road to recovery is long, and that the state has yet to fully recover from the 2007 recession. Although Colorado has regained the jobs lost following the recession, job growth has not kept pace with population growth. The job deficit is especially evident in middle-wage jobs, which have declined substantially since the 2007 recession. And still one in five Coloradans work part-time jobs because they cannot find full-time employment. Unemployment rates have been dropping (see Chapter 2), but the share of employed prime age adults has remained steady in recent years signaling that declines in unemployment are likely due to people dropping out of the labor market.

When taken together, these patterns and features of the economy and its post-recession recovery paint a picture of a state that is doing a good job in the aggregate, but is leaving behind some of the populations most impacted by the recession.

Fast Facts

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

Job growth, however, has not kept pace with population growth. Colorado needs an additional 152,238 jobs.

One in five employed Coloradans works part-time involuntarily.

The number of middle wage jobs has declined by 25,500 since 2007.

The employment-to-population ratio has remained steady for prime working age adults in recent years signaling that declining unemployment is likely due to people dropping out of the labor market.

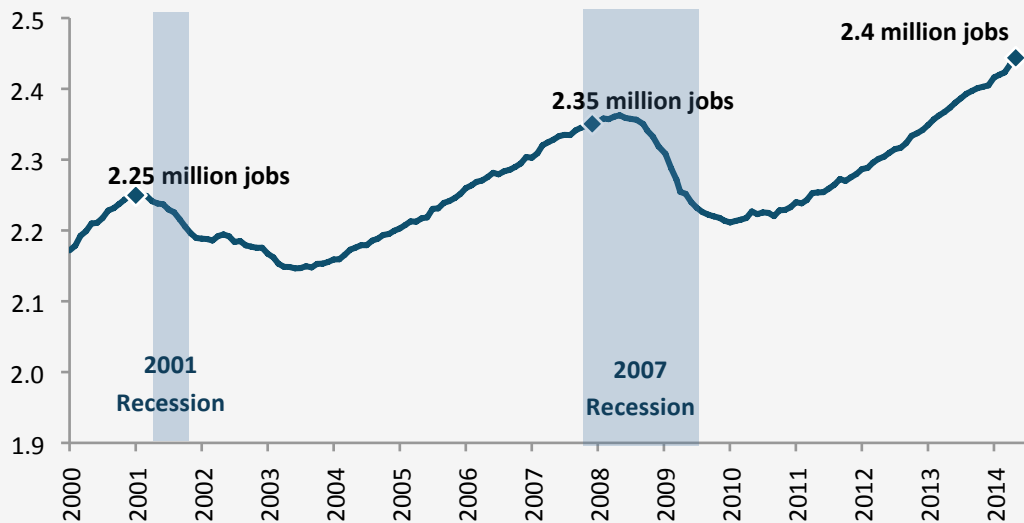
Union membership in Colorado continues to drop and remains substantially below the national average.

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 the start of the recession in December 2007 and June 2009—the official end of the recession. All of those jobs have been regained. As of June 2014, Colorado’s economy had a total of 2.4 million jobs, an increase of 96,300 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, 2000-2014



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

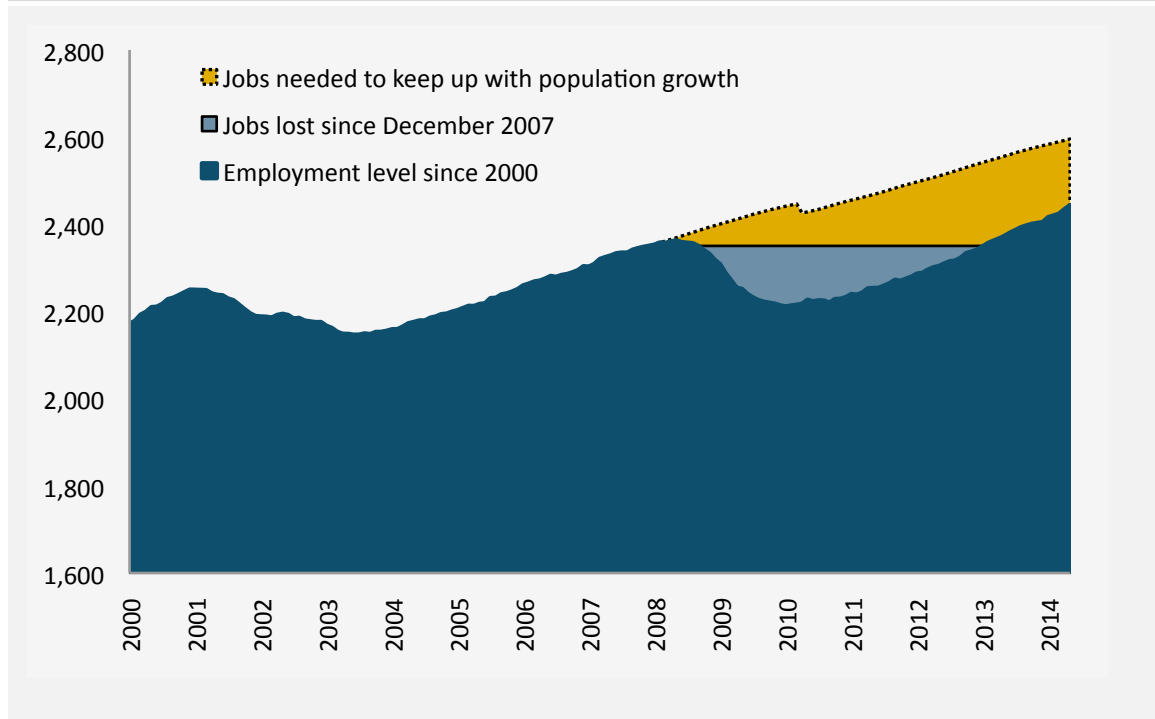
What is a recession?

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 more than 10 percent since the start of the recession. To keep pace with population growth, Colorado needs to create 152,238 additional jobs. (See Figure 1.2)

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), 2000-2014



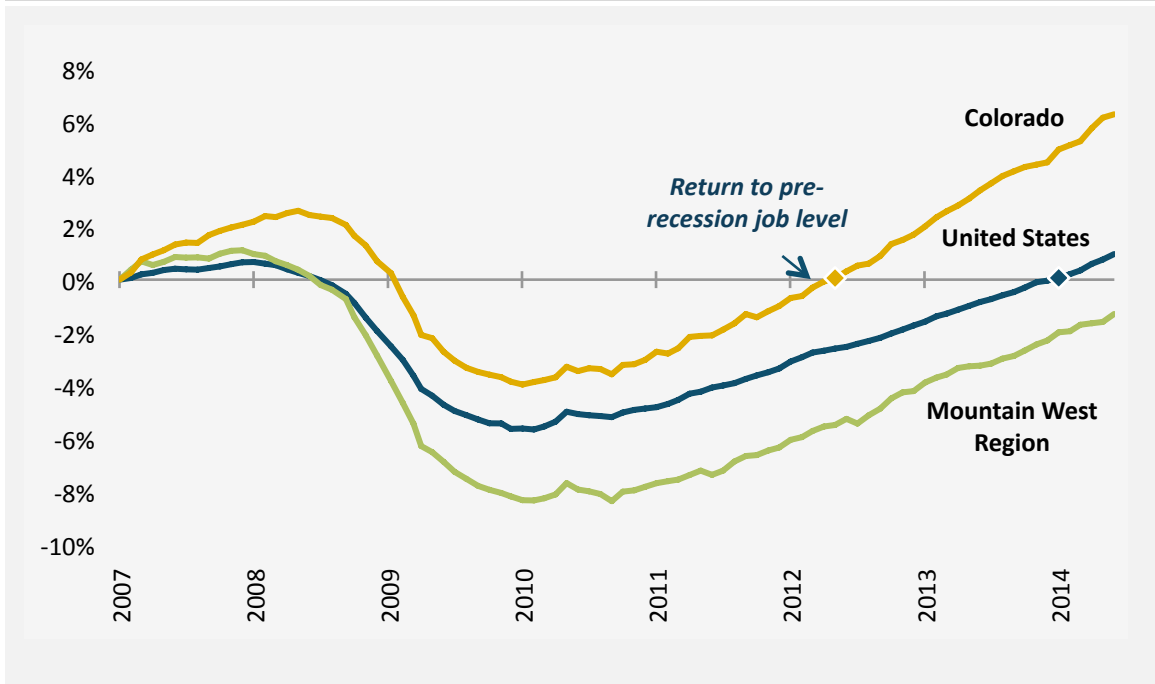
Source: Economic Policy Institute analysis of U.S. Bureau of Labor Statistics Current Employment Survey (Data through June 2014)

Colorado jobs recovery surpasses the region and the nation

Despite the persistent job shortfall and prolonged recovery in Colorado, overall the state has had a stronger post-recession recovery of jobs compared to the Mountain West region (i.e., Utah, Wyoming, Arizona, New Mexico, Idaho, Nevada, and Montana) and the nation as a whole. Figure 1.3 shows changes in the job base relative to 2007 when the Great Recession began. Employment contracted sharply in Colorado, the other western mountain states and the U.S. as a whole. Colorado, however, held on to a larger share of its pre-recession jobs and returned to pre-recession employment levels more quickly than the Mountain West region and the nation. In fact, Colorado is one of only 16 states in the nation to have recovered all the jobs lost during the recession.

Figure 1.3: Colorado lost fewer jobs and returned to pre-recession job levels more quickly compared to other Mountain West states and the U.S.

PERCENT CHANGE IN JOBS SINCE START OF 2007 RECESSION, 2007-2014



Source: U.S. Bureau of Labor Statistics Current Employment Survey (Data through June 2014)

Great Recession job recovery has taken longer than past recessions

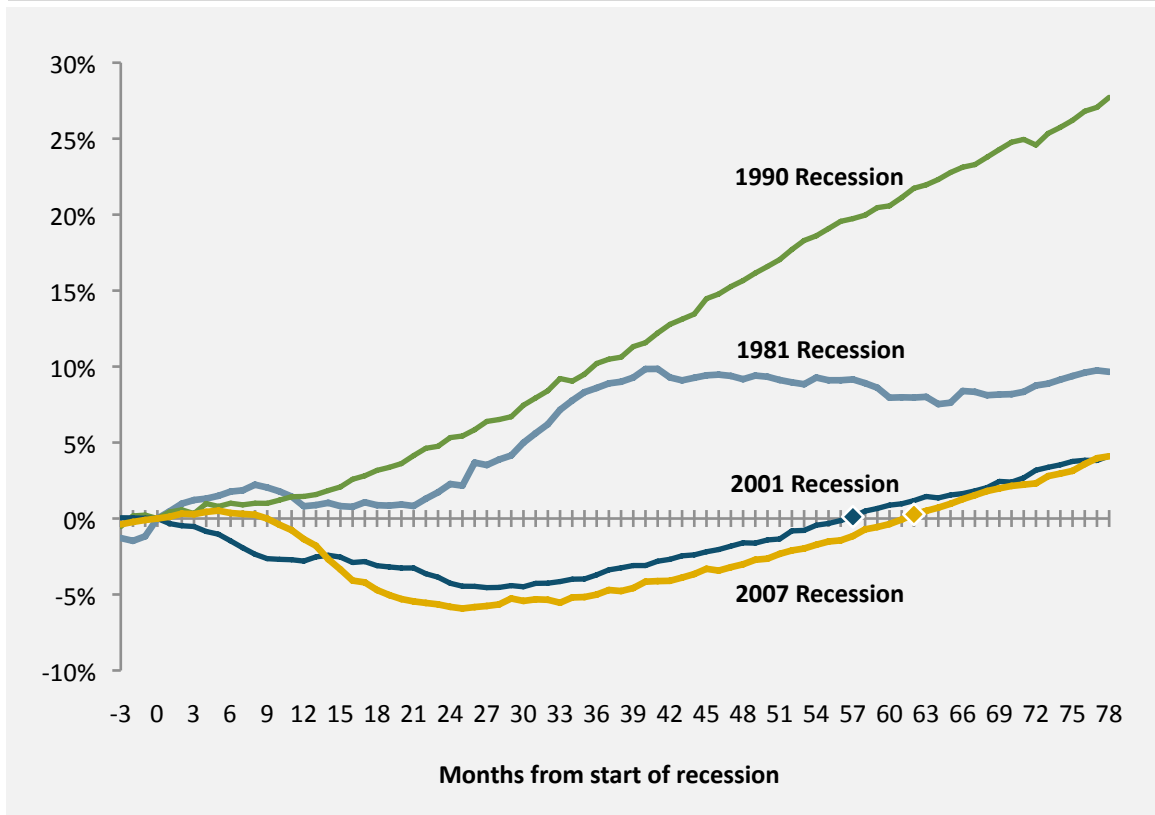
Although Colorado has consistently fared better than the nation and neighboring states in job losses and eventual recovery, the severity and persistence of the Great Recession cannot be overlooked. Examining the depth of job loss and the time to regain those jobs for previous recessions provides context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

Figure 1.4 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, did have similar characteristics 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 a larger job loss and a longer time to recover all lost jobs. The impact of such a long period of weak economic activity has had ripple effects that continue to be felt today—five years after the Great Recession officially

ended. (For example, see Chapter 2 for discussion of the significant increase in unemployment from the Great Recession as compared to past recessions and how Colorado is still recovering from high unemployment levels.)

Figure 1.4: Slower job recovery following the Great Recession than past recessions
PERCENT CHANGE IN JOBS SINCE START OF 1981, 1990, 2001 AND 2007 RECESSIONS



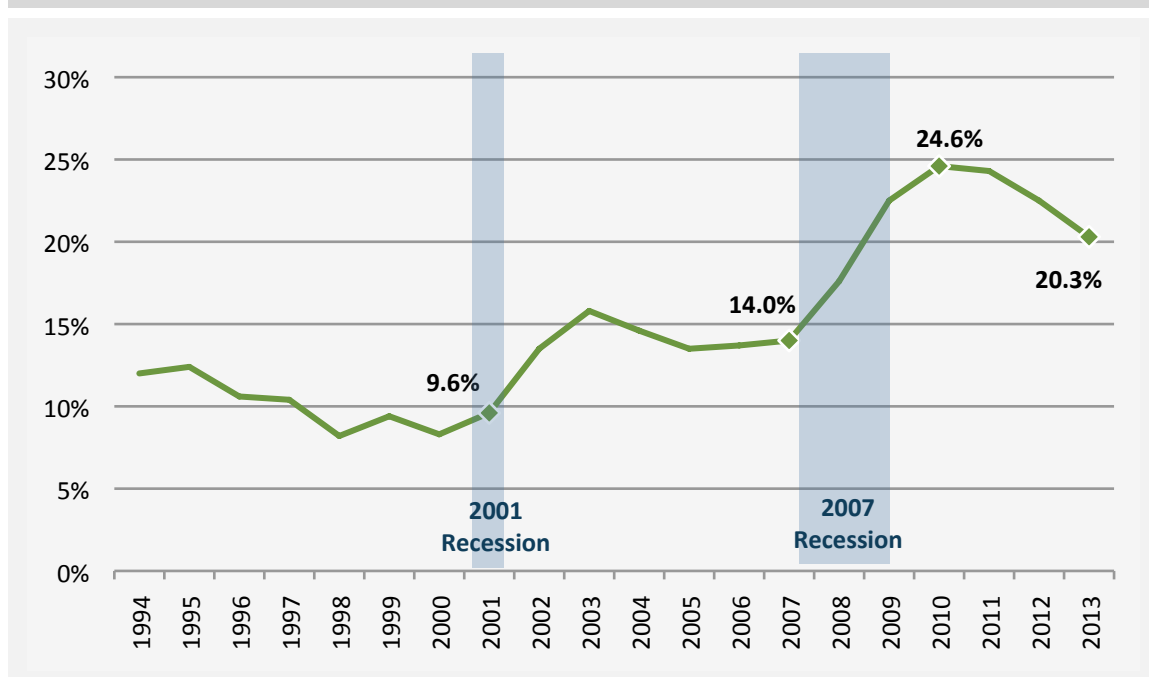
Source: Economic Policy Institute analysis of U.S. Bureau of Labor Statistics Current Employment Survey (Data through June 2014)

Many workers are still involuntarily working part-time jobs

A struggling economy often forces people in search of full-time work to settle for part-time work, which is defined as working less than 35 hours a week. Several factors contribute to this trend: a reduction in available hours due to unfavorable business conditions, an inability to find full-time work, and/or seasonal variation in demand. The U.S. Census Bureau classifies people who work part-time for economic reasons, but are available and would like to work full-time, as “involuntary part-time” workers.

The share of part-time workers who indicated they were working part-time jobs involuntarily increased from 14 percent at the start of the Great Recession to more than 20 percent by 2013. (See figure 1.5) While the share of involuntary part-time workers has dropped from the high point reached in 2010 of nearly 25 percent, it has not returned to pre-recession levels. In 2013, about one in five part-time workers wanted more work. This is substantially 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 dropped after the 2001 recession but remained elevated moving into the 2007 recession.

Figure 1.5: 1 in 5 Coloradans work part-time involuntarily, double historical levels
SHARE OF PART-TIME WORKERS WHO ARE EMPLOYED PART-TIME INVOLUNTARILY, 1994-2013



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

Middle wage jobs decline as high and low wage jobs grow

In 2007, middle wage jobs made up about 35 percent of all jobs in the state. In 2013, the share of jobs considered middle wage had declined to 33 percent of Colorado jobs. Between 2007 and 2013, Colorado experienced a net loss of 25,500 middle wage jobs.² (See Figure 1.6) The state has been recovering these jobs at a slow pace.

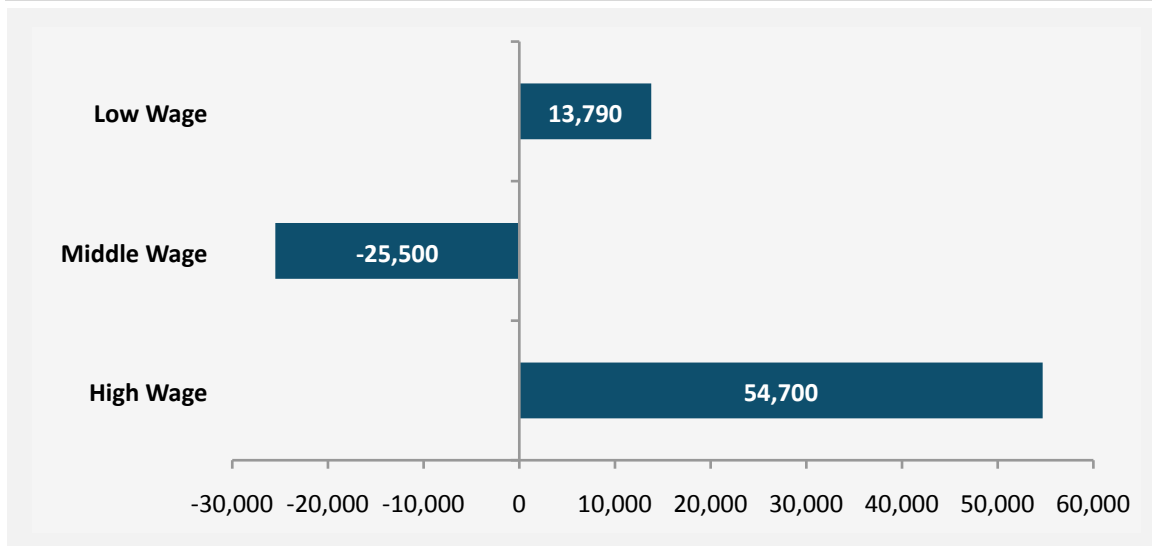
Over the same time period, the net number of low and high wage jobs has increased. Colorado had about 55,000 more high-wage jobs in 2013 compared to 2007. Accordingly, the share of high wage jobs has increased by about 2 percent over the same time. The net change in the

number of low-wage jobs has also increased—by about 14,000 jobs. The share of low-wage jobs has remained about the same—31 percent—between 2007 and 2013.

On one hand, it is not surprising that Colorado has experienced a growth in high-wage jobs. The labor force is generally well educated and the median household income in Colorado tends to be higher than the national median income. (See Chapter 3 for more discussion of median household income.) Middle-income jobs, however, are the backbone of a growing economy.

Figure 1.6: The number of middle-wage jobs has declined substantially since 2007

NET CHANGE IN LOW, MIDDLE AND HIGH WAGE JOBS, 2007-2013



Source: U.S. Bureau of Labor Statistics Occupational Employment Survey

Job growth since 2007 concentrated in four service-providing industries

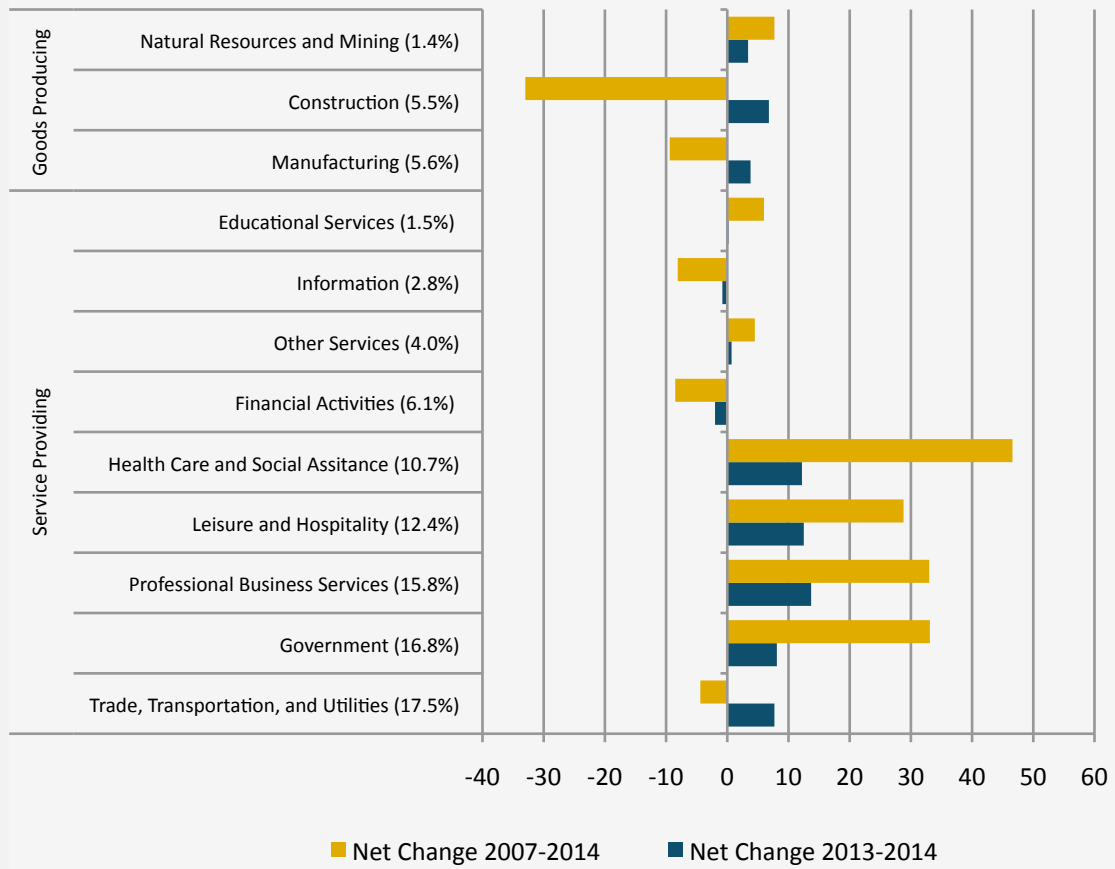
Similar to the U.S. economy, the Colorado economy is heavily concentrated in service-producing industries (e.g., health services, leisure and hospitality, financial activities, etc.) compared to goods-producing industries (i.e., manufacturing, construction and mining). In fact, service-producing industries currently account for 87.6 percent of all employment in Colorado. These are the industries that have also experienced the most job growth across the state. (See Figure 1.7) Specifically, government, leisure and hospitality, health care, and professional business services accounted for the vast majority of all job growth in Colorado since 2007. Over the same period, the construction industry took the largest hit in the number of jobs lost.

Figure 1.7 also shows the net change in jobs between June 2013 to June 2014 to get a better sense of recent trends. To some extent, the pre-post recession approach masks the fact that recovery is occurring across all sectors. While job growth has indeed been focused in service-

providing occupations, there is evidence of job growth in all three of the goods producing occupations in the last year. Similarly, over the past year, only two occupational categories showed job decline: financial activities and information jobs.

Together, these data suggest that Colorado is, in fact, slowly recovering jobs lost in almost all sectors following the Great Recession. At the same time, it is clear that Colorado has lost many jobs that have not been replaced.

Figure 1.7: Job growth has occurred almost exclusively in service providing sectors
NET CHANGE IN JOBS (IN THOUSANDS), BY INDUSTRY, DECEMBER 2007 – JUNE 2014
(JUNE 2014 SHARE OF TOTAL JOBS IN PARENTHESES)



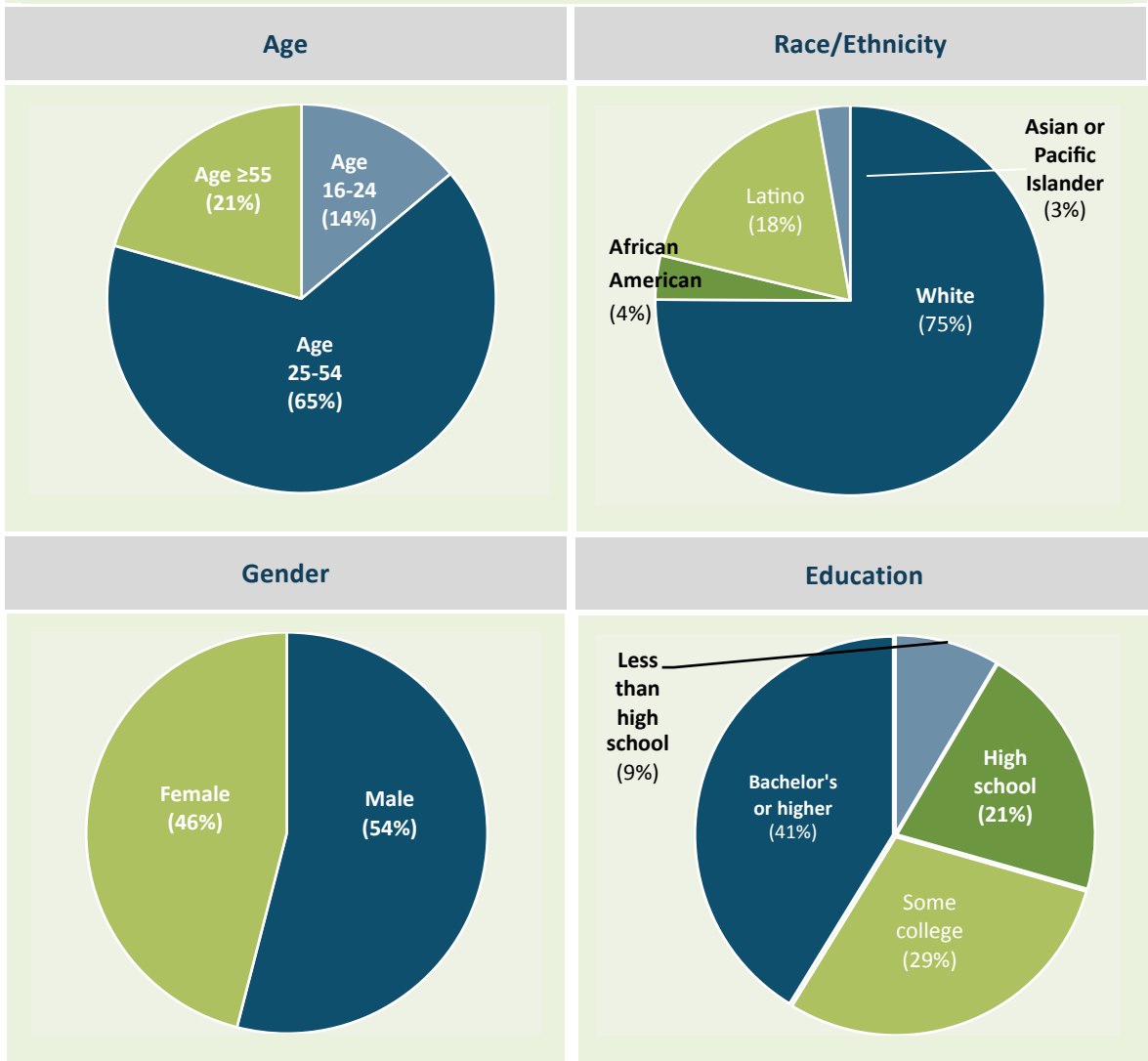
Source: U.S. Bureau of Labor Statistics Current Employment Statistics Survey

Snapshot of Colorado Labor Force

The labor force includes people age 16 years and older who either have jobs or have actively looked for work within the past four weeks. As of June 2014, there were about 2.8 million people in the labor force in Colorado.³

- 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 made up the second largest group representing 18 percent of the total labor force while blacks and Asian/Pacific Islanders each make up less than five percent of the labor force.

Colorado continues to have a well-educated labor force. In 2013, Colorado had the fourth most well-educated labor force among the 50 states. Over 40 percent of Coloradans working or looking for work hold a bachelor's degree or higher, which is 7 percent higher than the national rate.



Source: Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey (2013 data)

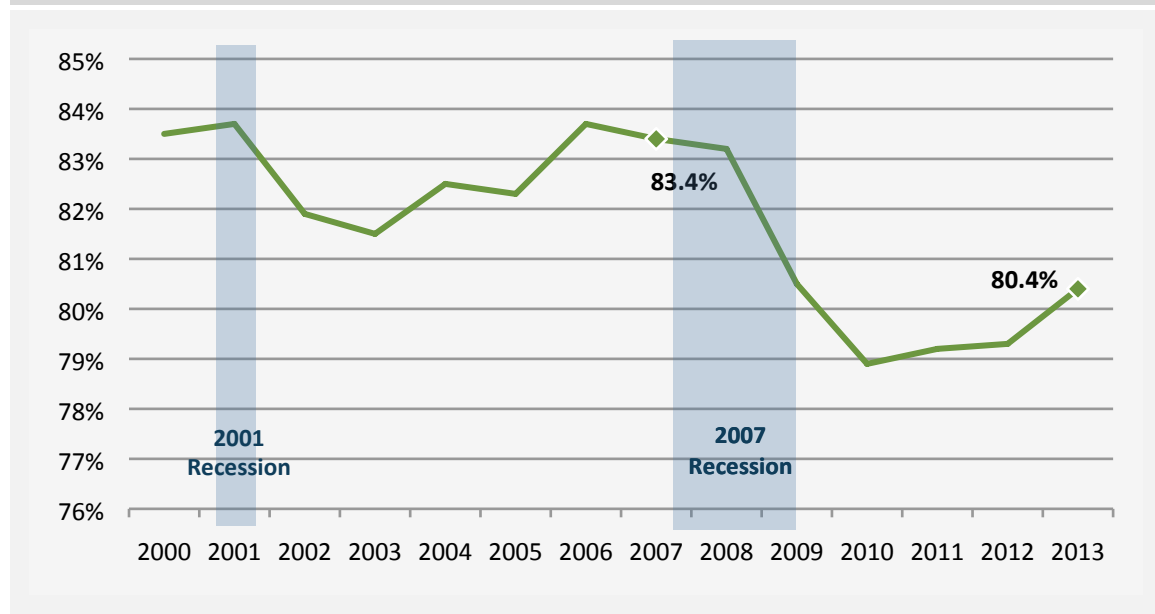
One-in-five prime-age workers in Colorado are not employed

A 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 the working-age population (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 also counts people who want to work but have stopped looking for a job.

Here, we examine the share of 25- to 54-year olds—prime-age workers—with a job. As Figure 1.8 shows, about 80 percent of the prime working age population is employed, which is nearly 4 percentage points lower than the pre-recession high. Put another way, this suggests that nearly 433,000 people who could be working, are not. An underutilized workforce means lost productivity.

Another notable feature of Figure 1.8 is that the employment-to-population ratio has recovered only slightly in recent years. At the same time, the state unemployment rate has been dropping. (See Figure 2.3 in Chapter 2.) 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 1.8: 20 percent of prime working age Coloradans are not working
EMPLOYMENT-TO-POPULATION RATIO, 25- TO 54-YEAR OLDS, 2000-2013

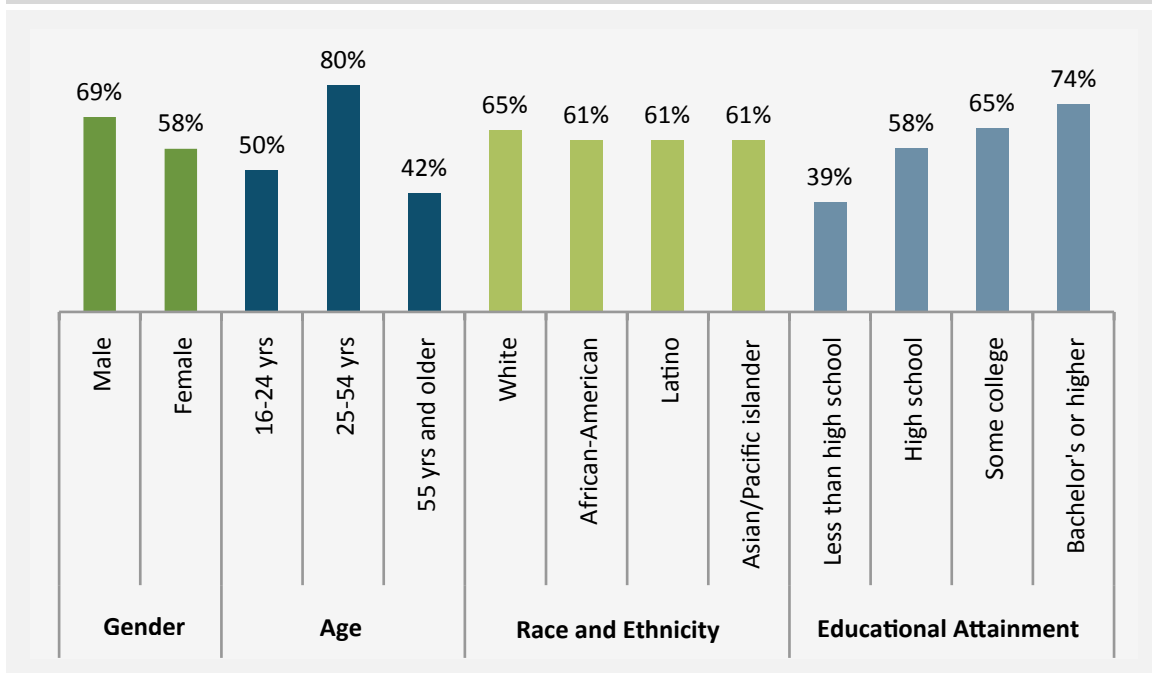


Source: Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

Employment-to-population ratio varies by demographics and education

In Colorado, men participate in the labor force more 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. In 2013, black, white, and Hispanic Coloradans participated in the labor force at similar rates. At higher levels of educational attainment, the employment-to-population ratio increases. (See Figure 1.9)

Figure 1.9: Employment-to-population ratio increases with level of education
EMPLOYMENT-TO-POPULATION RATIO BY GENDER, AGE, RACE/ETHNICITY, AND EDUCATION, 2013



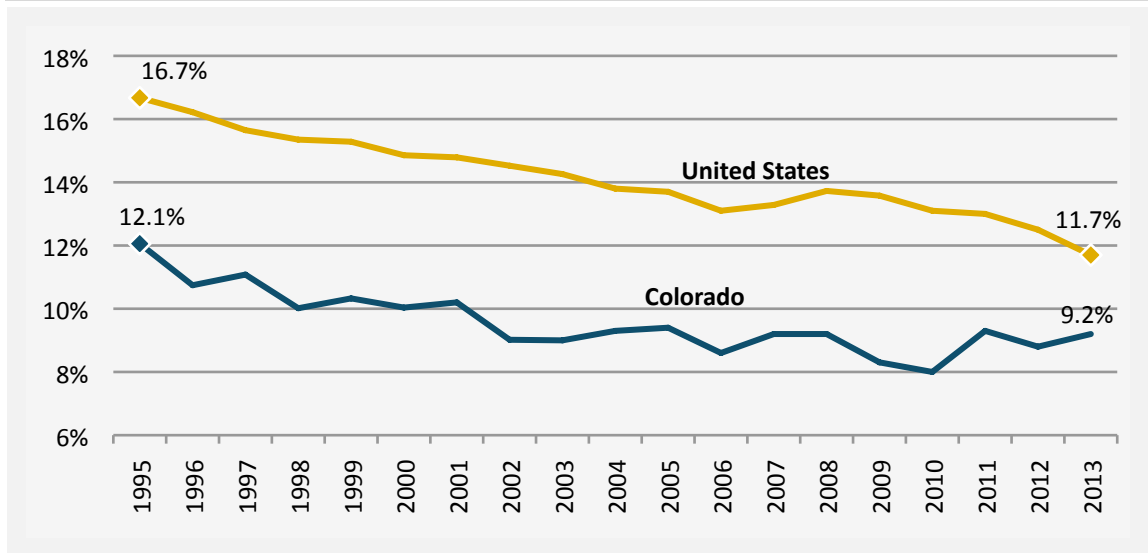
Source: Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

Union membership continues to decline

Since 1995, union membership has steadily declined in Colorado and across the nation. (See Figure 1.10) 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 9.2 percent in 2013. Union membership historically has also been lower in Colorado compared to the national average. The decline in union coverage leaves more workers exposed to an already volatile labor market during a slow recovery.

Figure 1.10: Union membership has declined substantially

UNION AFFILIATION OF EMPLOYED WORKERS, COLORADO AND U.S., 1995-2013



Source: U.S. Census Bureau Current Population Survey

People of color are underrepresented in high paying jobs

While all ethnic and racial groups participate in the labor force at similar levels (see Figure 1.9), not all jobs are created equal. To get a better sense of disparate job quality across different populations, Table 1.1 compares the demographic make-up of the general population to the demographic make-up of low, middle and high wage jobs in Colorado.

For instance, while people of color represent 28 percent of the total population, they represent only about 23 percent of the population working in high-wage occupations. Put another way, the high-wage labor force is made up of approximately 21,500 fewer persons of color than expected given underlying population demographics of the state.

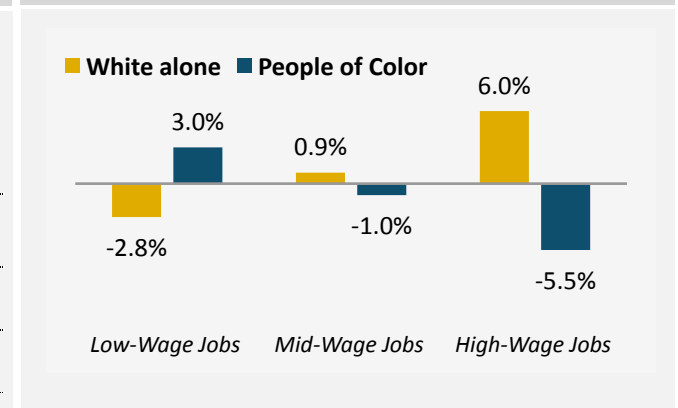
This analysis is based on the most detailed occupation data available, providing a high-resolution tool for measuring labor force patterns. However, because the analysis included *all* occupations, it risks overlooking more pronounced patterns in particular job categories. Focusing on a few specific occupations, shows that disproportionate minority representation can be even more extreme in some job categories. For example, roughly 39 percent of janitors, the eighth largest occupation category, are people of color. Janitors earn a median wage of \$12.00/hour. On the other end of the wage spectrum, people of color are substantially *underrepresented* as general and operations managers—making up only about 20 percent of the labor force, which is about 8 percentage points lower than expected given the underlying population demographics in the state. The median wage for general and operations managers is a comfortable \$48.00/hour.

The pattern these numbers establish does not have a simple explanation. Hiring discrimination, educational disparities, and differing social networks 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 people of color do not have the same opportunities to pursue higher paying occupations as whites.

Table 1.1: SHARE OF GENERAL POPULATION AND WAGE-GROUPED OCCUPATIONS, BY RACE, 2013

	People of Color	Whites
Total Population	28%	70%
Low-wage Labor Force	31%	67%
Mid-wage Labor Force	27%	71%
High-wage Labor Force	23%	76%

Figure 1.11: PERCENT DIFFERENCE IN SHARE OF RACIAL GROUP REPRESENTED IN GENERAL POPULATION AND WAGE-GROUPED OCCUPATIONS, 2013



Fewer and Fewer “Good Jobs”⁴

Job quality means different things to different people. One study defined a good job modestly and tracked the prevalence of good jobs as a share of total employment over time. A good job was defined as one that pays \$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—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, has 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 1970s:
 - Decline in unionized workers from 23 percent of private sector workers in 1979 to 8 percent today.
 - Erosion in the real value of the minimum wage.
 - Deregulation of several large industries (e.g., trucking, airlines, and telecommunications) and associated losses in workers’ wages and bargaining power.
 - Trade policies that have placed low and middle-wage workers in competition with lower-wage workers in other countries.
 - Immigration policies that leave immigrant workers vulnerable to unfair wage practices and increasing competition among U.S. born low-wage workers.

Notes

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

² The hourly wage thresholds to identify low, middle and high wage jobs for the two time periods examined are as follows. For 2007, low-wage was < \$12.22, middle wage was \$12.23-\$20.36 and high wage was >\$20.37. For 2013, low-wage was < \$13.53, middle wage was \$13.54-\$22.55 and high wage was >\$22.55.

³ *Local area unemployment statistics survey*, U.S. Bureau of Labor Statistics.

⁴ John Schmitt and Janelle Jones. (2012). *Where have all the good jobs gone?* Center for Economic and Policy Research. Available at: <http://www.cepr.net/documents/publications/good-jobs-2012-07.pdf>

CHAPTER 2: Unemployment

Losing a job in a struggling economy can have significant and long-lasting negative consequences for workers and their families. People who leave a job *voluntarily* and stay in the labor force generally experience a step up by taking a job with better pay and working conditions. Workers who leave a job *involuntarily* due to a layoff or elimination of a job, typically pay a high price.

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 Finally, young workers entering the labor market during a recession also experience long-term damage to their career trajectory and income.

The broad economic consequences of high unemployment are seen in stagnant wages, lost productivity, and diminished consumer demand.³ The following chapter outlines the situation of those unemployed and underemployed in Colorado. Many people displaced by the 2007 recession are still out of work and even more are working below their full potential.

Fast Facts

The state unemployment rate in June 2014 was 5.5 percent—still above the pre-recession unemployment rate. The underemployment rate was 12.5 percent.

About one in five black and Latino residents looking for work are either underemployed or unemployed—a rate nearly twice that of white Coloradans.

Unemployment rates by county range from a low of 3 percent to a high of 12 percent. The highest unemployment rates are concentrated in and around the San Luis Valley.

In 2013, 37 percent of all jobless workers were facing long-term unemployment—nearly triple the 2007 rate.

Defining Unemployment

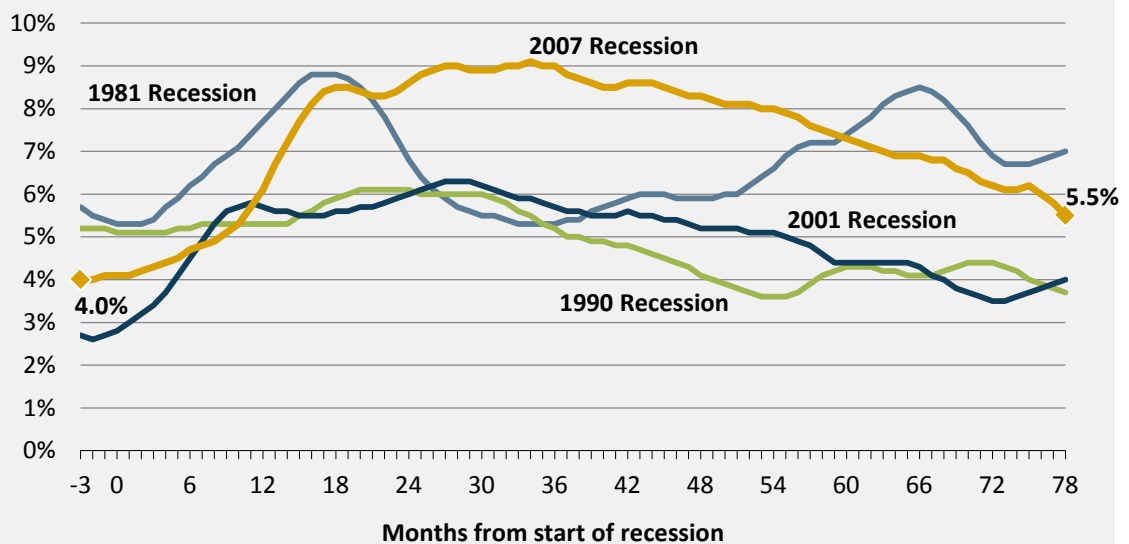
An unemployed person is someone without a job but available to work and actively seeking work by having looked for a job in the last four weeks. The *unemployment rate* is the share of workers (employed and unemployed people) who are unemployed. One critique of the unemployment rate as a measure of joblessness 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 still higher than before the 2007 recession

Recovery from the 2007 recession has been slow and prolonged compared to past recessions. The 2007 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 2007 recession. As of June 2014—five years from the end of the Great Recession—unemployment in Colorado was 5.5 percent. This is still higher than pre-recession levels.

Figure 2.1: *Unemployment still higher than before the 2007 recession*

UNEMPLOYMENT RATE SINCE THE START OF THE LAST FOUR RECESSIONS



Source: U.S. Bureau of Labor Statistics Local Area Unemployment Statistics (Data to June 2014)

The Recessions of 1981, 1990, 2001 and 2007

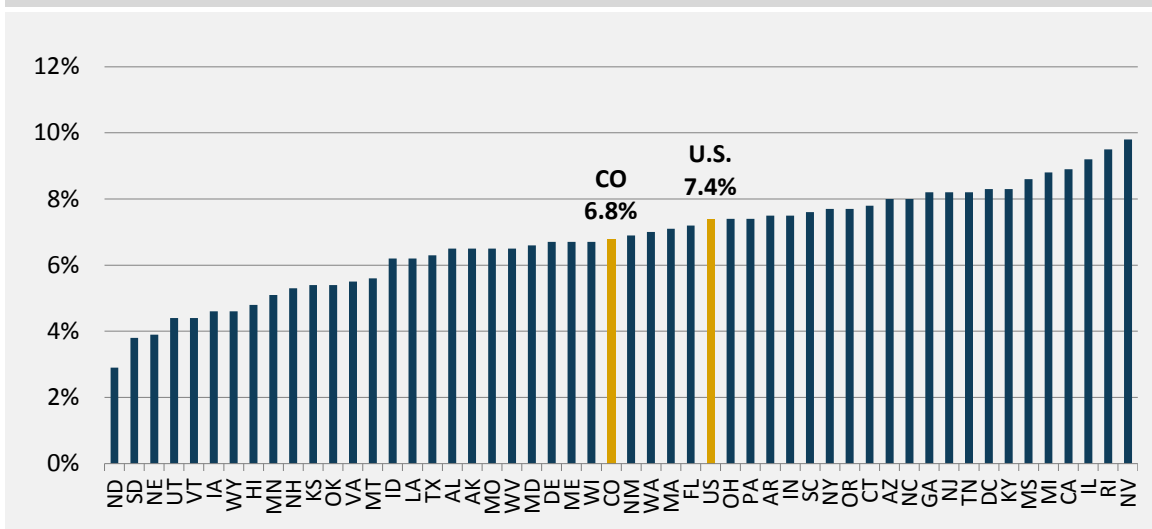
A recession begins just after economic activity reaches a *peak* and ends as the economy reaches its *trough*—the lowest point of activity. An expansion is the period between the trough and the next peak. Expansion is the normal state of a healthy economy. As seen in the table below, recessions differ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

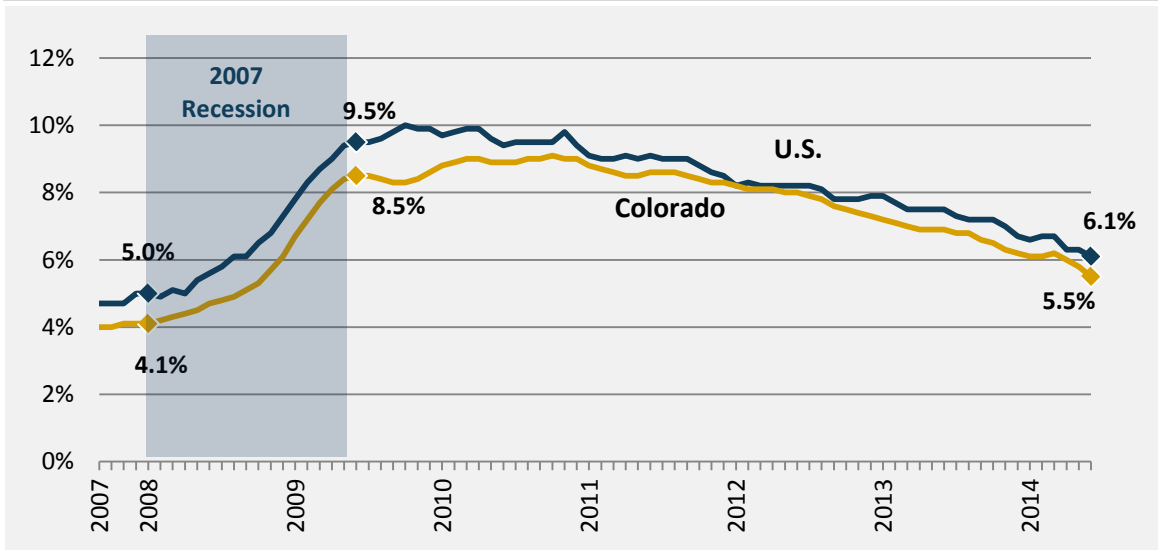
Compared to other states, Colorado ranked in about the middle for unemployment compared to other states in 2013. (See Figure 2.2.) Unemployment rates in Colorado have remained slightly lower than national averages over the course of the recession. The average annual unemployment rate for 2013 in Colorado of 6.8 percent was below the national rate of 7.4 percent. This trend has remained true over the course of the 2007 recession. (See Figure 2.3.) In recent years, however, Colorado unemployment levels have tracked the national unemployment rate more closely.

Figure 2.2: Colorado falls in the middle of national rankings of unemployment rates
AVERAGE ANNUAL UNEMPLOYMENT RATE, BY STATE, 2013



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

Figure 2.3: Colorado's unemployment rate slightly lower than U.S. rate
MONTHLY UNEMPLOYMENT RATE, COLORADO AND U.S., 2007- JUNE 2014



Source: U.S. Bureau of Labor Statistics Local Area Unemployment Statistics (Data through June 2014)

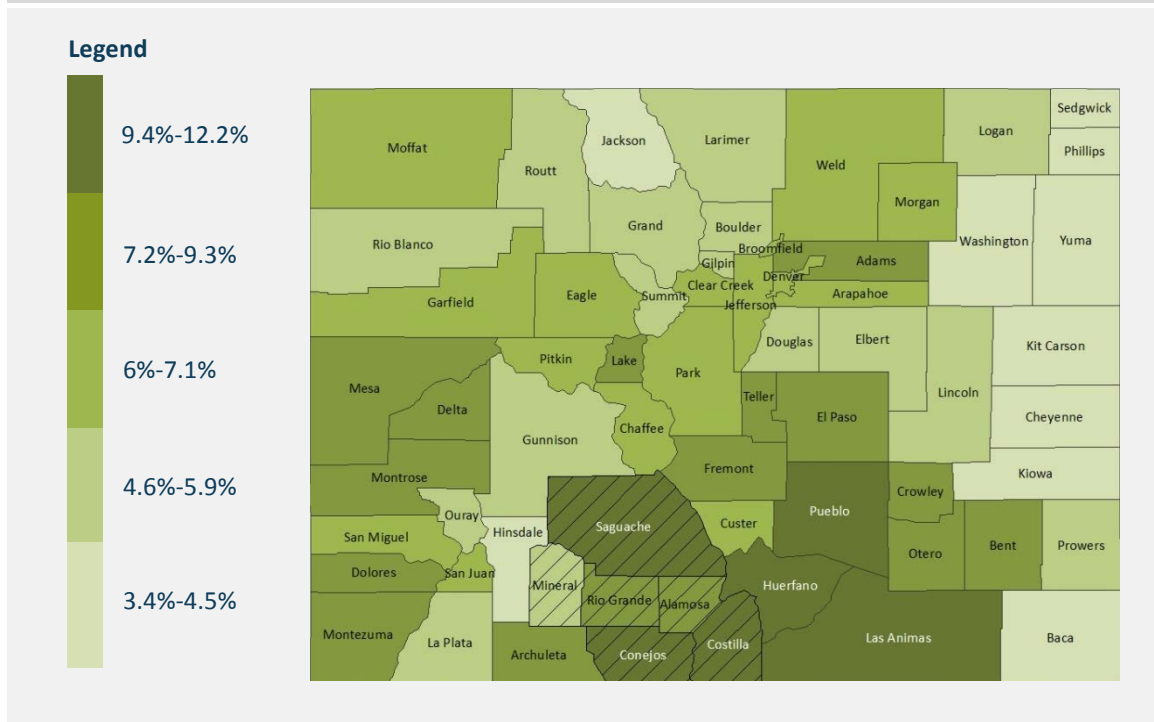
Wide variation in unemployment rates across the state

In 2013, unemployment rates across the state ranged from a low of 3.4 percent in Hinsdale County to a high of 12.2 percent in Costilla 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 most unemployed 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, Baca County had the fourth lowest unemployment rate (3.7 percent) in the state but ranks in the top 10 of counties with the highest child poverty rate.

Table 2.1: Average Annual Unemployment Rates by County, 2013

Highest Unemployment Counties		Lowest Unemployment Counties	
Costilla	12.2%	Hinsdale	3.4%
Huerfano	11.3%	Cheyenne	3.5%
Saguache	10.4%	Jackson	3.6%
Conejos	10.1%	Baca	3.7%
Las Animas	9.9%	Yuma	3.7%
Pueblo	9.6%	Kiowa	3.9%
Montrose	9.3%	Phillips	4.1%
Crowley	9.1%	Kit Carson	4.2%
Fremont	9.0%	Sedgwick	4.3%
Otero	8.8%	Washington	4.5%

Map 2.1: Significant variation in unemployment rates across Colorado counties
Average Annual Unemployment Rates, by County, 2013



Source: U.S. Bureau of Labor Statistics Local Area Unemployment Statistics (San Luis Valley marked with cross hatching)

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

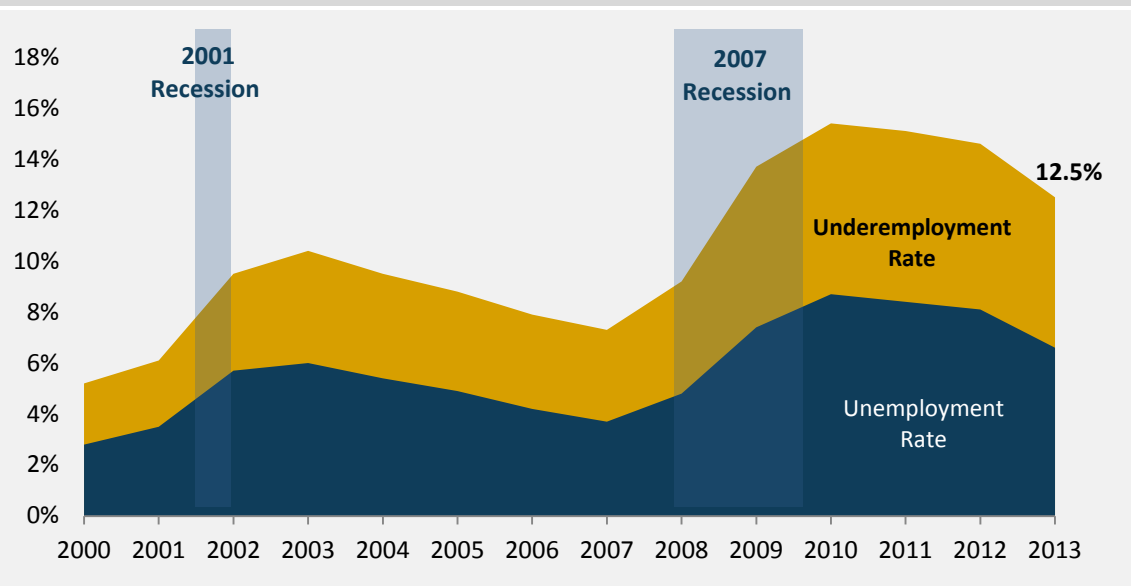
The *underemployment rate* adds to our understanding of the strength of the labor market by counting involuntary part-time workers and those who have given up looking for a job in addition to the standard metric of unemployment. In essence, it is a more complete account of the share of people who are not working at full capacity, but could be if they could find a job. The underemployment rate has been declining in recent years. (See Figure 2.4) This is good news, but at 12.5 percent, the current rate remains above the highest rate following the 2001 recession.

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 several months. 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 back for an interview declines. By the eighth month of unemployment, the callback rate falls by 45 percent.⁴

Figure 2.4: Underemployment remains high

AVERAGE ANNUAL UNDEREMPLOYMENT AND UNEMPLOYMENT RATES, 2007-2013



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

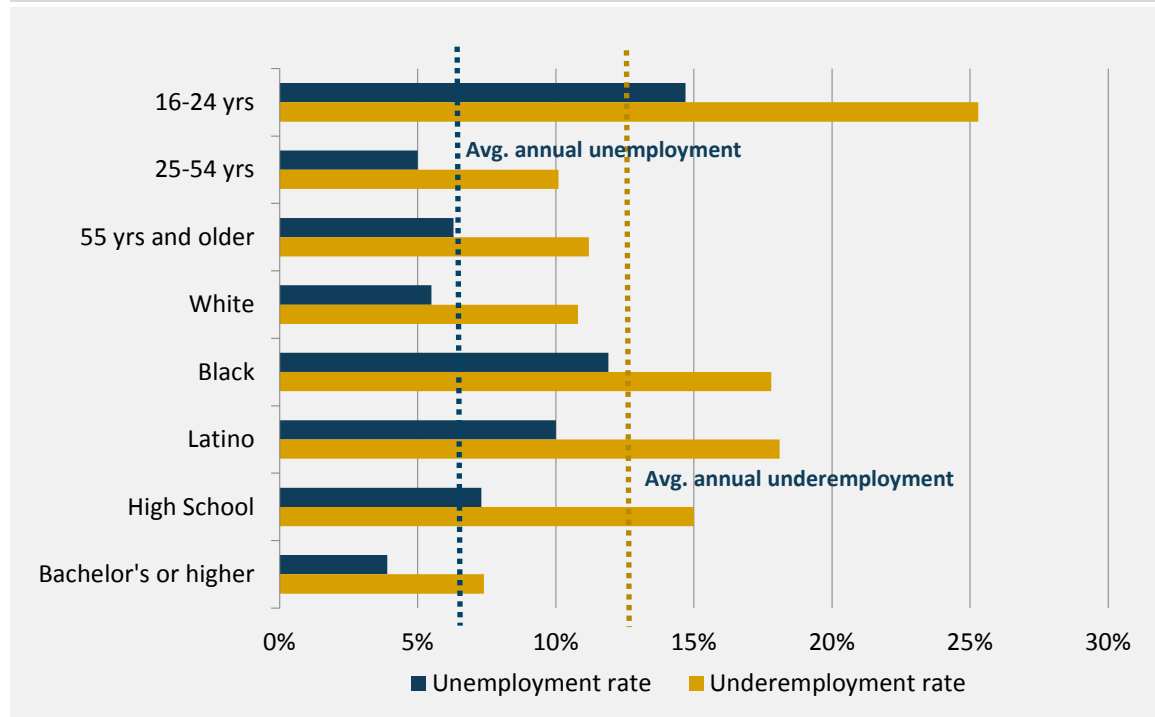
Significant disparities in joblessness among demographic groups

Young workers, racial and ethnic minorities, and the less educated experienced the highest rates of joblessness and underemployment in 2013. (See Figure 2.5) Young workers—ages 16 to 24—faced the highest rates of unemployment (14.7 percent) and underemployment (25.3 percent). (The unemployment rate for this age group averaged about 11.8 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 2013 was 6.8 percent and underemployment averaged 12.5 percent. Higher joblessness among young workers is typical for any given year; unemployment rates tend to drop significantly with age.

Young workers at all levels of educational attainment struggled to find jobs during and following the Great Recession—highlighting the fact that the issue is not simply that young people do not have the skills to compete with an older workforce.⁵ In fact, the persistently high unemployment rates tend to be broad-based rather than concentrated among particular occupations, or workers with or without certain skills or training. That is, high unemployment rates following the Great Recession are not explained solely by *structural* reasons (when the skills of available workers fail to meet the requirements of employers), but rather are also driven by low demand for goods and services, which translates into low demand for workers.

Figure 2.5: Unemployed and underemployment rates vary by demographics

AVERAGE ANNUAL UNEMPLOYMENT AND UNDEREMPLOYMENT, BY DEMOGRAPHIC GROUP, 2013



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

Unemployment and underemployment rates also differ dramatically by race and ethnicity and education. (See Figure 2.5.) Latino and black Coloradans have substantially higher unemployment and underemployment rates compared to white workers. Regardless of the economic climate, blacks and Latinos tend to experience higher rates of unemployment relative to their white counterparts.

Education is also an important predictor of employment stability. High school graduates experienced significantly higher rates of unemployment and underemployment compared to college graduates. 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 levels⁶ and the significant disparities in joblessness by race and ethnicity also held across the educational spectrum.⁷

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.⁸ 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.⁹ In 2013, about 21 percent of the labor force in Colorado had a high school diploma and another nearly nine percent had less than a high school education. Aligning skills training with labor market demand will help grow the Colorado economy.

Long-term unemployed still substantially higher than pre-recession levels

Another useful means of gauging the strength of the labor market is looking at the duration of unemployment. Long-term unemployment 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.

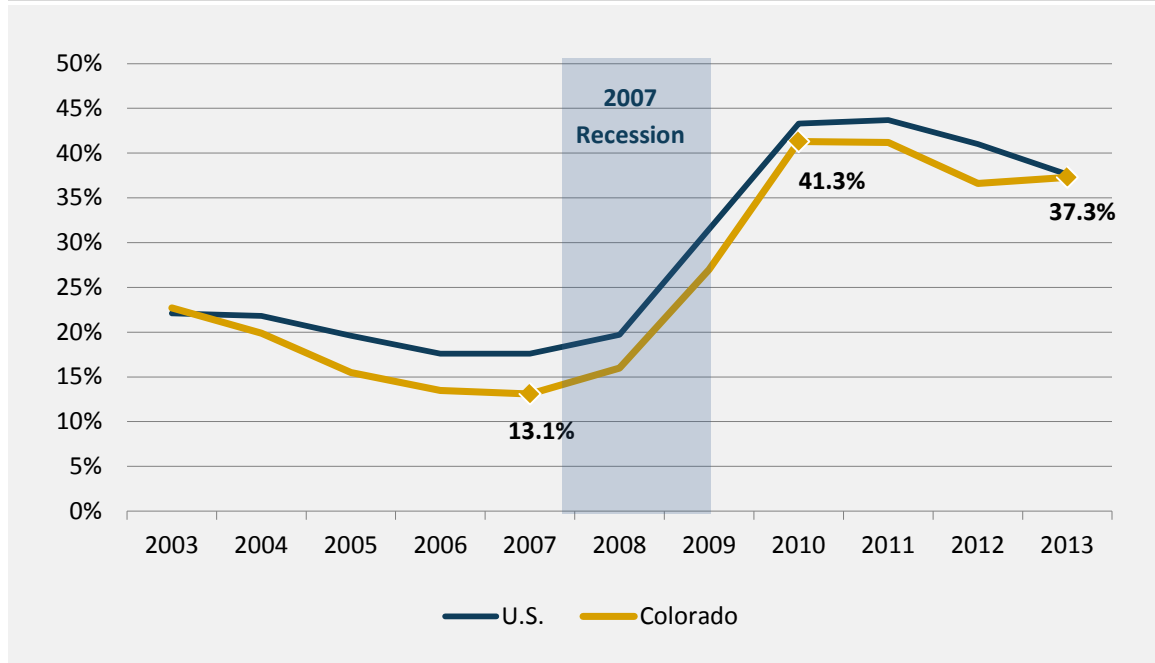
The share of Coloradans who have been jobless for more than six months remains stubbornly high several years after the official end of the Great Recession. Long-term unemployment in 2007 was 13 percent. In 2013, 37 percent of all jobless workers were facing long-term unemployment—nearly triple the 2007 rate. Colorado has barely moved off the peak long-term unemployment rate of 41 percent reached in 2010. (See Figure 2.6)

Recent research highlights the plight of the long-term unemployed.¹⁰ 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,¹¹ 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 has significant implications for the on-going course of the recovery.

Figure 2.6: More than one in three unemployed Coloradans has been jobless over six months

SHARE OF UNEMPLOYED WORKERS JOBLESS FOR MORE THAN 26 WEEKS, 2003-2013



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

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.

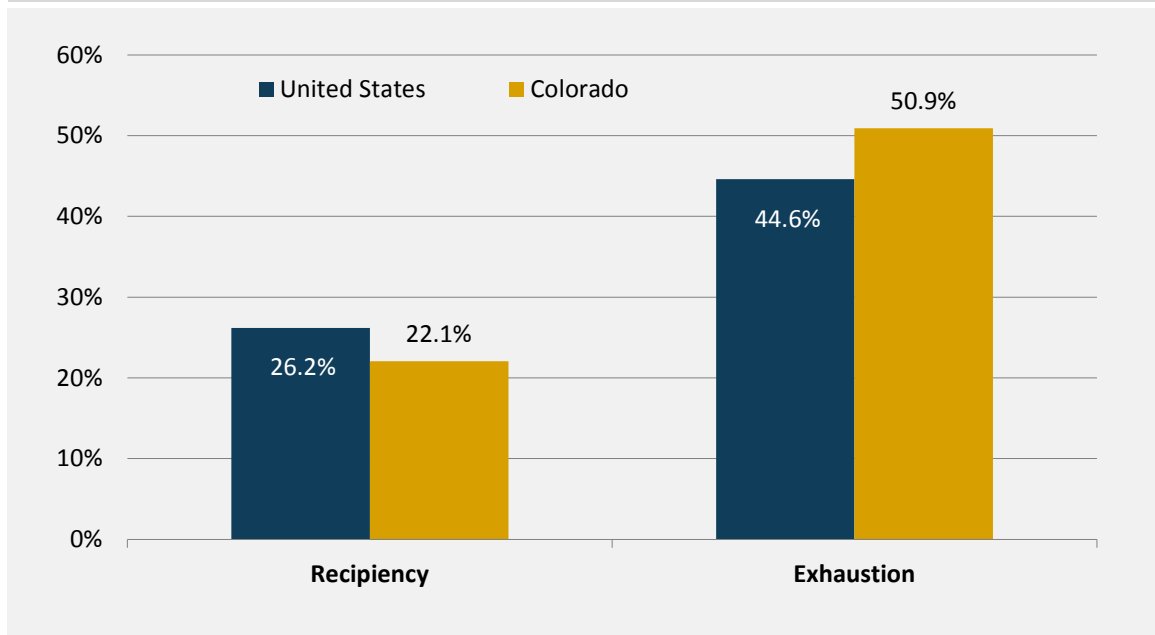
Although, unemployment insurance is the front-line safety net in times of economic hardship and stimulates the economy by sustaining consumer demand, it is not available to every jobless worker. People who voluntarily quit or are fired for misconduct are not eligible for benefits. Also, regular UI benefits last only 26 weeks. So, unless benefits are extended, as they were temporarily in the aftermath of the Great Recession,¹² those who continue to be jobless after 26 weeks will have exhausted their benefits.

Colorado's UI reciprocity and exhaustion rates spiked considerably in 2008 and 2009 as the economy worsened and jobs became harder to find. Receipt of unemployment 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.

Reciprocity rates have been slowly decreasing since 2009, perhaps signaling some 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 2.7) 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 2.7: One in three unemployed Coloradans receive UI benefits; more than half have exhausted their benefits

RATE OF UNEMPLOYMENT BENEFITS RECEIPT AND EXHAUSTION, 2013



Source: 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*. Economic Policy Institute (pp. 367-369).

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

³ Miguel Casares, Antonio Moreno and Jesus Vazquez. (2014). An estimated new-Keynesian model with unemployment as excess supply of labor. *Journal of Macroeconomics*, 40, 338-359. Available at: <http://www.sciencedirect.com/science/article/pii/S0164070414000226>

⁴ 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

⁵ Heidi Shierholz, Alyssa Davis and Will Kimball. (2014). *The class of 2014: The weak economy is idling too many young graduates*. Economic Policy Institute.

⁶ Mishel et al. *The State of Working America* (pp. 339-341) and CCLP analysis of Current Population Survey data.

⁷ Mishel et al. *The State of Working America* (pp. 339-341).

⁸ 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>

⁹ Analysis by the National Skills Coalition, U.S. Bureau of Labor Statistics occupational employment statistics by state, 2012.

¹⁰ 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*.

¹¹ 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

¹² As stated above, 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

Income earned from work, returns on investments and government benefits is at the heart of a family's economic security. Income determines the standard of living in America—where you live, the food you buy, ability to save for retirement, and capacity to deal with unexpected costs like medical bills or car repairs or even joblessness.

Colorado is still feeling the effects of the 2007 recession. Median income has not yet fully recovered. Minorities were hit harder and experienced larger declines in income. Women at all levels of education still earn less than men.

Much like the nation, Colorado is also experiencing growing income inequality. 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 grew slowly and even lost ground in the most recent decade. The result is a widening gap between high, middle and low-income households that is seemingly no longer responsive to hard work.

Fast Facts

Since 2007, real median income in Colorado has dropped by \$3,200 to \$58,823 (2013).

Black household income has declined by 13.4 percent since 2007; American Indian/Alaska Native household income declined 16.1 percent.

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

Nearly half of the \$159 billion in income earned in Colorado in 2013 went to the top 20 percent of households.

Colorado ranks among the top 20 states in the nation with the highest levels of income inequality.

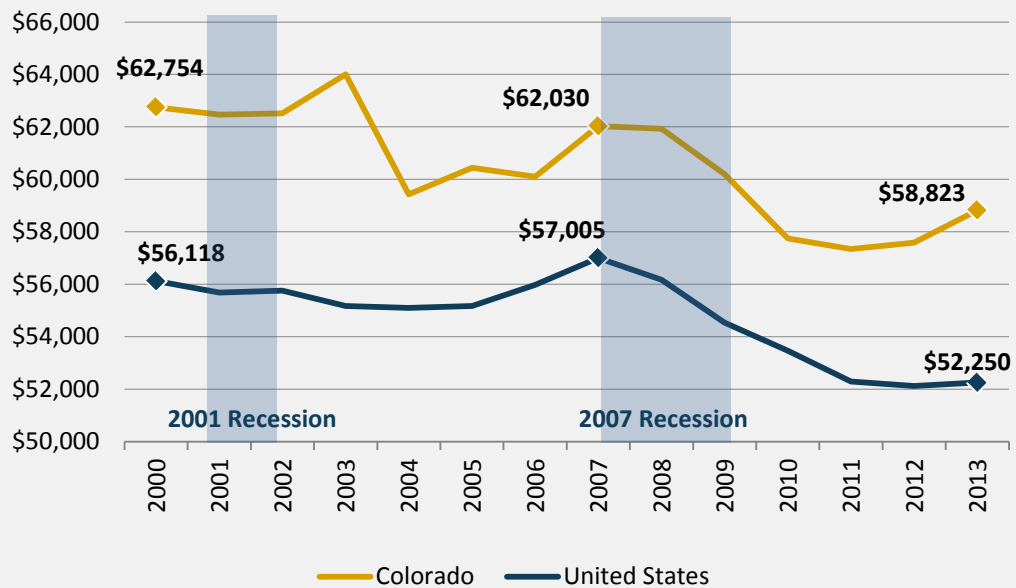
Median household income still below pre-recession level

Since 2007 real median household income in Colorado has dropped by \$3,200 to \$58,823 in 2013—a 5.2 percent drop. (See Figure 3.1) The good news is that since 2010, real median income has held steady. At this pace, however, it may take several years for median income to recover to the pre-recession level. While it is clear that the Great Recession of 2007 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.

During the past 12 years, median household income in Colorado has been, on average, about \$6,000 higher than the national median. Nationwide median income dropped more precipitously—by nearly 9 percent between 2007 and 2012. Nationally, median household income also has been slow to return to 2000 levels. Some forecasters predict that given the relationship between lackluster income growth and stubbornly high unemployment, we may be facing a long recovery period to regain lost ground on income.¹

Figure 3.1: Real median household still down from before the 2007 recession

MEDIAN HOUSEHOLD INCOME, COLORADO AND U.S., 2000-2013 (2013 DOLLARS)



Source: Economic Policy Institute analysis of U.S. Census Bureau American Community Survey

*What is counted as income?*²

Three basic categories of income are compiled by the U.S. Census Bureau and presented in this chapter:

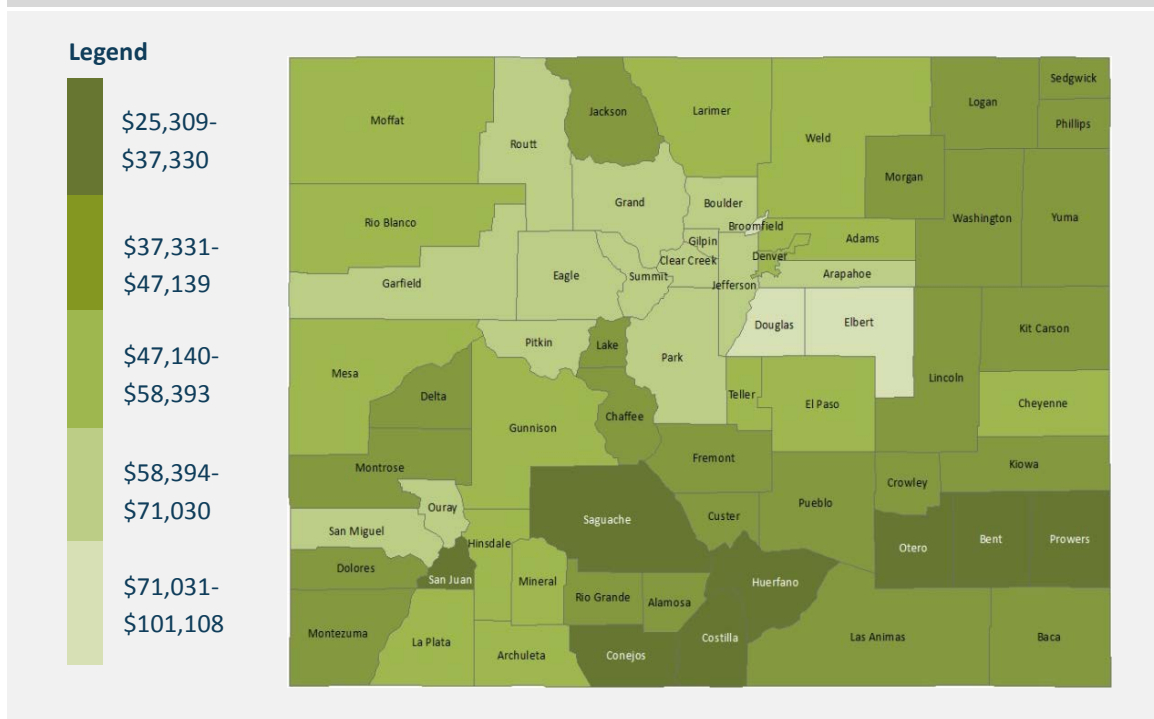
- **Income earned from salaries or wages.** For households that fall in the middle of the income distribution, the vast majority of their income is derived from wages earned from work. Nationally, much of the rise in annual wages is the result of increasing hours of work, not due to increasing hourly wages. (See Chapter 4 for more detail on wage trends.)
- **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.
- **Tax and Transfer income.** This includes income from government cash benefit programs (e.g., Social Security and other cash assistance programs), the value of tax credits (e.g., Earned Income Tax Credit) and non-cash benefits (e.g., nutrition assistance, Medicare, Medicaid, public housing). The current mix of tax credits and transfers have generally failed to alter the concentration of income in the U.S.³

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 \$25,309 in Costilla County to a high of \$101,108 in Douglas County. 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 \$25,309. These differences have documented impacts on the wellbeing of residents in each county. 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 incomes 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 communities with prime tourist destinations. The median incomes of the majority of counties in the state (66 percent) fell below the statewide median income in 2012 (\$56,765)

Map 3.1: Median household income varies substantially across the state
MEDIAN HOUSEHOLD INCOME BY COUNTY (IN 2012 DOLLARS), ESTIMATES FOR 2008-2012



Source: 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 2012, median household incomes for black, Latino and American Indian/Alaskan Native households in Colorado were all similar—all clustered around \$38,000. Median incomes of these minority households were substantially lower than white households. (See Figure 3.2)

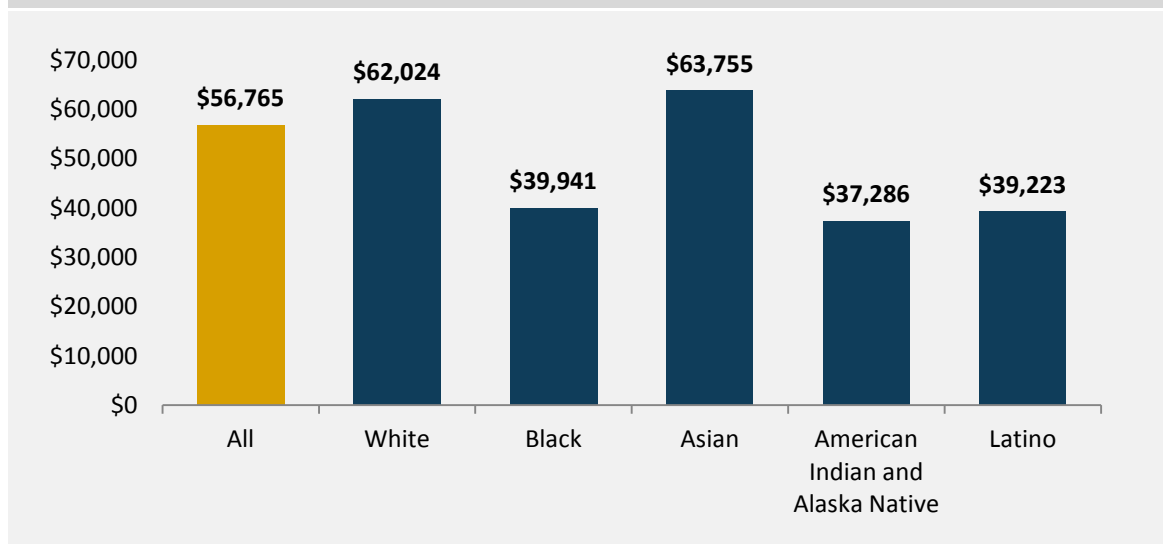
- The greatest disparity existed among American Indian/Alaskan Native households where median income was 60 percent of whites households.
- Black and Latino households earned a median income that was 64 percent of white households.

- Asian households, which make up about two percent of all Colorado households, are the outlier to this general pattern. Median income for Asian households was statistically similar to that of white households.

Low unemployment and a tight labor market is the surest route to income gains for most American households. And the benefits of low unemployment 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 some minority households

MEDIAN HOUSEHOLD INCOME, BY RACE AND ETHNICITY, 2012



Source: U.S. Census Bureau American Community Survey

Income disparities by gender endure regardless of educational attainment

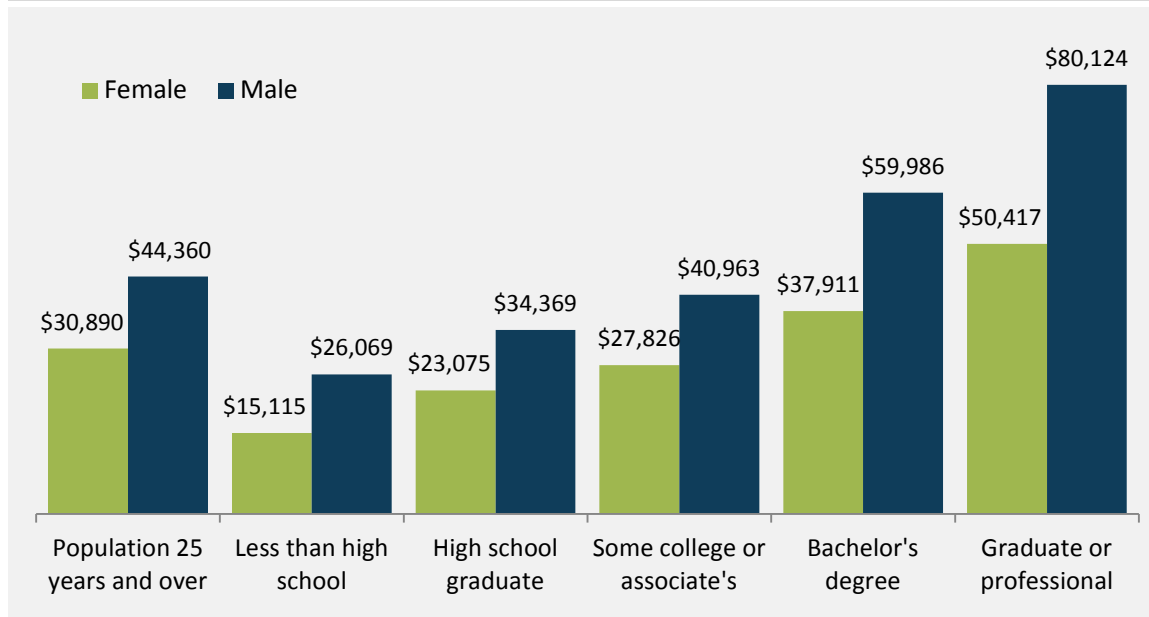
Women earn less than men at every educational level and the gap widens with increasingly higher levels of education. In 2013, Colorado women age 25 and older earned only about 70 percent of men's median income—down from 74 percent in 2012. (See Figure 3.3) The income gap is smallest between women and men with some college where women earn about 68 percent of 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 degree or graduate degree only earn 63 percent of median income for men with similar credentials. In fact, earnings been relatively flat or dropped for women at most educational levels between 2012 and 2013.

Even with an additional level of education, median income for women is still lower than men one step below. For example, in 2013 a woman with a graduate or professional degree earned a median income of nearly \$10,000 less than a man 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.

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

MEDIAN ANNUAL EARNINGS, BY GENDER AND EDUCATION, 2013



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

The Great Recession of 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. The most recent recessions occurred in 1981, 1990, 2001 and 2007. Recessions differ in length and severity. The Great Recession of 2007 is the longest recessionary period since the Great Depression—lasting from December 2007 to June 2009.

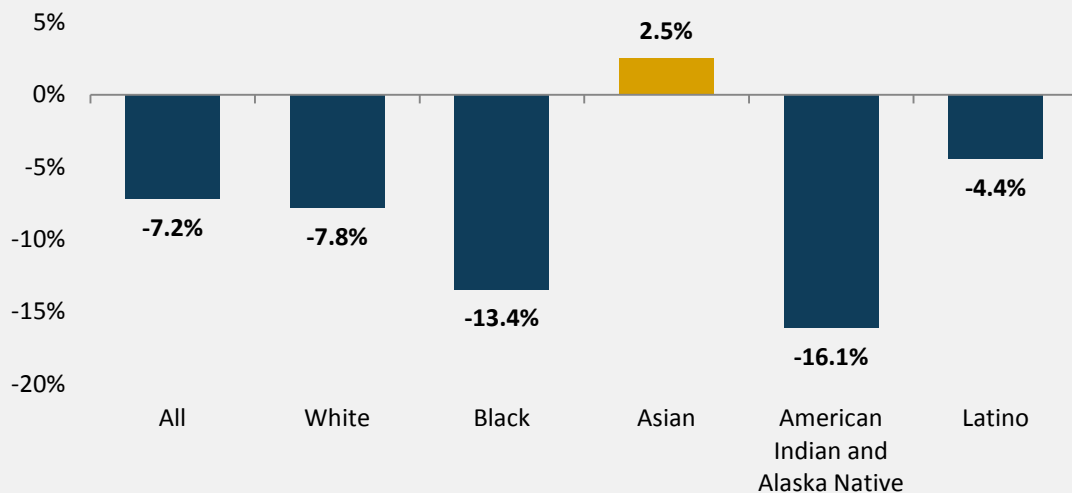
Income losses from the Great Recession vary by race and ethnicity

The Great Recession had a harsher impact on incomes of some minority households in Colorado. American Indian/Alaska Native and black households experienced the most significant reductions in income between 2007 and 2012. (See Figure 3.4) American Indian/Alaskan Native median household income declined by 16.1 percent between the start of the recession and 2012—the largest drop among the racial and ethnic groups examined. Black households experienced a 13.4 percent decline in median income over the same time period. Median income of white households saw a 7.8 percent drop. Hispanic median income had the lowest drop (4.4 percent). Asian households were the only group to register increases in income between 2007 and 2012.⁹

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 Asian households, those losses have continued to be felt through 2012—well into the recovery period. In other words, while income losses from the 2007 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, 2007-2012 (2012 DOLLARS)



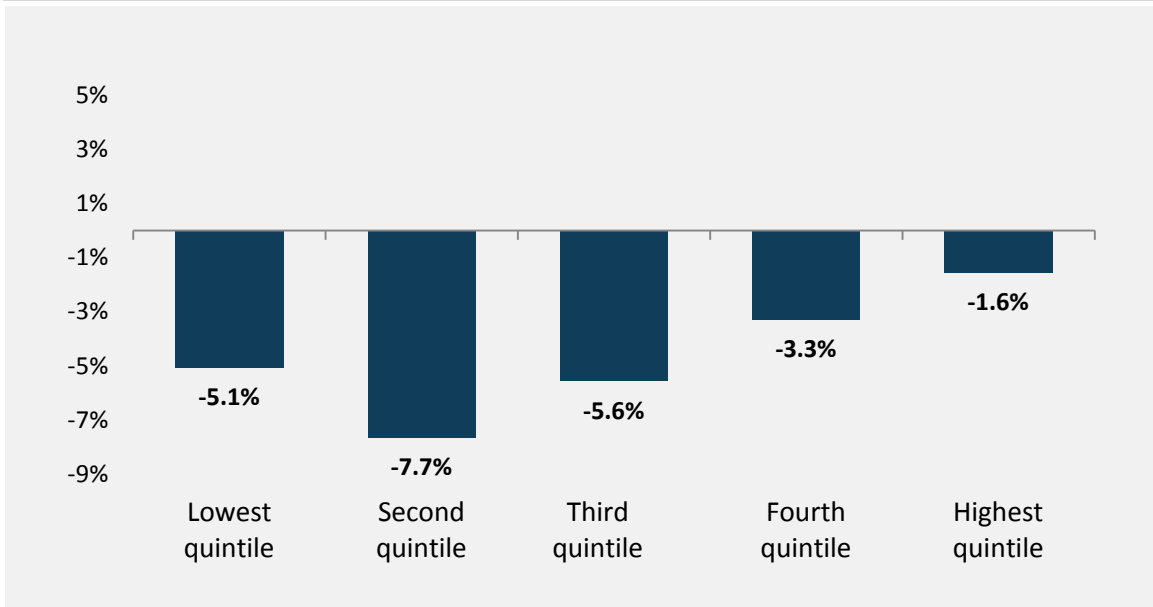
Source: U.S. Census Bureau American Community Survey

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

The wealthiest households have had an easier time recovering from the 2007 recession compared to the lowest-income households in Colorado. Households in the bottom 20 percent experienced a 5.1 percent decline in income between 2007 and 2013. (See Figure 3.5) By comparison, households in the top 20 percent saw much smaller losses in income—about 1.6 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: 2007 recession income losses greatest among lowest income households

PERCENT CHANGE IN HOUSEHOLD INCOME, BY INCOME GROUP, 2007-2013 (2013 DOLLARS)



Source: U.S. Census Bureau American Community Survey

Looking at Income by Fifths

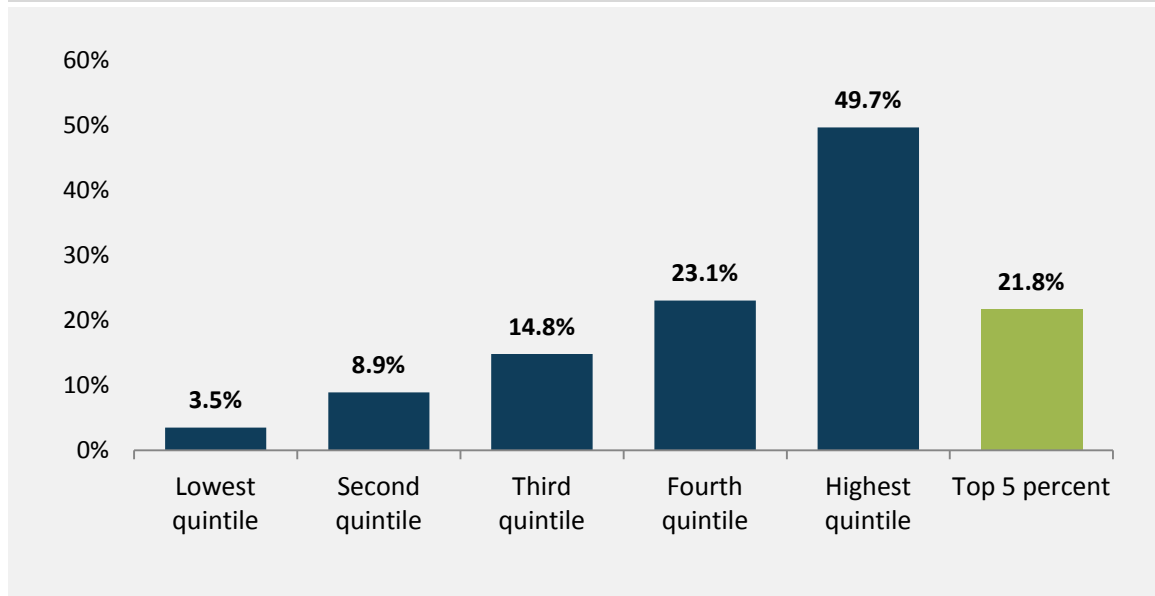
Median income is only one point in the income distribution. Breaking income down into fifths—or quintiles—is another way to examine how income is distributed across a population. Quintiles are calculated by ranking reported incomes from the lowest to the highest and then dividing them into fifths. The income of the 20th household would give you upper income limit for the bottom quintile, the income of the 40th household would give you upper limit for the second quintile, and so on. 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 2013, half of the state's total income of nearly \$159 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 399,000 households—earned a paltry 3.5 percent of the state's total income in 2013. By comparison, the wealthiest 5 percent of households—about 99,800—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, 2013



Source: U.S. Census Bureau American Community Survey

Income inequality is growing in Colorado

Colorado ranks among the top 20 states in the nation with the highest levels of income inequality.¹⁰ (See Figure 3.7) The richest five percent in the state earned average annual incomes that were 13 times greater than the bottom 20 percent of households and over four times greater than the middle 20 percent of households between 2008-2010.¹¹ (See Figure 3.8)

This is a product of unequal income growth over the past several decades. (See Figure 3.9) Incomes of the top 20 percent of households in Colorado grew by 70 percent between the late 1970s and mid-2000s compared to a meager four percent growth among the bottom 20 percent. More recently, any gains in income among the lowest earners from the robust growth in the late-1990s have been erased by the 2001 and 2007 recessions. Between the late-1990s and mid-2000s, income dropped by nearly 12 percent for the bottom 20 percent and remained stagnant for the middle 20 percent. The top earners, however, saw a nearly nine percent increase over the same time period.

Figure 3.7: Colorado in top 20 states with highest levels of income inequality

RATIO OF AVERAGE HOUSEHOLD INCOME FOR TOP 20 PERCENT TO POOREST 20 PERCENT OF HOUSEHOLDS, 2008-2010

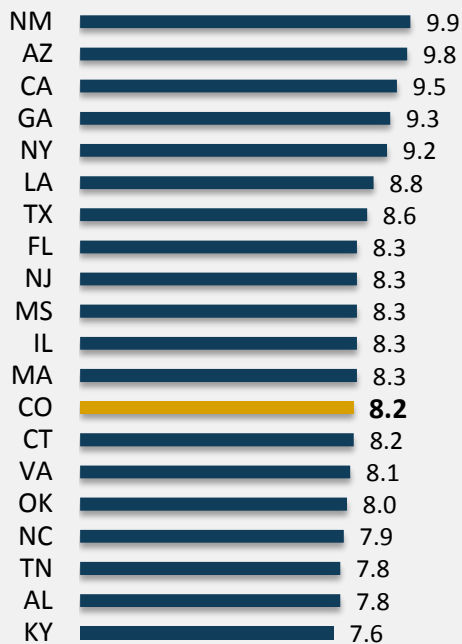
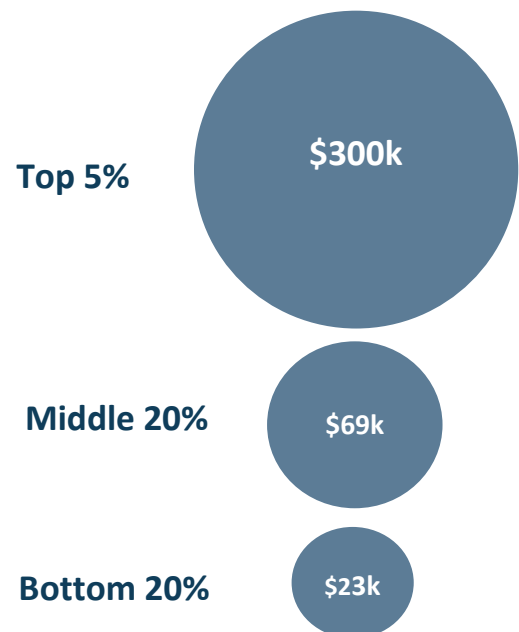


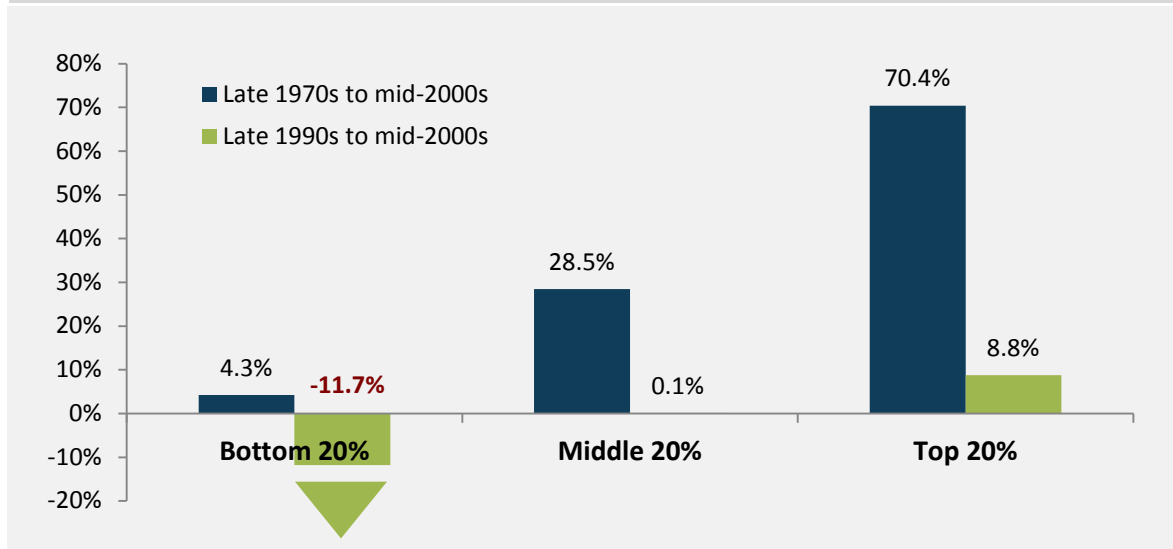
Figure 3.8: Incomes of richest 5 percent are 13 times greater than bottom 20 percent

AVERAGE ANNUAL INCOME, BY INCOME GROUP, 2008-2010 (2009 DOLLARS)



Source: Economic Policy Institute and Center on Budget and Policy Priorities analysis of U.S. Census Bureau Current Population Survey

Figure 3.9: Growing inequality among low- and high-income households in Colorado
PERCENT CHANGE IN AVERAGE HOUSEHOLD INCOME, BY INCOME QUINTILE (2009 DOLLARS)



Source: EPI and CBPP analysis of U.S. Census Bureau Current Population Survey

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.¹² 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.
- **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.¹³ 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 6 resulted in those children earning more and working more as adults.¹⁴
- **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.¹⁵ Standard & Poor’s, a leading investment research firm, recently 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.¹⁶

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

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 A note on estimates for Asian households in Colorado: Asians comprise less than 2 percent of the population 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.

¹⁰ Elizabeth McNichol, Douglas Hall, David Cooper, and Vincent Palacios. (2012). *Pulling Apart: A State-by-State Analysis of Income Trends*. Washington, DC: Center on Budget and Policy Priorities and Economic Policy Institute.

¹¹ Economic Policy Institute and Center on Budget and Policy Priorities analysis of U.S. Census Current Population Survey data. Income is post-federal tax and includes the value of the EITC and the value of food stamps and housing subsidies. Income is adjusted for inflation (to 2009 dollars) and for household size. Changes shown are significant at the 90% level.

¹² 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>.

¹³ Caroline Ratcliffe and Signe-Mary McKernan. (2012). *Child poverty and its lasting consequence*. Washington, DC: *The Urban Institute*.

¹⁴ 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.

¹⁵ 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).

¹⁶ 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&nsI_code=LIME&sourceObjectId=8741033&sourceRevId=1&fee_ind=N&exp_date=20240804-19:41:13

CHAPTER 4: Wages

For most families—particularly those in the middle of the income distribution—wages make up about three-quarters of total family income.¹ 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 people, wage growth has been slim to none, failing to keep pace with both rising costs and gains in productivity. The most substantial wage growth since 1979 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 earners to keep pace with rising household costs. Wages have stagnated for the vast majority of workers in Colorado over the last decade—regardless of education level. This trend is on track to continue for several years with unemployment and underemployment still stubbornly high several years after the official end of the 2007 recession.²

To be clear, stagnating wages are not a forgone conclusion born of a struggling economy. In fact, productivity has grown by just over 20 percent in Colorado since 2000, while the median wage has *decreased* by 2 percent over the same period. This divergence between pay and productivity seen in Colorado and across the nation is a fairly recent trend. 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.³

Fast Facts

In 2013, the median hourly wage in Colorado was \$18.28 compared to \$16.69 nationally.

Wage growth since 1979 has been uneven: wages for workers in the 80th percentile have increased by 25 percent while wages in the middle (50th percentile) are only up 8 percent since 1979.

The small amount of growth in wages for the bottom half occurred between 1991 and 2000, while wages for the top 20 percent have continued to rise through 2013.

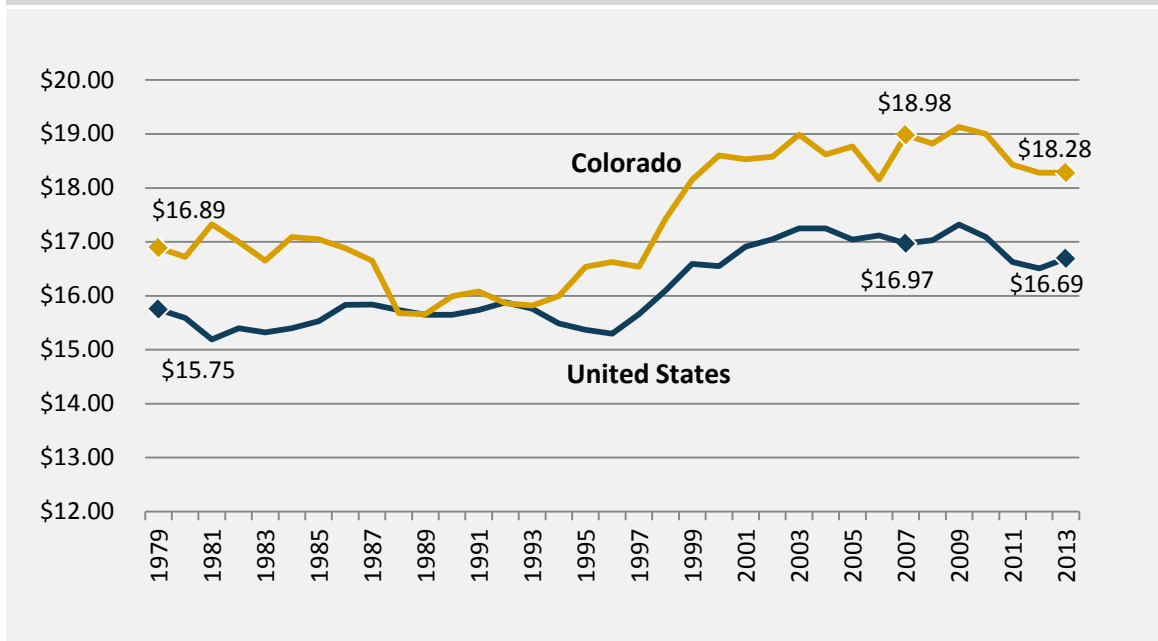
Worker productivity has increased over 20 percent since 2000, while the median wage dropped 2 percent over the same period.

Median wages still down slightly from 2007

This chapter focuses primarily on inflation-adjusted median hourly wages of individual workers because trends in hourly wages drive annual earning trends. In 2013, the median hourly wage in Colorado was \$18.28—equivalent to about \$38,000 annually. That’s still slightly below the 2007 median wage of \$18.98. (See Figure 4.1) Worse still, there has been minimal growth in median wages since 1979—the current median wage is only \$1.39 above the 1979 level.

The median wage in Colorado has consistently been higher than the national median. Since 1979, Colorado’s median wage has never been more than six cents below the national median hourly wage. On average, the Colorado median wage has been \$1.70 higher than the national median wage since 2000. Colorado had the 11th highest median wage in the country in 2013. Connecticut had the highest with a median wage of \$20.13 and Mississippi had the lowest median wage of \$14.42.

Figure 4.1: Median hourly wage still down from 2007, but higher than U.S. median
MEDIAN HOURLY WAGES, COLORADO AND U.S., 1979-2013 (2013 DOLLARS)



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

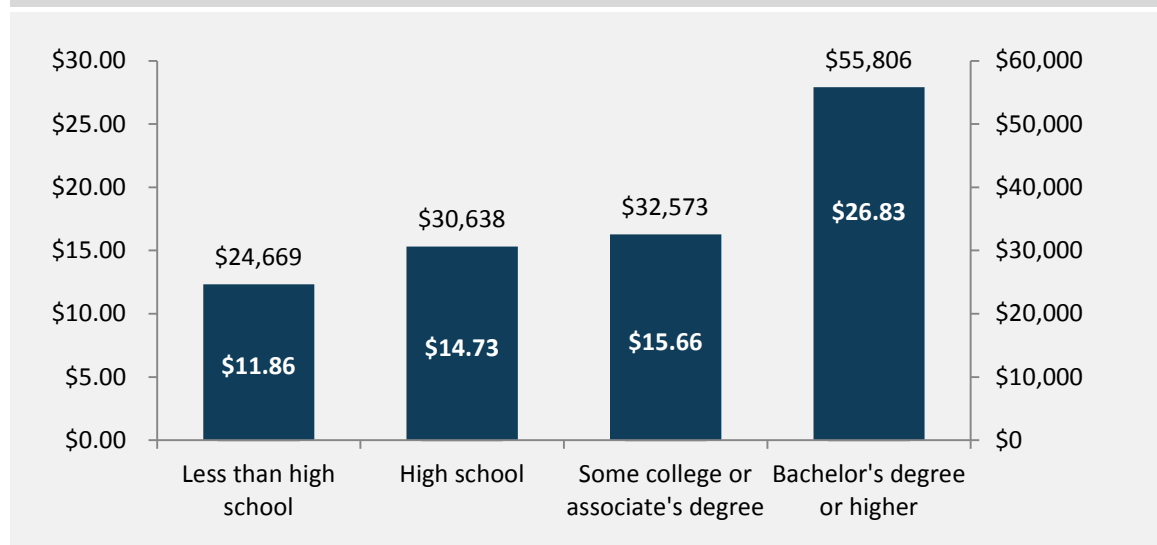
Education results in higher wages but not wage growth over time

Not surprisingly, workers with higher levels of education command higher wages. (See Figure 4.2) The largest gains in median wages by education are seen among those who complete college. In 2013, the median hourly wage of a worker with a bachelor's degree or higher (\$26.83) was nearly twice as much as the median wage of Coloradans who only completed high school (\$14.73). By contrast, there was very little difference in median hourly wages between those who only completed high school (\$14.73) and workers who had some college education or an associate's degree (\$15.66)—a difference of less than a dollar an hour (or 6 percent).

Although this data clearly illustrates the importance of education in improving earnings, the most educated Coloradans still have seen their wages stagnate since 2000. The 2013 median wage for workers with a bachelor's degree or higher in Colorado was only half a percentage point higher than the median wage in 2000.⁴ This trend is apparent nationally as well: Between 2000 and 2011, the bottom 70 percent of workers with a college degree had stagnant or declining wages.⁵ In fact, disappointing wage growth over the last decade occurred in nearly every occupation held by college graduates.⁶

Figure 4.2: Higher levels of education lead to higher median wages

MEDIAN HOURLY WAGES AND ANNUAL SALARY EQUIVALENT, BY EDUCATIONAL ATTAINMENT, 2013



Source: 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 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.

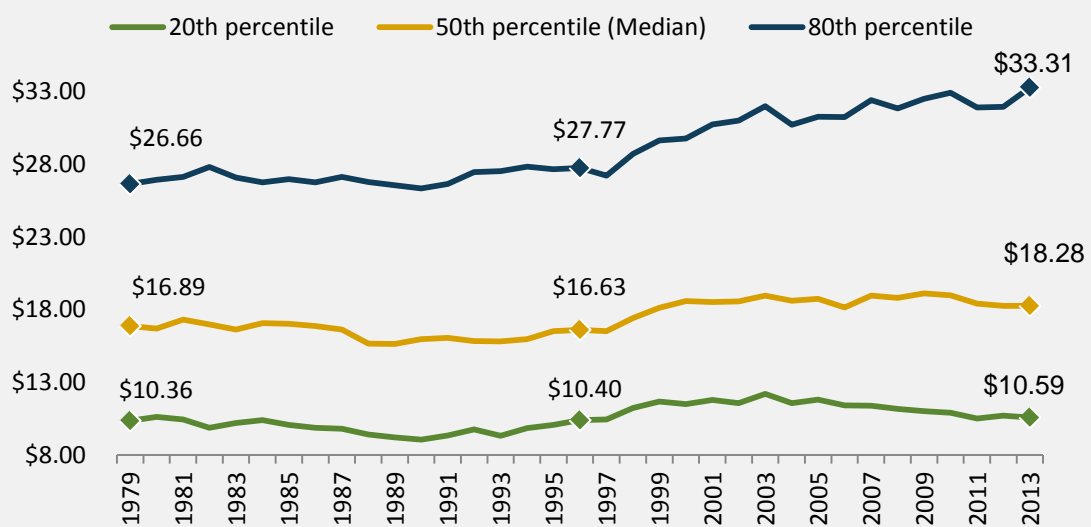
Growing gap between high-wage and low-wage earners

Wage inequality can be better understood when broken down into distinct wage earning groups. Figure 4.3 shows wages by percentiles—representing low, middle and high-wage earners. The growing gap in wages is found most prominently between high-earners and low-earners and between high-earners and middle-wage earners.

High-wage earners (80th percentile) had hourly wages 2.5 times greater higher than low-wage earners in 1979. By 2013, workers at the 80th percentile earned wages three times higher than workers at the 20th percentile. The gap between high and middle wage workers is slightly less stark but still substantial. High-wage workers earned wages 1.6 times higher than middle-wage earners in 1979—growing to 1.8 times greater by 2013.

Figure 4.3: Gaps between high and lower wage groups continue to grow

HOURLY WAGES, BY WAGE PERCENTILE, 1979-2013 (2013 DOLLARS)



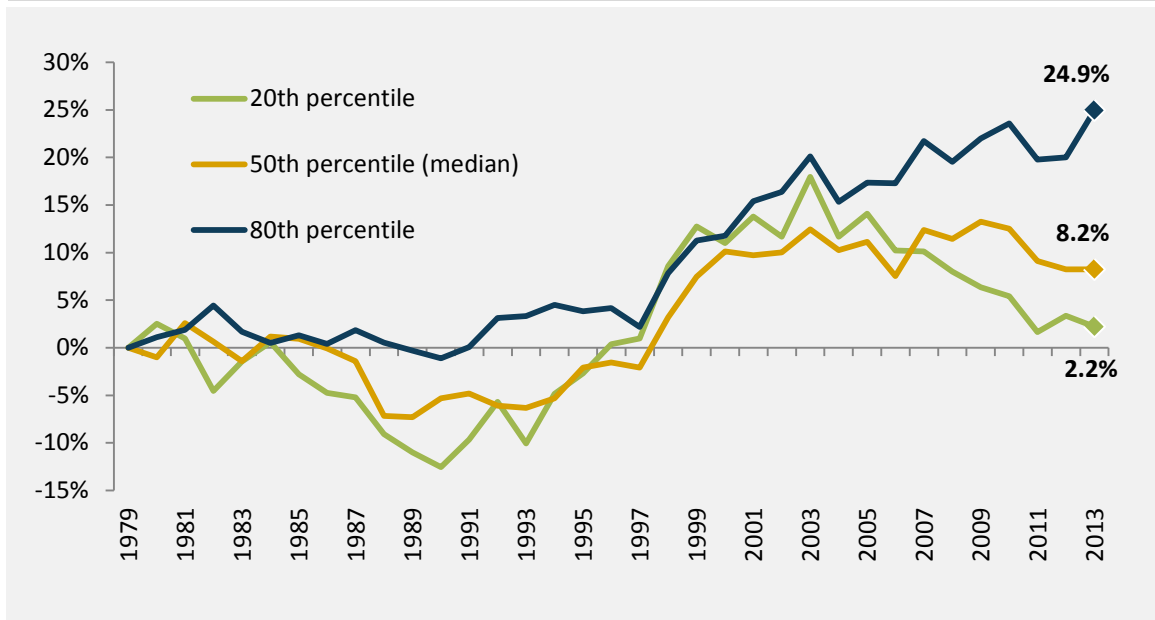
Source: Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey

Low-wage earners see wage gains of the late 1990s erased by 2013

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 4.4)

Meanwhile, for low-wage earners, the past decade or so has truly been a lost decade. In 2013, those in the 20th percentile earned wages 2.2 percent higher than they earned in 1979 in real dollars. Middle-wage earners fared slightly better, earning about 8 percent more than in 1979 although middle-wage earners saw little overall growth in wages since 2000. Those at the top, however, earned nearly 25 percent more than in 1979 and have experienced fairly steady growth for well over the last decade.

Figure 4.4: Wage growth is not evenly distributed across the income spectrum
PERCENT CHANGE IN WAGES, BY INCOME GROUP, 1979-2013 (2013 DOLLARS)



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

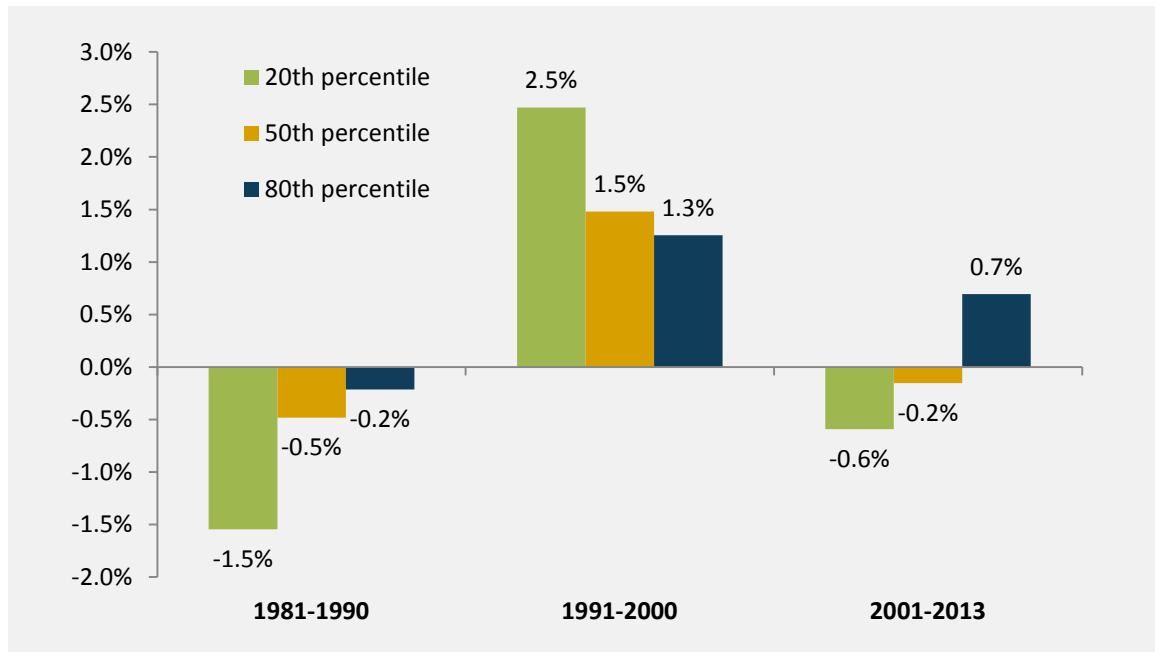
Since 2000 a lost decade for low and middle wage workers

Figure 4.5 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 lets us say 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 4.5 also illustrates the major shift in fortunes of low, middle, and high-wage earners that occurred over the past ten 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.

Figure 4.5: 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 DECADE AND INCOME LEVELS, 1981-2013



Source: 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.⁷ 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 strain. Low unemployment, 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.

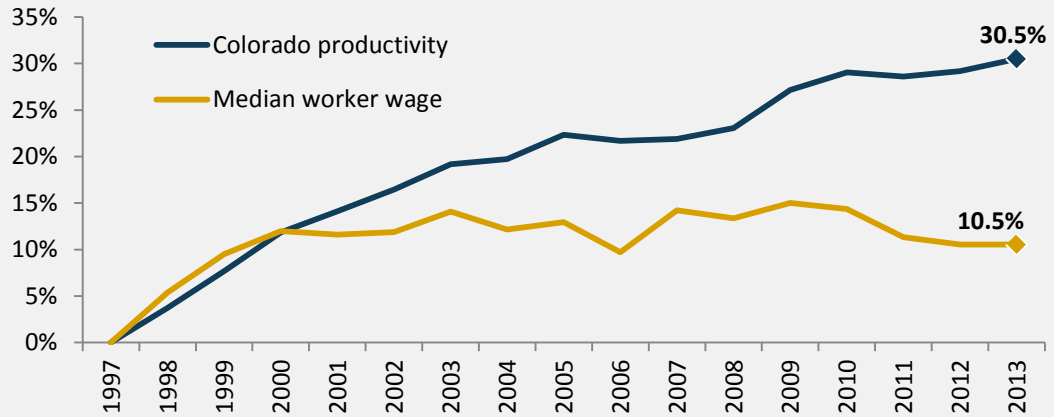
Productivity gains do not lead to wage increases

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. Recently, however, growth of wages and income for most families has lagged behind the nation's growth in productivity.

This trend first started to take hold nationally in the early 1970s. Nationally, productivity grew 80.4 percent between 1973 and 2011—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 10.7 percent and most of that growth occurred during the strong labor markets of late 1990s.

In Colorado the story has been similar. Gross state product per worker grew 30.5 percent between 1997 and 2011. Meanwhile, median wages grew only 10.5 percent. (Figure 4.6) The split between gains in productivity and wages is readily apparent in Figure 4.6. Between 1997 and 2000, productivity increased by 12.3 percent while wages increased by 12.5 percent. After 2000, however, a very different trend took hold. Between 2000 and 2013, productivity increased by over 20 percent while median wages dropped by 2 percent over the same period.

Figure 4.6: Productivity increases in Colorado but wages fail to follow
CUMULATIVE PERCENT CHANGE IN PRODUCTIVITY AND MEDIAN WAGE, 1997-2013



Source: 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 1968⁸

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 minimum wage that is 23 percent less than its peak inflation-adjusted value in 1968.

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 wage setters and the lowest wage workers. Colorado, like several other states, has a minimum wage above the federal minimum of \$7.25/hour.⁹ In Colorado, the minimum wage is adjusted annually for inflation and was raised to \$8.00/hour for 2014. An annual adjustment for inflation is an important step in protecting low-wage incomes and ensuring consistent purchasing power over time. But even at \$8.00/hour, annual full-time income totals only \$16,600—below the federal poverty level of \$19,790 for a family of three.¹⁰

Even a modest increase in the minimum wage would make a significant difference in the lives of low-income families and would be an important step in reducing income inequality. Every 25-percent increase in the minimum wage would boost annual income for full-time minimum wage workers by \$520 a year. That change alone would buy a family several weeks of groceries or even insulate them from financial disaster due to an unexpected expense like a needed car repair. About three percent of the labor force in Colorado, or 66,000 people, earned the minimum wage in 2013.¹¹ Contrary to popular belief, the majority of minimum wage workers are not teenagers. In Colorado, many minimum wage workers are older and trying to raise a family:¹²

- Sixty-eight percent are over the age 20
- Seventy-five percent work 20 or more hours a week
- Fifty-eight percent are women

Very simply, raising the minimum wage makes good on the promise of work as a pathway out of poverty and spurs economic growth. The weight of current research points clearly to the conclusion that minimum wage increases have little or no negative impact on employment of minimum wage earners.¹³ 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 Mishel et al. *The State of Working America* (pp, 20-21).

³ 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&nsi_code=LIME&sourceObjectId=8741033&sourceRevId=1&fee_ind=N&exp_date=20240804-19:41:13

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

⁷ Mishel et al. *The State of Working America* (pp. 53-56).

⁸ 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/>

⁹ National Conference of State Legislatures. (2014). *2014 Minimum Wage by State*. Available at: <http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx>

¹⁰ U.S. Department of Health and Human Services. (2014). Annual update of the HHS poverty guidelines. *Federal Register*, 79, 3593-3594. Available at: <https://federalregister.gov/a/2014-01303>

¹¹ National Employment Law Project. (2013). Economic impacts of 10 state minimum wage increases on January 1, 2013. Available at: <http://www.nelp.org/page/-/rtmw/uploads/January-1st-Minimum-Wage-Increases-Demographic-Impact.pdf?nocdn=1>

¹² Ibid.

¹³ John Schmitt. (2013). *Why does the minimum wage have no discernible effect on employment?* Center for Economic and Policy Research. Available at: <http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>

CHAPTER 5: Poverty

Fifty years have passed since President Johnson announced a campaign to eradicate poverty. From 1967 to 2012, the U.S. poverty rate dropped from 26 percent to 16 percent according to a recent study that takes into account government assistance in the form of taxes and transfers.¹ But in a country with such wealth and resources, poverty rates remain persistently high compared to our international peers.²

The landscape has changed in important ways since the 1960s and so must our contemporary approaches to combating poverty. Families have changed. More mothers are working. More households are now headed by a single parent—most often a mother. Workplace policies and government assistance programs, however, have not shifted to accommodate the challenges facing single-parent families. The safety net of Social Security, unemployment insurance, food assistance and other programs has been severely strained over time. This leaves many more people counting on a strong economy to lift stagnating wages and meet their basic needs—and therefore more susceptible to falling behind in a struggling economy.

Unlike other measures of economic health, poverty rates have not improved much in Colorado since the end of the 2007 recession. The economic trends outlined in the previous chapters—on unemployment and underemployment, stagnant wages, increasing income disparity, and growing productivity divorced from wages—all lead here to this discussion of poverty. Those at the bottom of the income spectrum have weathered the hardest blow from these converging economic trends. The following chapter outlines key findings about Coloradans living on the economic edge.

Fast Facts

In 2013, 13 percent of Coloradans lived in poverty—a rate still slightly higher than before the 2007 recession began and substantially higher than before the 2001 recession.

Nearly 1 in 3 Coloradans live in or near the poverty level—that’s more than 1.5 million people or more than twice the population of Denver.

The poverty rate among whites in Colorado is 9.4 percent—lower than the statewide poverty rate and several times lower than Latinos, blacks and American Indian/Alaskan Natives.

Single mothers with children account for 13 percent of total families in Colorado, but are 39 percent of all families in poverty.

Nearly 40 percent of all children in Colorado lived in or near the poverty level in 2012.

Poverty rate still higher than 2007 and more people living in deep poverty

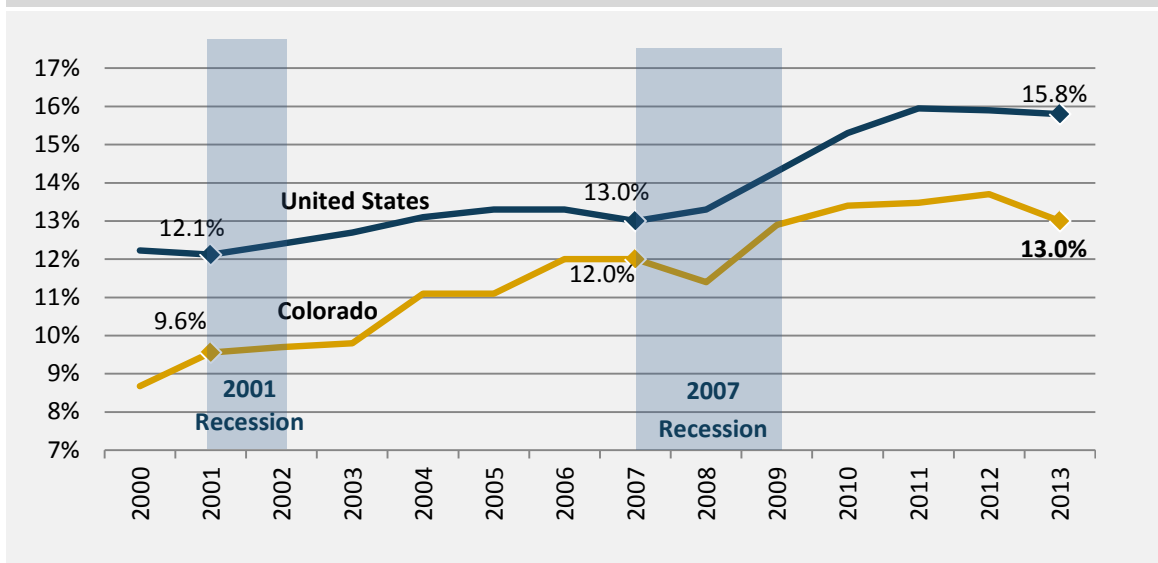
Historically, poverty rates have tracked business cycles—increasing during recessions and declining during economic expansion. The pattern since 2000 has been slightly different both nationwide and in Colorado. Poverty rates have actually continued to increase during the recovery following the 2001 and 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 rate of 13.7 percent (equal to 710,700 people)—the second highest poverty rate since 1980. The Center on Budget and Policy Priorities has called this trend the “new normal” where economic recoveries take years to reach low- and middle-class households.

The poverty rate dropped slightly in 2013 to 13.0 percent. Colorado was one of only four states that experienced a statistically significant decline in poverty rates in 2013. However, the rate dropped without a significant change in the number of Coloradans living in poverty, probably reflecting the increase in Colorado’s population rather than improvement in the lives of people living below the poverty line.

A substantial share of people in Colorado, however, are living on much less than the federal poverty level. A full 43 percent of Coloradans in poverty are living in deep poverty—that is, living on an income that is half of the poverty line. In 2013, that meant \$5,745 per year for an individual and \$9,765 per year for a family of three. And the number of people living in deep poverty increased by nearly 27,000 between 2007 and 2013.

Figure 5.1: Poverty rate still a full percentage point above the 2007 rate

PERCENT OF POPULATION LIVING IN POVERTY, COLORADO AND U.S., 2000-2013



Source: 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 medical 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: 2013 Federal Poverty Level

Family Size	100% FPL	200% FPL
1	\$11,490	\$22,980
2	\$15,510	\$31,020
3	\$19,530	\$39,060
4	\$23,550	\$47,100
5	\$27,570	\$55,140
6	\$31,590	\$63,180
7	\$35,610	\$71,220
8	\$39,630	\$79,260

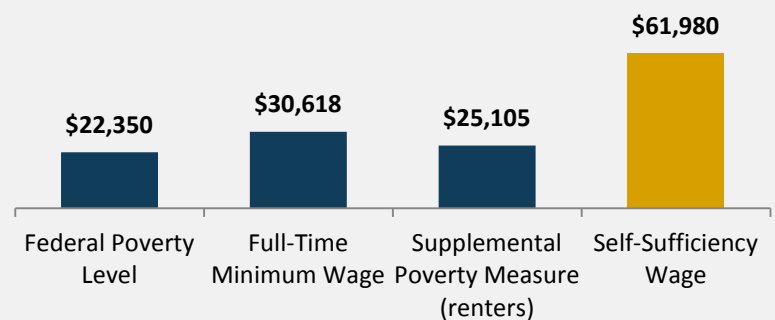
Self-Sufficiency Standard

One alternative measure of poverty is the Self-Sufficiency Standard, which calculates the income required for a family to meet basic needs³ without public or private assistance. 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 costs in Denver is nearly three times the federal poverty level. 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. 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.

Figure 5.2: SELF-SUFFICIENCY STANDARD FOR A FAMILY OF 2 WORKING ADULTS AND 2 CHILDREN IN DENVER COMPARED TO INCOME BENCHMARKS, 2011



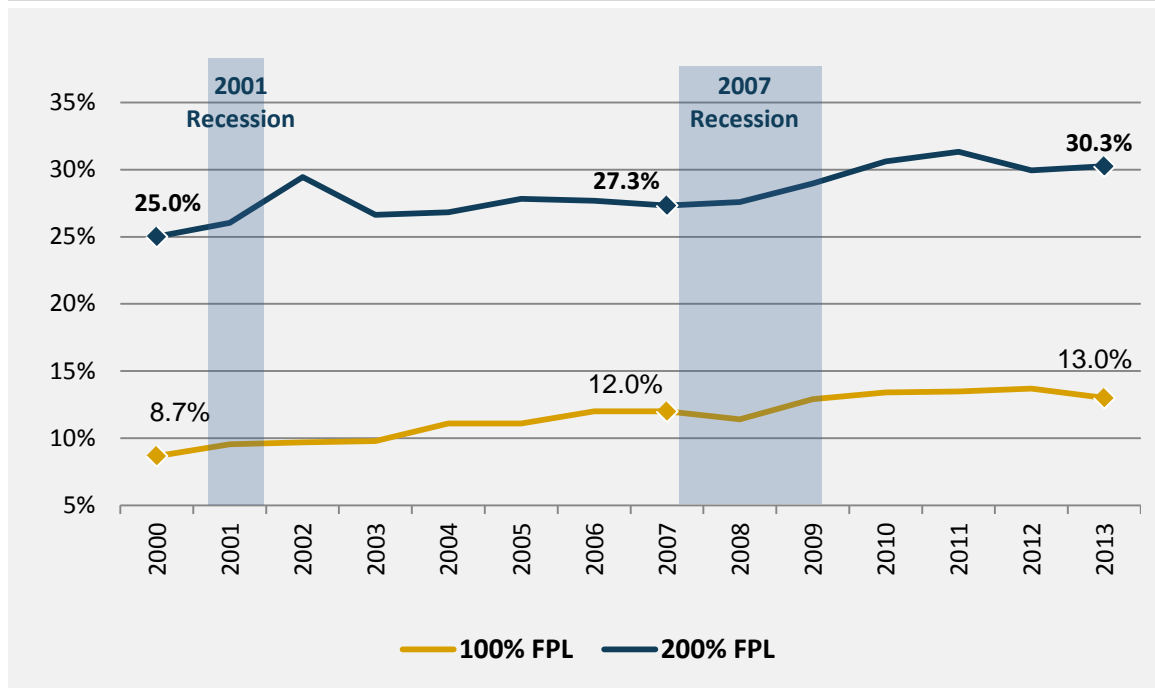
Source: *Self-Sufficiency Standard for Colorado (2011)* and U.S. Census Bureau

Many more people living at near poverty levels

Although the federal poverty level (FPL) is the most commonly used official metric of economic need, many now 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. 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 \$22,980 for an individual and \$39,060 for a family of three in 2013. Using this metric more accurately identifies the share of households that cannot meet their basic needs in Colorado. By this measure, the number of Coloradans without basic economic security was 30.3 percent, in 2013, 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, 2000-2013



Source: U.S. Census Bureau American Community Survey

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

The top 1 percent of earners in the U.S. claims a significantly larger share of overall income compared to their counterparts in peer countries. But that higher level of income does not translate into higher relative income for those at the bottom of the income scale in the U.S. In fact, people in the 10th percentile of earnings in the U.S. earn less than their low-wage counterparts in many peer countries.

Even worse, 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 poverty rate compared to other developed countries. Using the “relative poverty” measure—that is, the percent of households earning less than half of the median income—the U.S. had the highest poverty rate among the 23 Organization for Economic Co-operation and Development (OECD) countries in the late 2000s. The U.S. had a relative poverty rate of 17.3 percent compared to an average of 9.6 percent among the other countries examined.

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. spends 16.2 percent of GDP on social programs compared to 21.3 percent on average among peer countries. And the U.S. safety net (such as tax credits, government transfers, and social welfare benefits) does an inadequate job of lifting people above poverty level. U.S. safety net programs reduced poverty by 9.7 percent in the late 2000s compared to an average of 17.4 percent among peer countries.

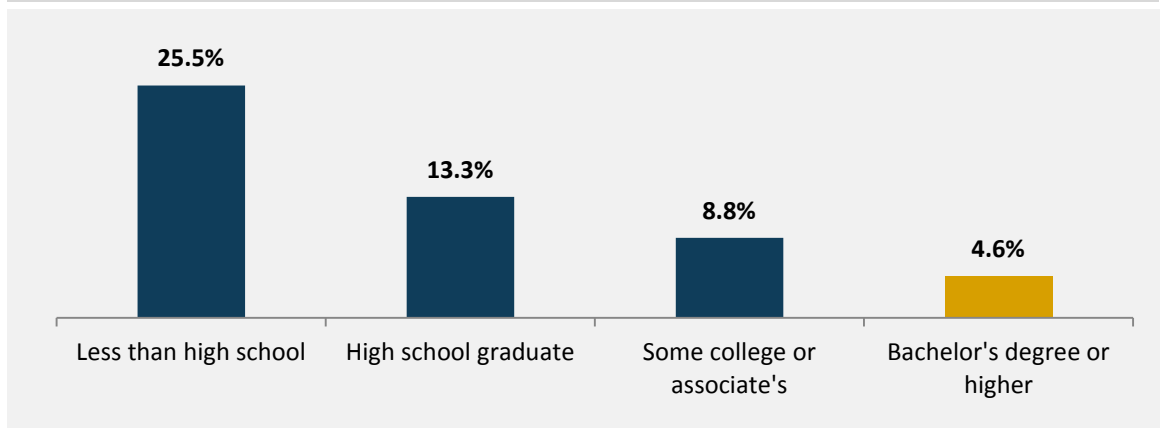
Education lifts people out of poverty

Although the 2007 recession reverberated throughout the entire economy, poverty disproportionately affects certain groups—often in predictable ways. Less than five percent of Coloradans with a bachelor’s degree or higher lived in poverty in 2013. (See Figure 5.4) On the other end of the education spectrum, nearly 26 percent of those without a high school diploma lived in poverty.

These findings are encouraging. Education is a key pathway out of poverty. As discussed in Chapter 3, however, an education does not provide the earnings boost it once did. Low-wage workers are more highly educated today than in years past and earn a minimum wage nationally that is 23 percent less than its peak inflation-adjusted value in 1968.⁵ Even college graduates logged disappointing wage growth over the last decade in nearly every occupation.⁶

Figure 5.4: Education is a key pathway out of poverty

POVERTY RATES, BY EDUCATIONAL ATTAINMENT, 2013



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

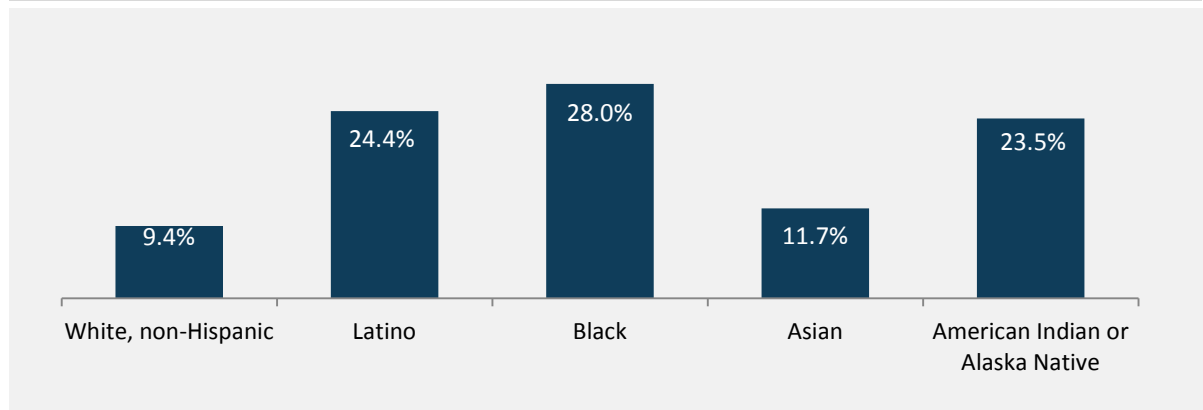
Stark disparities in poverty rates by race and ethnicity

Poverty rates vary widely by race and ethnicity. (See Figure 5.5) The poverty rate among white, non-Hispanics in Colorado is 9.4 percent—lower than the statewide poverty rate of 13 percent and several times lower than Latinos, blacks and American Indian/Alaskan Natives. Asian households had a poverty rate of 11.7 percent—higher than white households but still below the statewide rate. The following proportion of people live in poverty in Colorado:

- Slightly under 1 in 10 whites
- About 3 in 10 blacks
- Nearly 1 in 4 Latinos
- Roughly 1 in 4 American Indians/Alaska Natives
- Just over 1 in 10 Asians

Figure 5.5: Poverty rate is substantially lower for whites

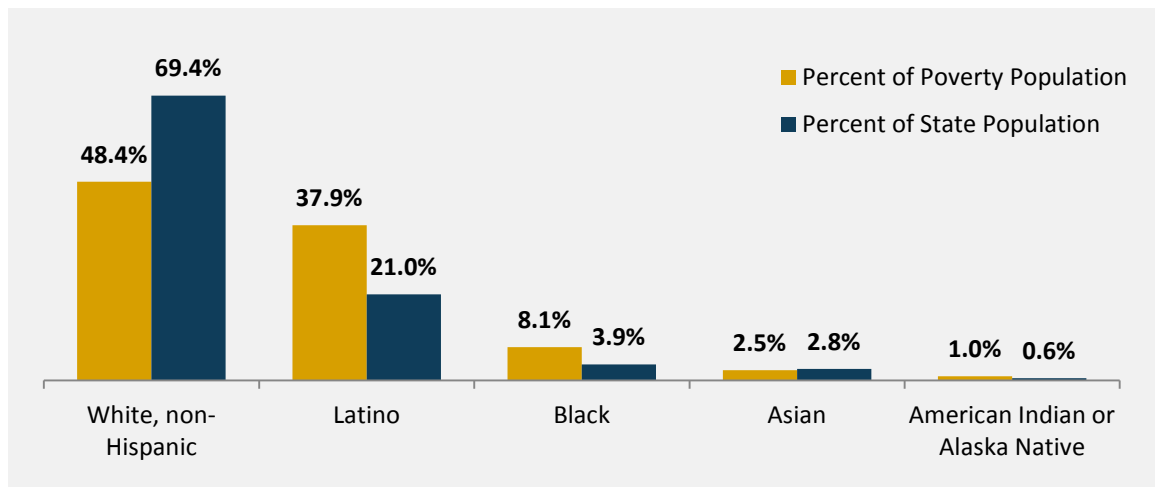
POVERTY RATES, BY RACE AND ETHNICITY, 2012



Source: U.S. Census Bureau American Community Survey

Latinos, blacks, and Native Americans 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 2012. Blacks and Native Americans are also overrepresented in the poverty population, cumulatively accounting for 9 percent of the population in poverty compared to about 4.5 percent of the total population. The opposite pattern holds for whites, who account for roughly 69 percent of the total population and about 48 percent of the population living in poverty.

Figure 5.6: Latinos, blacks, and Native Americans disproportionately in poverty
SHARE OF POPULATION IN POVERTY AND STATE POPULATION, BY RACE AND ETHNICITY, 2012



Source: U.S. Census Bureau American Community Survey

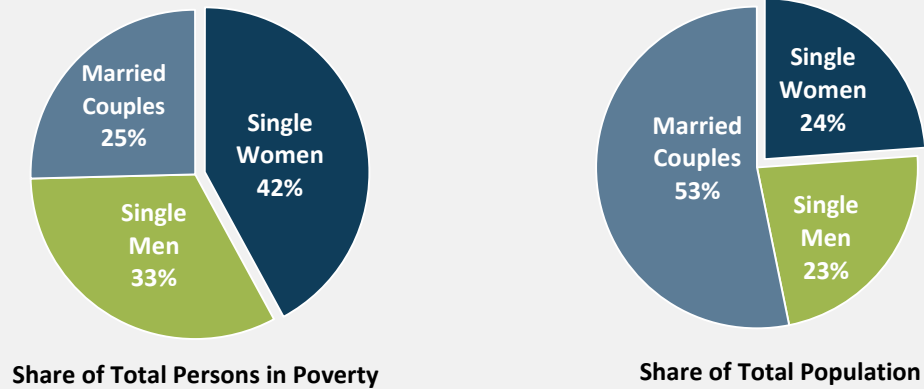
Women are more likely to live in poverty

In Colorado, women are more likely to live in poverty. Of the 470,643 people over 18 living in poverty, 42 percent are single women—although single women account for only 24 percent of the overall population. (See Figure 5.7) Marriage provides some protection from slipping into poverty. Married couples 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 5.7: Disproportionate share of single women live in poverty

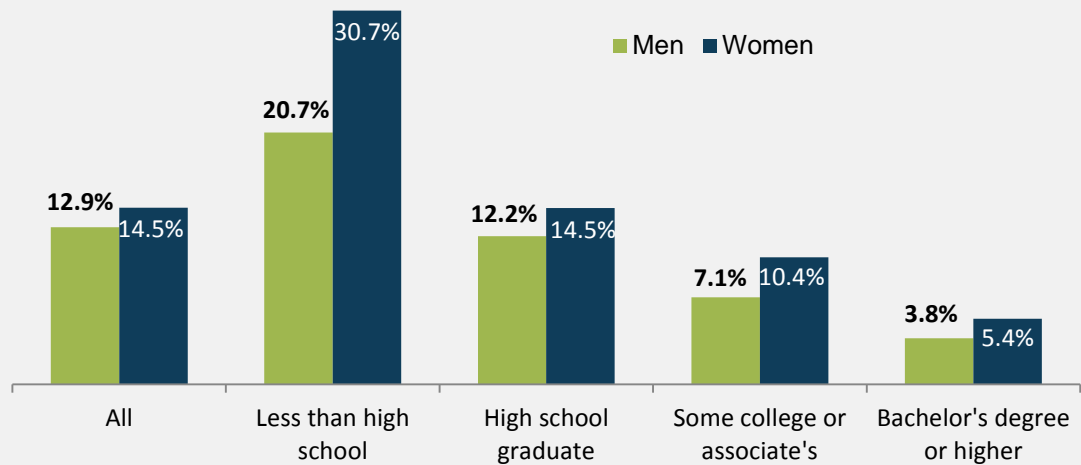
SHARE OF 18+ POVERTY POPULATION AND STATE POPULATION, BY MARITAL STATUS, 2012



Source: U.S. Census Bureau American Community Survey

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

POVERTY RATES, BY GENDER AND EDUCATIONAL ATTAINMENT, 2013



Source: U.S. Census Bureau American Community Survey (Data for Coloradans 25 and older.)

Poverty is highest among single mother families

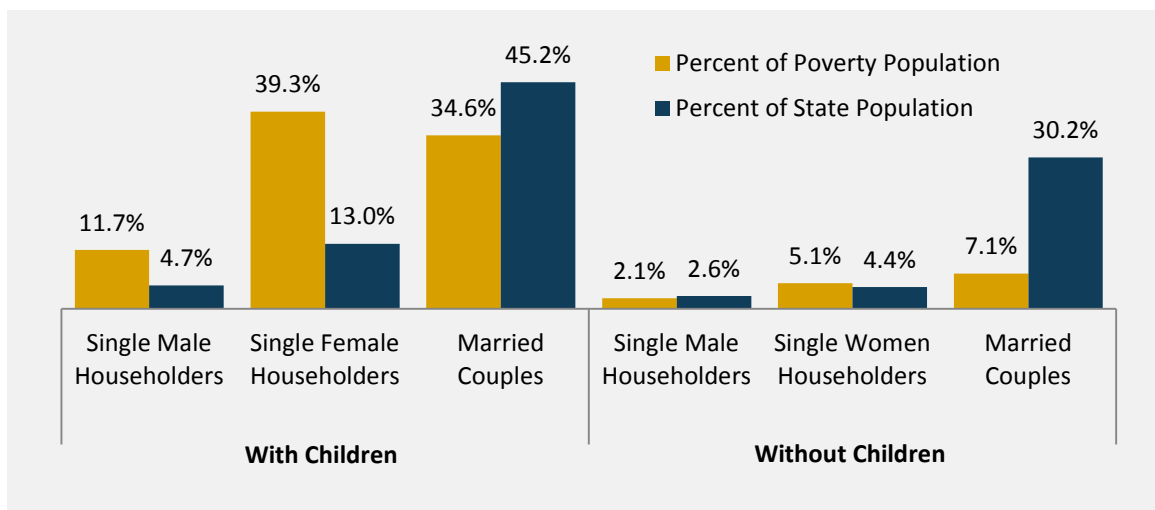
Single women with children account for the greatest share of households living in poverty. Although only 13 percent of Coloradans live in single mother households, they account for more than 39 percent of households in poverty. (See Figure 5.9) The disparity is less severe for men. Single father households account for less than five percent of the total population, but nearly 12 percent of the population 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 \$28,400—71 percent of median income for single father households (\$40,000) and just one-third of the median income for married couples with kids (\$85,700). Women make up nearly 60 percent of minimum wage workers in Colorado.⁷

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 level of educational attainment, the share of women living in poverty declines. Among single mothers who finished high school, 32 percent are poor. Among single mothers with a bachelor’s degree or higher, 18 percent live in poverty in Colorado.

Figure 5.9: *Single mother households account for 13 percent of the population but 39 percent of households in poverty*

SHARE OF TOTAL POPULATION AND POPULATION IN POVERTY, BY FAMILY TYPE, 2012



Source: 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 IN POVERTY BY EDUCATION LEVEL, 2012

	Single Mothers	Single Women
Less than High School	52%	29%
High School	32%	21%
Some college or associate degree	30%	14%
Bachelor’s degree or higher	18%	9%

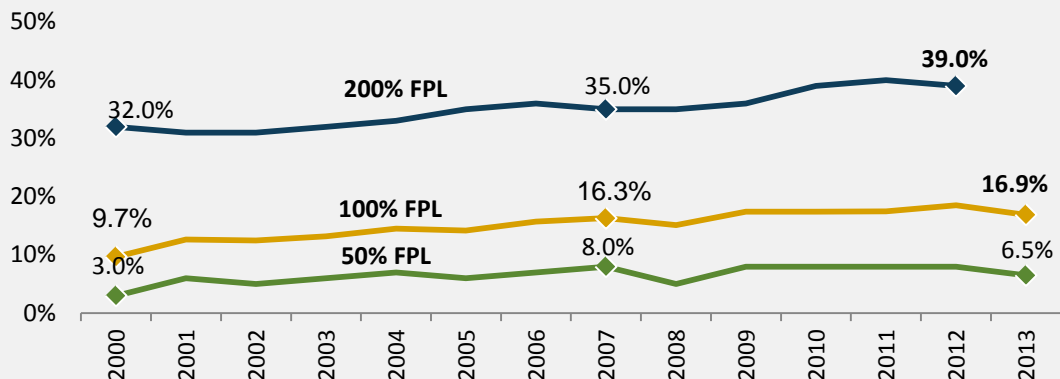
Source: U.S. Census Bureau American Community Survey

Child poverty remains higher than before the 2007 recession

The child poverty rate is the percent of children under 18 who live in a household with an income below the federal poverty level. From 2000 to 2013, the number of Colorado children in poverty increased from roughly 104,000 to 207,200. In fact, Colorado has had one of the fastest growing child poverty rates in the country since about 2000.

The child poverty rate of 16.9 percent in 2013 is still slightly higher than the 2007 rate and significantly higher than the 2000 rate (9.7 percent). (See Figure 5.10) The percent 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 6.5 percent in 2013. That equates to about 79,700 children in deep poverty—up substantially from 38,000 in 2000. This drives home the point that the economic recovery has failed to reach an entire segment of families still living on the edge. 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 child poverty rate jumps to nearly 40 percent (for 2012).

Figure 5.10: Nearly 40 percent of children live under 200% of federal poverty level
PERCENT OF CHILDREN LIVING IN HOUSEHOLDS BELOW 50%, 100% AND 200% OF FPL, 2013



Source: U.S. Census Bureau American Community Survey

Child poverty rates vary by race and ethnicity

Minority children are considerably more likely to live in poverty compared to white children in Colorado. (See Figure 5.11) In 2012, 10 percent of white children lived in households with income under the poverty line. Black children had the highest child poverty rate of 43 percent, which equates to 24,000 children. More than 120,000 Latino children—or nearly 32 percent—live in poverty. The rate of child poverty among Asian children is lower at nearly 17 percent, but still higher than for white children.

Poverty rates are also high among children living in single parent homes. (See Figure 5.12) Just over 40 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—just under one-third of children living with a single father live in poverty. By comparison, 10 percent of children whose parents are married live in poverty.

Figure 5.11: Over 40% of black children and nearly a third of Latino children in poverty
CHILD POVERTY RATE, BY RACE AND ETHNICITY, 2012

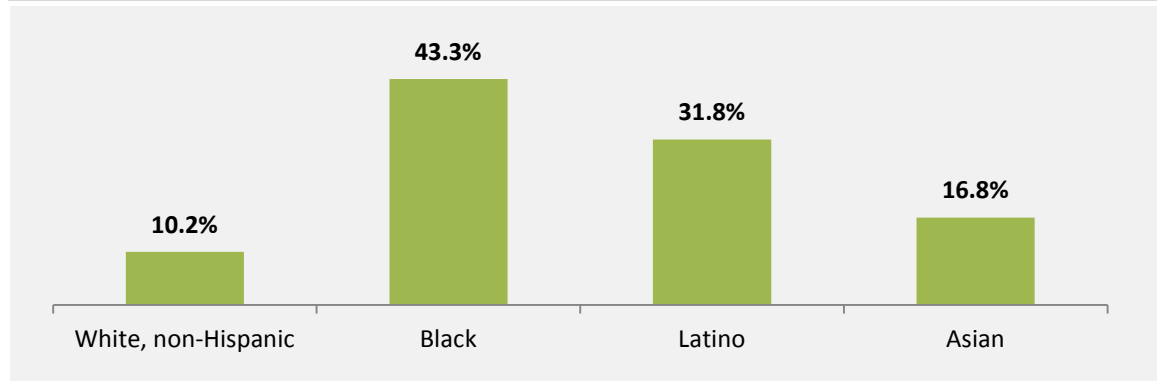
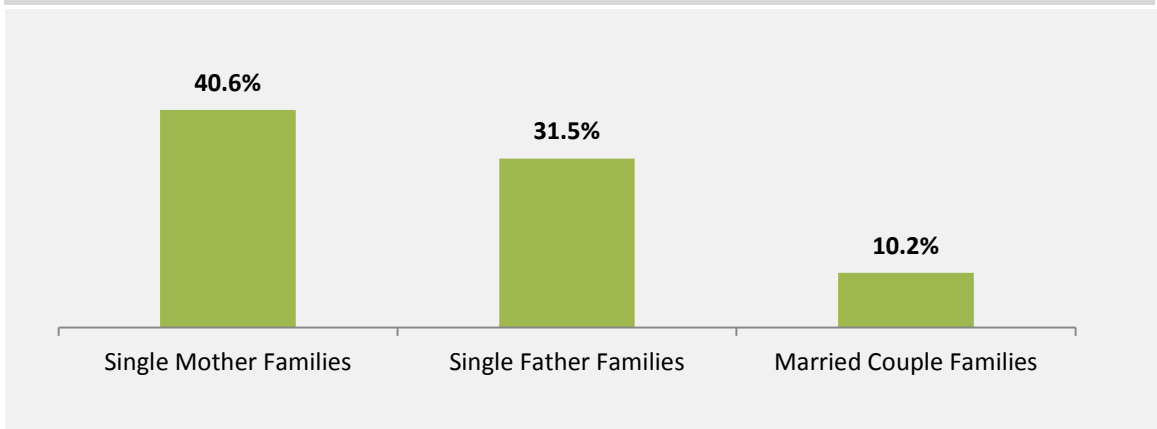


Figure 5.12: Poverty highest for children living in single mother families
CHILD POVERTY RATE, BY FAMILY TYPE, 2012



Source: U.S. Census Bureau American Community Survey

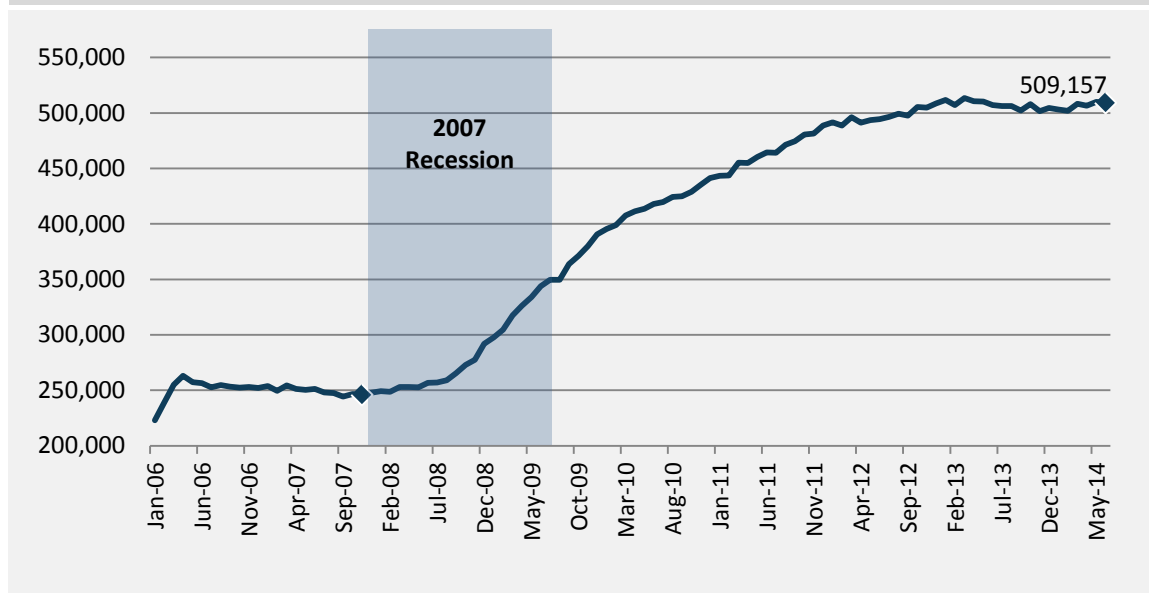
SNAP enrollment continues to increase

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 and poverty 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 2014 from about 246,000 recipients to over half a million. Even with these growing enrollment numbers, it is important to realize that enrollment does not fully reflect need. According to 2011 data from the U.S. Department of Agriculture, only 66 percent of Coloradans eligible for food stamps were enrolled in the program.⁸ In fact, the SNAP participation rate in Colorado was the fourth worst among the 50 states in 2011.

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

SNAP ENROLLMENT, 2006 - JUNE 2014



Source: U.S. Department of Agriculture SNAP program data (Date through June 2014)

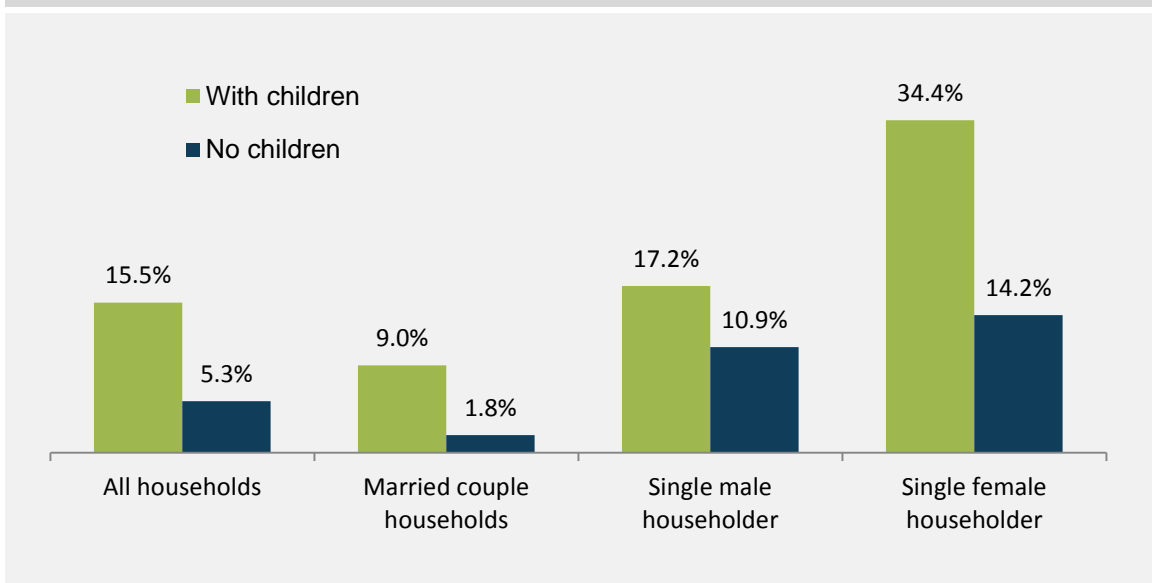
Looking at food stamp receipt by household type, three distinct patterns emerge that are consistent with patterns in poverty rates highlighted throughout this chapter. (See Figure 5.14)

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

- Among single parents, single mother households have higher rates of SNAP receipt than single father homes. 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, 2013



Source: U.S. Census Bureau American Community Survey

Notes

¹ Christopher Wimer, Liana Fox, Irv Garfinkel, Neeraj Kaushal and Jane Waldfogel. (2013). *Trends in poverty with an anchored supplemental poverty measure*. Columbia Population Research Center. The Columbia University researchers developed a version of the Supplemental Poverty Measure (SPM) called the “anchored SPM” and adjusted it back to 1967. Essentially, they constructed a broader definition of poverty and factored in the impact of programs like Social Security, food stamps, and unemployment insurance.

² Elise Gould and Hilary Wething. (2012). *U.S. poverty rates higher, safety net weaker than in peer countries*. Washington, DC: Economic Policy Institute. Available at: <http://www.epi.org/publication/ib339-us-poverty-higher-safety-net-weaker/>

Several other wealthy countries have poverty rates that are similar or higher than the U.S. before factoring in the impact of government safety net assistance. After counting government assistance, all peer countries examined have lower poverty rates—sometimes substantially lower. This is because most of these other countries do more to address poverty through more generous and accessible programs that help a broader scope of the population.

³ Basic needs include costs of housing (rent and utilities), child care, food for in home preparation, transportation costs (cost of car insurance, gas costs to and from childcare and work, etc.), costs of health care, taxes, and other necessities such as clothing, paper products, telephone service, and personal hygiene items.

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

⁶ Mishel et al. *The State of Working America* (pp. 175-176)

⁷ National Employment Law Project. (2013). Economic impacts of 10 state minimum wage increases on January 1, 2013. Available at: <http://www.nelp.org/page/-/rtmw/uploads/January-1st-Minimum-Wage-Increases-Demographic-Impact.pdf?nocdn=1>

⁸ Karen E. Cunnyngham. (2014). *State supplemental nutrition assistance program participation rates in 2011*. Washington, DC: U.S. Department of Agriculture. Available at: <http://www.fns.usda.gov/sites/default/files/Reaching2011.pdf>

CHAPTER 6: Health Care

Health care spending accounts for more than 17 percent of the U.S. economy and is expected to grow to 34 percent by 2040.¹ As the previous chapters document, many Coloradans are still feeling the effects of the 2007 recession. Rising health care costs present serious challenges for families struggling to make ends meet and the state as a whole.

The vast majority of Coloradans are covered by either private or public health insurance leaving about 12.6 percent uninsured in 2013. However, between 2000 and 2013 the average annual premium for a family with private insurance skyrocketed from \$9,195 to \$16,636—an 81 percent increase. And Colorado employers are covering a smaller share of premiums.

Health goes beyond health care access and affordability. Individual and community health and wellbeing are inextricably linked to social and economic factors. Certain groups of people and places across the state have less access to health coverage and services and consistently have worse health outcomes.

This chapter reviews broad trends in insurance coverage, cost of premiums and disparities in health outcomes by race, ethnicity and income. But the health world is changing significantly with implementation of the Affordable Care Act (ACA), which is already having a substantial impact on access and costs. Most of the data in this chapter is from 2012 and 2013—the most recent available from the U.S. Census Bureau—and therefore does not fully capture the current landscape. This data does, however, provide an important baseline for future reporting on the impact of the ACA on coverage, costs and health outcomes.

Fast Facts

12.6 percent of Coloradans do not have health insurance coverage. Slightly over 8 percent of children are uninsured.

About three-quarters of Coloradans were covered by private health plans in the late 1990s, dropping to 70 percent by 2013.

The share of Coloradans covered by public health benefits has been on the rise over the past decade—especially since 2007.

The number of people covered by Medicaid has risen sharply. Since December 2013, caseloads have increased by 32.5 percent—a rate nearly triple the average annual changes between 2008-2013.

Disparities in health outcomes are linked to race, ethnicity and income.

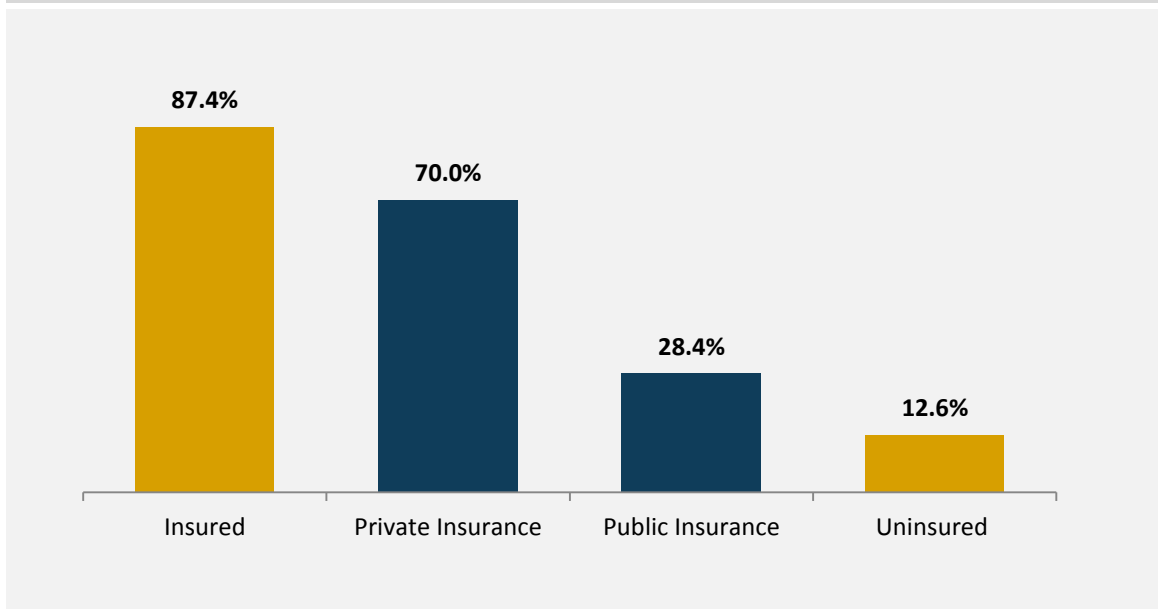
Majority of Coloradans have private or public insurance

While most Coloradans are covered by private or public health insurance, a modest share still remains uninsured. (See Figure 6.1) In 2013, 12.6 percent of Colorado residents were uninsured—down from nearly 13.7 percent in 2012. Overall, 87.4 percent of Coloradans reported having some type of insurance coverage. Among insured individuals, 70 percent had private insurance coverage and 28.4 percent were covered by public health insurance.

Private and public insurance are not mutually exclusive. Some Coloradans are covered both by some form of public insurance in combination with private insurance. For example, a person over 65 who continues to work is entitled to Medicare and may also receive employer provided insurance.

Figure 6.1: A majority of Coloradans are covered by private health insurance

INSURANCE COVERAGE, 2013



Source: U.S. Census Bureau Current Population Survey

Private insurance coverage rates have been declining and premiums increasing

The share of Coloradans covered by private health insurance has been generally declining over time. About three-quarters of Coloradans were covered by private health plans in the late 1990s, dropping to 70 percent by 2013.

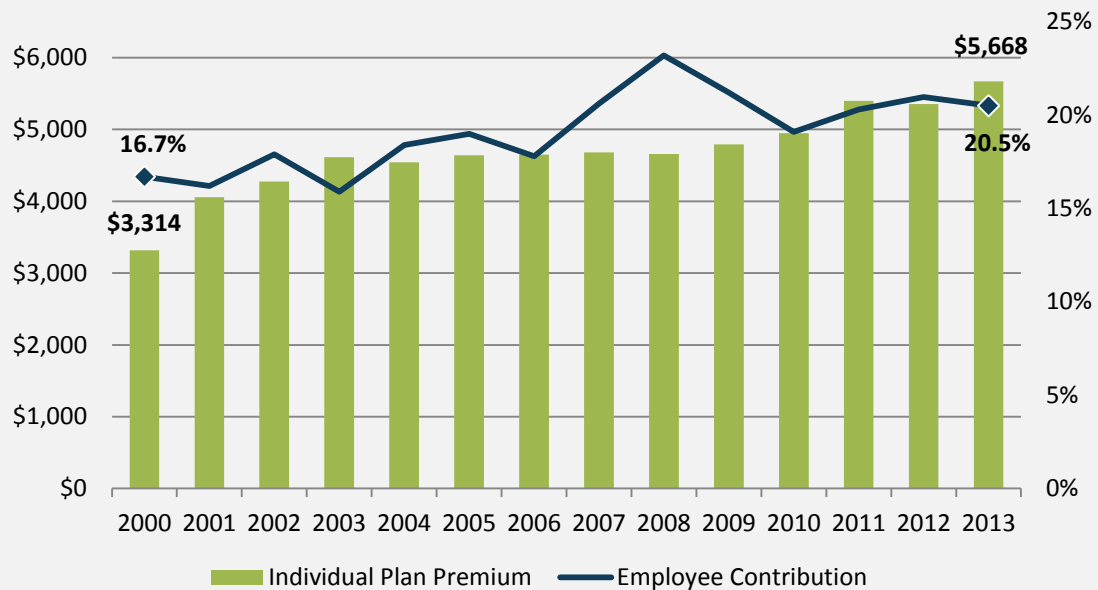
The U.S. is somewhat unique among developed countries in that health insurance and retirement benefits are so closely tied to employment. While health insurance as an employer

provided benefit has never been universal, this element of the social compact has been eroding in recent decades. Increasingly, employers are reducing or withdrawing their contribution to the cost of purchasing health coverage for their employees.² Nationally, employer-provided health coverage has been declining since about 1979. Coverage provided by employers has dropped from 69 percent in 1979 to 59 percent in 2000. Between 2000 and 2010, it has fallen even further to 53 percent.

In Colorado, employees are responsible for a growing share of the cost of health insurance premiums.³ This can create financial strain for many people because premiums have also increased significantly over the last decade. For example, the cost of an individual plan in 2000 was \$3,314 rising to \$5,668 in 2013—a 71 percent increase. (See Figure 6.2) In 2013, employees paid a larger share of the cost of an individual plan—20.5 percent up from 16.7 percent in 2000.

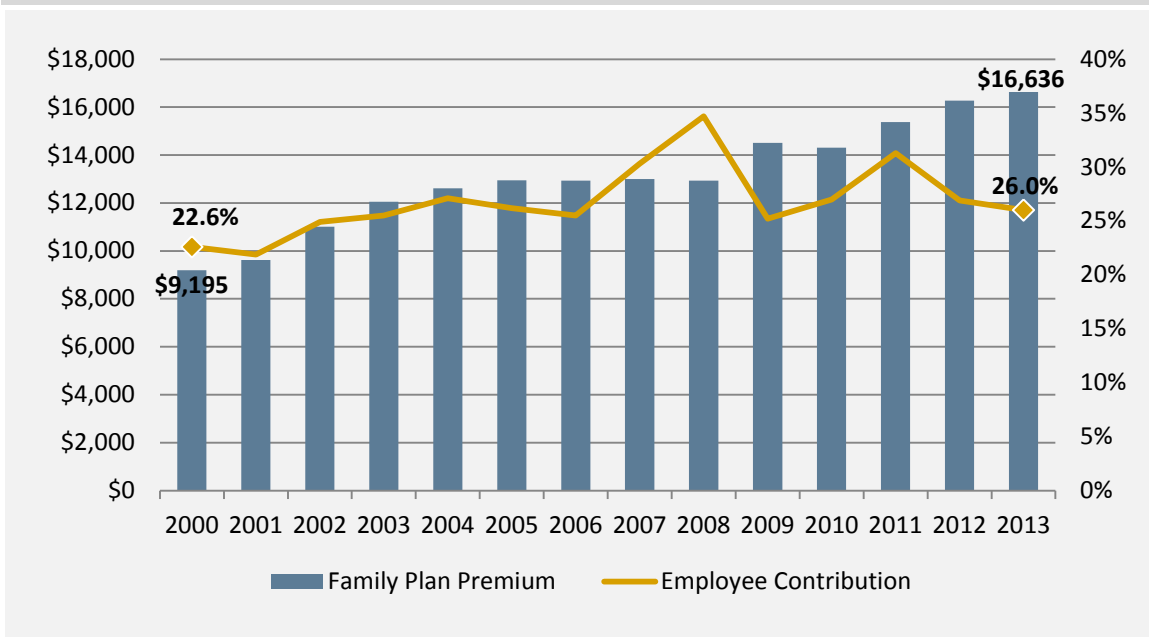
The cost of family coverage also grew from an average of \$9,195 in 2000 to \$16,636 in 2013—an 81 percent increase. (See Figure 6.3) Employees seeking family coverage are expected to pay an even greater share of premium costs. In 2000, employees paid 22.6 percent of the cost of a family plan and by 2013 the cost share had increased to 26 percent. While employee contributions to both individual and family plans have shrunk, it is unclear what the future holds for premiums as the health care landscape is so rapidly changing.

Figure 6.2: Individual plan premiums and employee contribution on the rise
AVERAGE ANNUAL PREMIUMS (2013 DOLLARS) FOR INDIVIDUAL AND EMPLOYEE SHARE, 2000-2013



Source: U.S. Department of Health and Human Services, Agency of Healthcare Research and Quality
 Medical Expenditure Panel Survey

Figure 6.3: Family plan premiums and employee contribution on the rise
AVERAGE ANNUAL PREMIUMS (2013 DOLLARS) FOR FAMILY AND EMPLOYEE SHARE, 2000-2013



Source: U.S. Department of Health and Human Services, Agency of Healthcare Research and Quality
 Medical Expenditure Panel Survey

Commission on Health Care Costs

In 2014, the Colorado General Assembly passed a bill to create a 12-member commission to undertake a comprehensive, evidence based analysis of the principal cost drivers in health care in Colorado and the effectiveness of strategies for controlling health care expenditures. (See SB 14-187) The Commission includes representatives from across the state, appointed on a bi-partisan basis by the Governor and Legislative leadership. It began meeting in August 2014 and will continue to work over the next three years. The work of the Commission is based on the notion that improving the affordability of health care involves a comprehensive examination of and recommendations regarding the major and fundamental drivers of health care costs.

Public insurance coverage rates have increased significantly since 2007

Public insurance is provided through several programs. Seniors over age 65 are eligible to receive benefits through Medicare. Veterans receive health coverage through the U.S. Department of Veterans Affairs. Active military personal are provided health insurance through the U.S. Department of Defense. Medicaid and the Child Health Plan Plus (CHP+) provide health insurance coverage for various low-income populations.

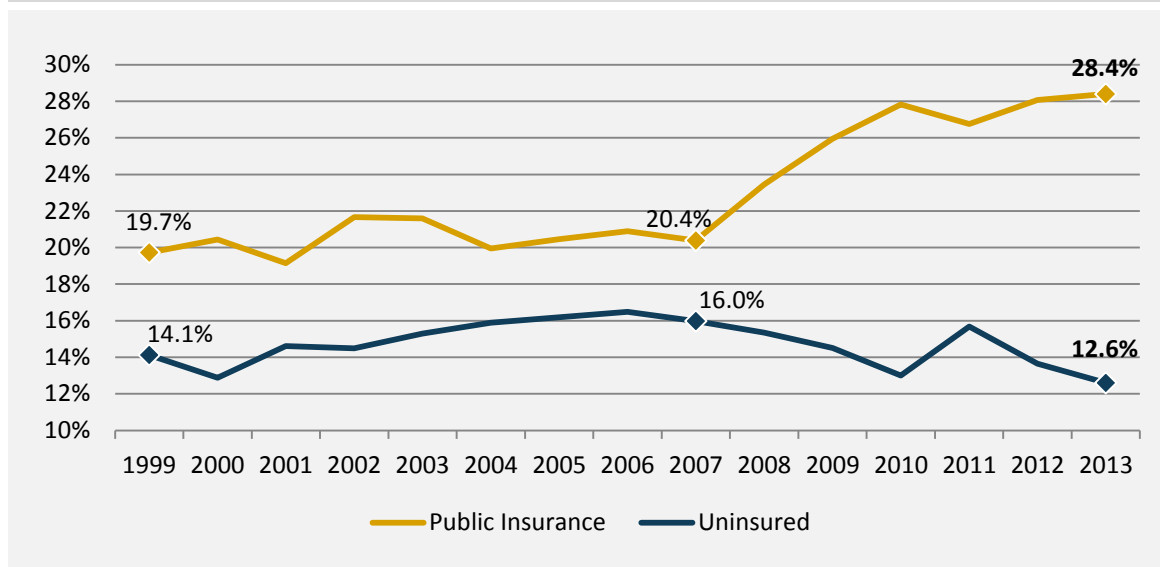
Between 2004 and 2012, Colorado expanded Medicaid and CHP+ to include new groups of parents, children, pregnant women, adults without dependent children, and working adults with disabilities. In 2013, Colorado joined 25 other states in expanding Medicaid again through the Affordable Care Act (ACA) to cover people under 138 percent of the federal poverty level—equal to \$15,856/year for an individual and \$26,951/year for a family of three in 2014. This policy change will mean more people will be covered by public insurance in the coming years.

In fact, as of April 2014, the Medicaid expansion under the ACA has resulted in nearly 179,000 new enrollees.⁴ The number of Coloradans receiving public health benefits has been on the rise over the past decade—especially since 2007. (See Figure 6.4) In 2007, 20.4 percent of Coloradans were covered by some form of public insurance increasing to 28.4 percent by 2013. With an expanding share of Coloradans being covered by public health benefits, uninsured rates have been declining. Still, the uninsured rate has been stubbornly persistent over the last decade hovering just above or below about 15 percent—very similar to the national trend.

The landscape for accessing health coverage, however, has changed significantly in the last two years. Colorado’s decision to expand Medicaid coverage and the availability of tax credits for those with incomes up to 400 percent of the federal poverty level has reduced the uninsured rate. (See the box below explaining how the Affordable Care Act is increasing access to both public and private health coverage.) A national survey conducted quarterly by the Urban Institute, found that the uninsured rate for adults 18 to 64 dropped by 4 percent between September 2013 and March 2014 in states that opted to expand Medicaid.⁵ By comparison, the uninsured rate only fell by 1.5 percent in states that did not expand Medicaid.

Figure 6.4: Public insurance coverage rates are on the rise—particularly since 2007

PERCENT OF COLORADANS WITH PUBLIC INSURANCE OR NO INSURANCE, 1999-2013



Source: U.S. Census Bureau Current Population Survey Annual Social and Economic Supplement

Affordable Care Act

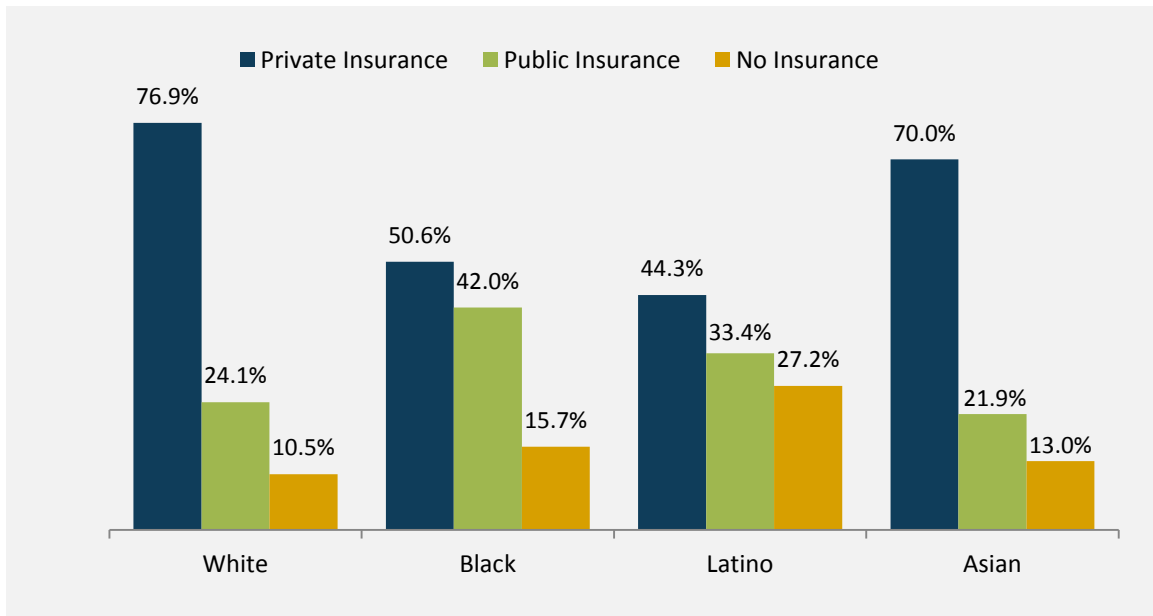
The Affordable Care Act (ACA) will very likely reduce poverty and promote economic security for thousands of Coloradans by providing better access to more affordable health care. A summary of the highlights of the ACA include:

- **Medicaid expansion.** By expanding Medicaid eligibility to individuals at or below 138 percent of the federal poverty level many more low-income Coloradans are now eligible for Medicaid.
- **Increased access through Connect for Health Colorado (C4HCO).** Colorado's new state-run insurance exchange allows consumers and small businesses to compare plans, ask questions, access information on eligibility for aid programs, and enroll in comprehensive health insurance.
- **Subsidies for low-income Coloradans through C4HCO.** Eligible Coloradans may receive cost-sharing and tax credits to offset the cost of health insurance on a sliding scale through Connect for Health Colorado. Coloradans with incomes between 133 percent and 400 percent of federal poverty level are eligible for these subsidies if they purchase insurance through Colorado's health insurance exchange, Connect for Health Colorado.
- **Small business tax credits through the C4HCO.** More than 100,000 businesses in Colorado with 25 or fewer employees may receive a tax credit of up to 50 percent of the employer's total contribution toward employee premiums.
- **Consumer protection and a Patient's Bill of Rights.** The ACA guarantees that insurance plans provide minimum "essential health benefits," ensures coverage is not denied because of preexisting conditions, removes annual and lifetime dollar limits, and offers preventive care at no cost.

Disparities in health coverage by race and ethnicity

Certain groups of people and places across the state have less access to health coverage and services and consistently have worse health outcomes. Health insurance coverage varies by race and ethnicity in Colorado. (See Figure 6.5) In 2012, the uninsured rate for Latinos was 29 percent—nearly triple that of whites (11.2 percent). The difference in uninsured rates among blacks and whites is not as stark—blacks are about seven percent more likely to be uninsured than whites. Whites (72.2 percent) and Asians (69.5 percent) were more likely to have private health coverage compared to blacks (50.3 percent) and Latinos (42.6 percent).

Figure 6.5: Percent of Latinos without insurance is nearly triple that of whites
INSURANCE COVERAGE RATES, BY RACE AND ETHNICITY, 2012



Source: U.S. Census Bureau American Community Survey

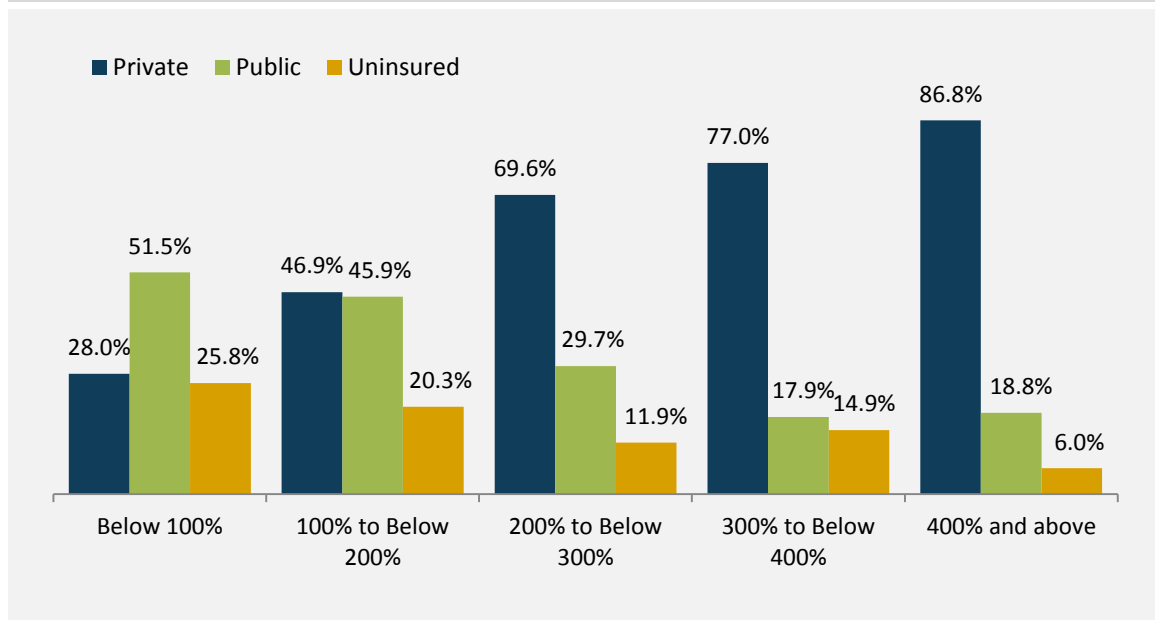
Health insurance coverage rates rise with income

At every step up the income ladder, the rate of private coverage increases while uninsured and public coverage rates drop. (See Figure 6.6) One-quarter of those living below 100 percent of the federal poverty level are uninsured compared to 6 percent of those with incomes 400 percent of the federal poverty level. This pattern is not surprising. As noted previously, private insurance premiums are expensive, and public insurance is available mostly to low-income populations.

Medicaid expansion in Colorado offers new opportunities to further reduce the ranks of the uninsured. Historically, Medicaid primarily covered people who were blind, aged, disabled, pregnant women and children. The Affordable Care Act expanded eligibility to anyone under 138 percent of the federal poverty level. As reported above, nearly 179,000 new enrollees have been added to the Medicaid caseload under the expansion in first part of 2014.⁶

Figure 6.6: Uninsured rates drop as income rises

INSURANCE COVERAGE RATES, BY INCOME TO POVERTY RATIO, 2013



Source: U.S. Census Bureau Current Population Survey Annual Social and Economic Supplement

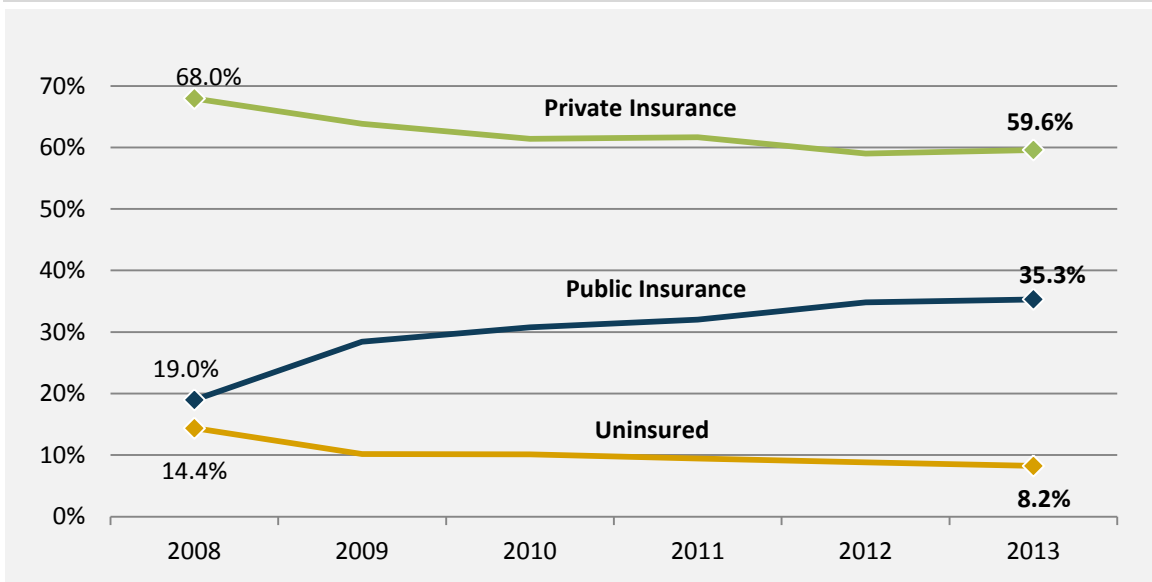
Children have higher rates of insurance coverage than adults

Children are dependent on their parents or guardians for health insurance coverage. The availability of affordable, high-quality health care is an important indicator of overall child health and well-being. For example, children without health insurance are much less likely to receive routine health and dental check-ups. According to data from the U.S. Centers for Disease Control, almost half of all uninsured children had not seen a health care professional in the past 6 months compared to only about a quarter of children with private or Medicaid coverage.⁷ Also, recent research has concluded that previous expansions to Medicaid have had a demonstrable impact on high school graduation rates, college attendance and college completion—outcomes explained in part by improved health.⁸

Nearly 60 percent of children in Colorado are covered by private health plans. (See Figure 6.7) Medicaid provides coverage for children 18 and under for families with incomes up to 142 percent of the federal poverty level. Children in higher income families earning up to 260

percent of the federal poverty level are eligible for coverage through the Child Health Plan Plus (CHP+). Generally, the eligibility criteria for public health coverage is broader for children. Consistent with greater availability of public insurance, the uninsured rate of children in 2013 (8.2 percent) was lower than adults (12.6 percent). Similarly, the percent of children with public health insurance (35.3 percent) was slightly higher than the share of adults with public insurance (28.4 percent).

Figure 6.7: One-third of children covered by public health insurance
INSURANCE COVERAGE RATES OF CHILDREN UNDER 18, BY INSURANCE TYPE, 2013



Source: U.S. Census Bureau American Community Survey

Medicaid caseload steadily increasing since 2008

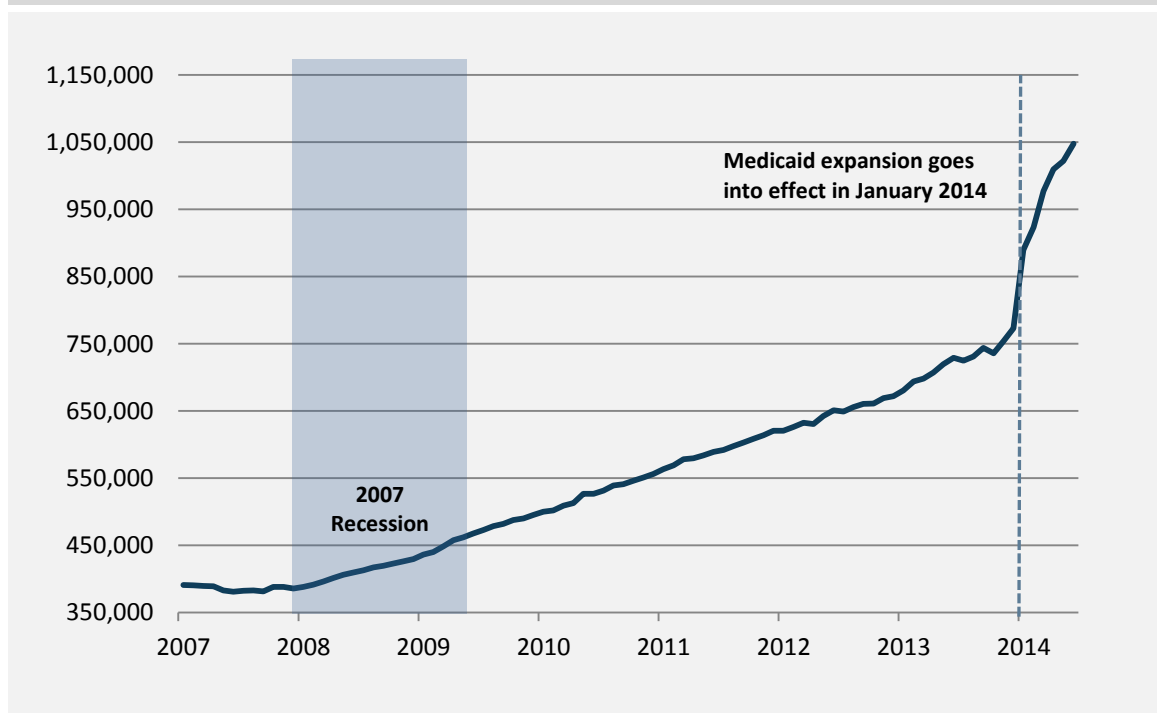
The Medicaid caseload has been steadily rising since 2008—due in part to increasing need from the 2007 recession and a series of eligibility expansions. The most dramatic increase in caseloads occurred most recently due to the expansion of Medicaid under the Affordable Care Act. (See Figure 6.8)

Raising the eligibility threshold to 138 percent of the federal poverty level has had a quick and measurable impact on public insurance coverage. Between October 2013 and April 2014, nearly 179,000 newly eligible Coloradans have enrolled in Medicaid.⁹ Since December 2013, caseloads grew 32.5 percent—a rate nearly triple the average annual caseload growth between 2008-2013. And by early 2014, the Medicaid caseload in Colorado topped one million enrollees.

Many more people, however, are eligible but not yet enrolled in Medicaid. According to the Colorado Health Institute (CHI), as many as 258,000 adults were eligible for Medicaid but not yet enrolled when Colorado opened Medicaid for everyone below 138 percent of poverty.¹⁰ This includes people who became newly eligible under the expansion and those who were previously eligible but not yet enrolled. Many of these adults are now enrolled in Medicaid, but enrollment figures suggest that many more remain uninsured.

Figure 6.8: Medicaid caseload steadily increasing since 2008 with sharp increase following the ACA implementation

TOTAL MEDICAID CASELOAD, 2007 -2014



Source: Colorado Department of Health Care Policy and Financing, *Premiums, Expenditures and Caseload Reports (Data through June 2014)*

The Affordable Care Act is a game changer for criminal justice populations

Criminal justice populations have substantially higher rates of medical, mental health and addiction problems compared to the general population.¹¹

- Prevalence of Hepatitis C is nine to 10 times higher in the inmate population compared to the general population;
- Prevalence of active tuberculosis is four times higher;
- HIV infection is eight to nine times higher;
- Serious mental illness is three times higher;¹² and
- An estimated 39 percent to 43 percent of all inmates have one or more chronic conditions such as hypertension, diabetes and asthma.¹³

Well over 100,000 adults in Colorado are involved in the criminal justice system in some form: 75,000 people are on probation, 11,000 are on parole, and over 30,000 are housed in state prisons and county jails. Most of these people are low-income. An estimated 70 percent to 90 percent have no health care coverage.¹⁴

With few options for health coverage, the primary means of accessing health care services among this population has been through jails, prisons and emergency rooms. Prisoners have a constitutional right to medical care while they are incarcerated so, for many inmates, treatment of medical problems may improve while they are confined. But any health gains realized during incarceration are often quickly lost upon return to the community because access to medical care, behavioral health services and treatment is limited. Research tells us that the risk of relapse, reoffending and even death is most acute during the days and weeks immediately following release from a correctional facility.¹⁵

The Affordable Care Act is a game changer for the health and wellbeing of criminal justice populations. It is estimated that three-quarters of all people involved in the criminal justice system could now be eligible for Medicaid. Subsidized health coverage is also an option. People making up to 400 percent of the federal poverty level (\$46,680 for a single adult) are eligible for reduced monthly premiums. So for the first time ever, tens of thousands of people involved in the criminal justice system in Colorado—mostly low-income men—will have an opportunity for health coverage.

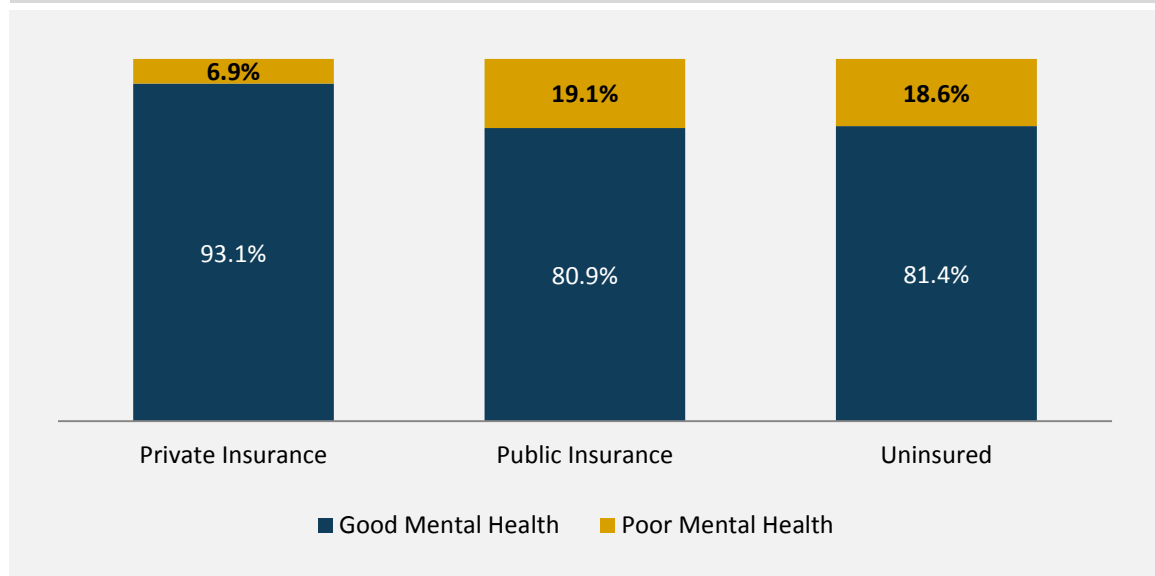
Poor mental health rate similar for those with public insurance and uninsured

The Colorado Health Access Survey (CHAS) is a household survey conducted by the Colorado Health Institute every other year to explore information about health insurance coverage and access to health care. Recent CHAS data suggests that people with public health insurance report similar rates of poor mental health as people without insurance. (See Figure 6.9) About 19 percent of people with public insurance and 18.6 percent of those without insurance reported poor mental health in the 2013 survey.¹⁶ This compares to just under seven percent of people with private coverage.

It is unclear what is driving this difference. It could mean that public health insurance is not providing adequate access to mental health services. It may also mean that there is a higher rate of mental health issues among both those in the public health insurance pool and the uninsured. Living in poverty is stressful and research has shown that growing up poor can have long lasting impacts on brain function and mental health as an adult.¹⁷ Whether it has to do with access to services, perceptions of mental health, or a host of other potential explanatory factors, any disparities in mental health ought to be closely examined. Untreated mental health issues represent a tremendous barrier for people establishing stable employment¹⁸ and housing.¹⁹

Figure 6.9: People with public insurance and the uninsured report similar rates of poor mental health

PERCENT OF PEOPLE REPORTING GOOD OR POOR MENTAL HEALTH, BY INSURANCE TYPE, 2013



Source: Colorado Health Institute Analysis of Colorado Health Access Survey

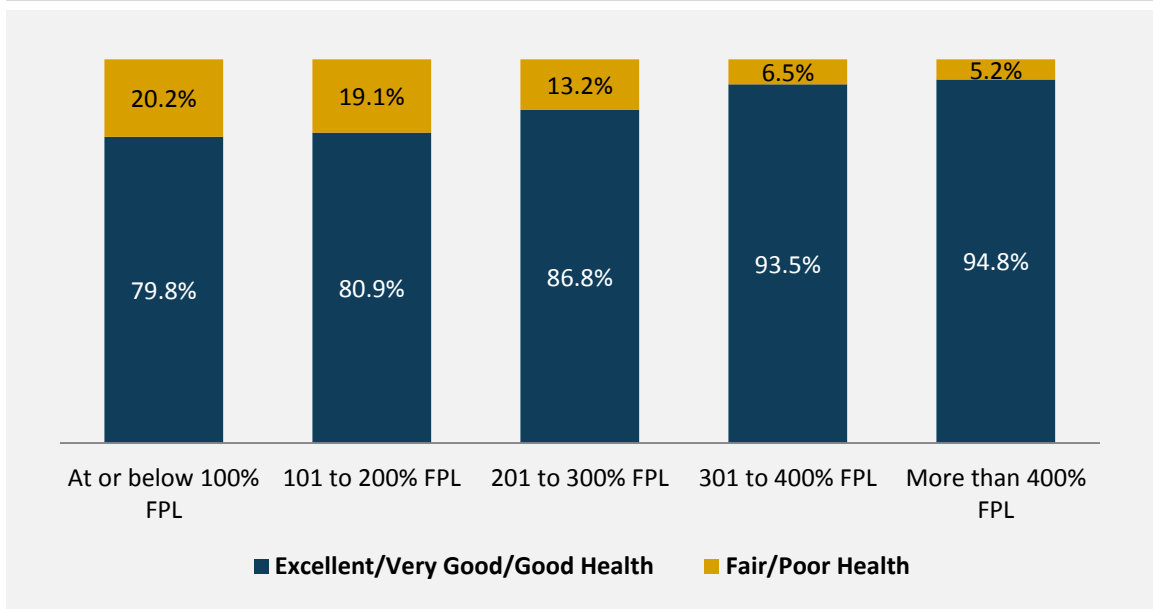
Disparities in health status by income, race and ethnicity

Differences in health status are an important concern in Colorado. Health disparities are linked to race, ethnicity and income. That is, racial and ethnic minorities and low-income people are more likely to experience barriers to accessing health care and suffer poorer health status.²⁰ Individual health and wellbeing is inextricably linked to social and economic factors. And socioeconomic factors determine where we live, work and play, all of which have a direct impact on health.²¹

According to self-reported data from the Colorado Health Access Survey, respondents report differences in health status by both income and race and ethnicity. Figure 6.10 shows that the proportion of Coloradans reporting poor health varies with income. Specifically, 20.2 percent of those at or below 100 percent of the federal poverty level reported having fair or poor health compared to just 5.2 percent of those over 400 percent of poverty. In fact, at each progressively higher income level a declining share of people report fair or poor health.

Disparities in health status also differ by race and ethnicity. Figure 6.11 shows self-reported health status by ethnic or racial group. Latinos and blacks were more likely to report poor or fair health compared to white respondents. Nearly 18 percent of Latinos and 16 percent of blacks reported poor or fair health compared to 11 percent of white respondents. Whites were more likely to report excellent health (67 percent) compared to Latinos (58 percent) and blacks (53 percent).

Figure 6.10: Greater share of low income Coloradans report fair or poor health
SELF-REPORTED HEALTH STATUS, BY INCOME TO POVERTY RATIO, 2013



Source: Colorado Health Institute Analysis of Colorado Health Access Survey

Figure 6.11: Larger share of Latino and black Coloradans report fair or poor health
SELF-REPORTED HEALTH STATUS, BY RACE AND ETHNICITY, 2013



Source: Colorado Health Institute Analysis of Colorado Health Access Survey

Notes

¹ Executive Office of the President Council of Economic Advisors. (2009). *The economic case for health care reform*. Available at: http://www.whitehouse.gov/assets/documents/CEA_Health_Care_Report.pdf

² Lawrence Mishel, Josh Bivens, Elise Gould and Heidi Shierholz. (2012). *The State of Working America, 12th Edition*. An Economic Policy Institute Book (pp. 174). Ithaca, NY: Cornell University Press.

³ Colorado Department of Regulatory Affairs. (2012). *Annual report of the commissioner of insurance to the Colorado General Assembly on 2012 health insurance costs*.

⁴ Colorado Department of Health Care Policy and Financing. (2014, April 15). *Medicaid expansion update*.

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<http://www.colorado.gov/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1251968658803&ssbinary=true>

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⁶ Colorado Department of Health Care Policy and Financing. (2014). *Medicaid expansion update*.

⁷ Barbara Bloom, Lindsey I. Jones and Gregory Freeman. (2013). National health interview survey 2012. U.S.

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⁸ Sarah Cohodes, Samuel Kleiner, Michael F. Lovenheim and Daniel Grossman. (2014). *The effect of child health insurance access on schooling: Evidence from public insurance expansions*. National Bureau of Economic Research. Available at: <http://www.nber.org/papers/w20178>

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¹⁰ Colorado Health Institute. (2014). *Health insurance status of Colorado adults*. Available at

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¹¹ National Commission on Correctional Health Care. (2002). *The health status of soon-to-be-released inmates: A report to Congress*.

¹² In the jail population, 15 percent of men and 31 percent of women have serious mental illness. Henry J. Steadman, Fred C. Osher, Pamela C. Robbins, Brian Case and Steven Samuels. (2009). Prevalence of serious mental illness among jail inmates. *Psychiatric Services* 60(6), 761-765.

In state prisons, these numbers are 24 percent of women and 16 percent men. Ditton, P.M. (1999). *Mental health and treatment of inmates and probationers*. Washington, DC: U.S. Department of Justice, Bureau of Justice Statistics. Available at: <http://www.bjs.gov/index.cfm?ty=pbdetail&iid=787>

¹³ Andrew P. Wilper, Steffie Woolhandler, J. Wesley Boyd, Karen E. Lasser, Danny McCormick, David H. Bor and David U. Himmelstein. (2009). The health and health care of U.S. prisoners: Results of a nationwide survey. *Am J Public Health*, 99(4), 666-72. Available at: <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2661478/>

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¹⁷ Bruce S. McEwen. (2013). The brain on stress: toward an integrative approach to brain, body, and behavior. *Perspectives on Psychological Science*, 8(2), 673-675.

¹⁸ See, for example, Peter Butterworth, Liana S. Leach, Jane Pirkis and Margaret Kelaheer. (2011). Poor mental health influences risk and duration of unemployment: A prospective study. *Social Psychiatry and Psychiatric Epidemiology*, 47(6), 1013-1021.

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²⁰ Colorado Department of Public Health and Environment, Office of Health Equity. (2013). *Health disparities: Exploring health equity in Colorado's 10 winnable battles*. Available at https://www.colorado.gov/pacific/sites/default/files/OHE_Health-Disparities-The-2013-Report.pdf

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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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