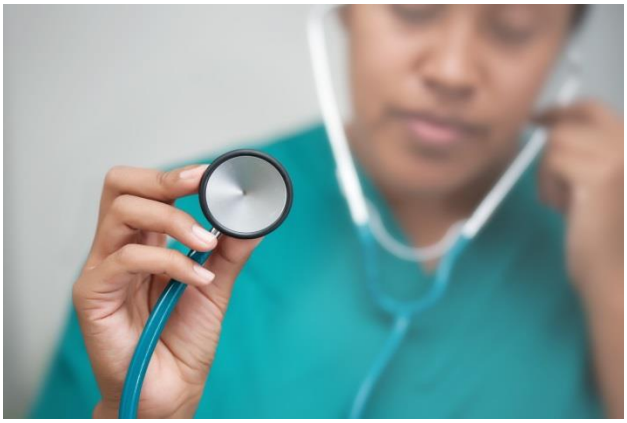

State of Working Colorado

2016 Edition

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Colorado Center *on* Law & Policy

State of Working Colorado

2016
Edition

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Letter from the Executive Director

December 2016

Colorado has done well across many job-related metrics over the past decade. Indeed, the state has gained nearly 271,000 jobs since 2007 and median household income last year surpassed the pre-recession level -- reaching $63,900. Unfortunately, once you scratch the surface of these seemingly positive numbers, it's apparent that our state's economy isn't working for many Coloradans.

Colorado Center on Law and Policy exists to forge pathways from poverty by advancing the health, economic security and well-being of all Coloradans. We produce the *State of Working Colorado* every year to gauge how the economy is performing for workers across the income spectrum. That helps policymakers and us determine where to focus our efforts.

In the pages that follow, you'll learn that workers throughout the state face wage stagnation, underemployment and race-based income gaps as Colorado's cost of living surges upward. A person's level of education strongly influences the degree of prosperity they will achieve. Although job growth has been impressive, it isn't keeping up with Colorado's population growth. Overall labor force participation is still below pre-recession levels with men ages 25 to 54 in their prime working years most prominently missing from Colorado's labor force. Meanwhile, the median hourly wage has fallen or remained flat since 2010 and a significant number of Coloradans still live in poverty.

Though these statistics are daunting, there are signs of hope. The increase in the minimum wage will help boost wages in traditionally low-wage industries and allow many thousands of workers to better afford the high cost of living in Colorado. But there is more work to be done to increase the earning power of thousands of Coloradans.

We hope the 2016 edition of *State of Working Colorado* will spur discussion across party lines and among diverse stakeholders on how to give Coloradans the tools they need to live productive lives and contribute fully to our economy.

Claire Levy
Executive Director
Colorado Center on Law and Policy

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Data Sources

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

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

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

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

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

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

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

Executive Summary

The *State of Working Colorado 2016-17* is a collection of critical data designed to look beyond broad-based economic indicators to better understand how the economy is working for all Coloradans.

Colorado has one of the strongest performing economies in the country. Job growth has been strong for the past several years consistently ranking Colorado among the top states for job creation. The unemployment rate has dropped steadily since 2010 and now sits well below 4 percent. In 2015, median household income finally surpassed the pre-recession level. And poverty rates have been falling since 2012.

Yet, this report points to several challenges to achieving an economic recovery in Colorado that is broadly-shared and enduring:

- More than six years into an economic expansion that began in 2009, it is clear that while the economy has rebounded, broadly shared prosperity has not. The median hourly wage has been falling or flat since the recovery began—meaning that the only effect of the recovery on wages for most workers has been to forestall further decline. Economic gains are increasingly concentrated among a small share of high earners in the state.
- While jobs have returned to the state, not all workers have returned to work. Overall, labor force participation is still below pre-recession levels. The people most prominently missing from the labor force in Colorado are men ages 25 to 54. And a growing share of the jobs that have returned to the state do not pay self-sufficiency wages.
- Colorado is increasingly becoming a multiracial state with a persistent race-based economic divide. By 2050, 48 percent of state's labor force will be people of color, primarily Latino. Today, however, communities of color in Colorado are disproportionately low-income, face higher unemployment and poverty rates, and are more likely to live in high poverty neighborhoods. Growing diversity of our labor force can be an asset provided all Coloradans have access to the resources and opportunities they need to thrive.

These outcomes are not inevitable. They are the result of policy choices and can be addressed by policy changes. The conditions that will propel the Colorado economy toward sustained and robust growth include employment for every worker who wants a job, a living wage for low-income workers, broadly shared economic growth, and equitable access to economic opportunity. **Our hope is that the *State of Working Colorado* will inform the policy dialogue across the state and inspire ideas aimed at bridging the gaps in the economy and helping working families achieve the economic security they have earned.**

1. Employment

Colorado is doing fairly well across several job-related measures. Job growth has been strong in the state—adding nearly 271,000 jobs since 2007. Colorado continues to rank among the top 10 states for job growth. The labor force is highly educated compared other states. While these indicators are encouraging, it is also clear that job growth is not keeping pace with population growth, a larger share of jobs in state pay low wages, and many people particularly prime-age men are still sitting on the sidelines of the economy.

- As of September 2016, Colorado's economy had 2.62 million jobs. Colorado has experienced substantial population growth in recent years. To keep pace with rapid population growth, Colorado needs to create nearly 118,000 additional jobs or an average of 7,500 jobs a month over the next three years to return to pre-recession employment levels.
- A growing share of jobs in the state pay less than self-sufficiency wages—defined here as wages sufficient to meet a basic needs budget for a single adult. In 2000, an estimated 10 percent of jobs in the state paid less than self-sufficiency wage growing to nearly 21 percent of jobs in 2015.
- Colorado is becoming an increasingly multiracial state. By 2050, an estimated 48 percent of the state's labor force will be people of color. The persistent disparities in income, employment and poverty by race and ethnicity in Colorado ultimately threaten the prosperity of these individuals, their families, and the state as a whole. Growing diversity of our labor force can be an asset provided all Coloradans have access to the resources and opportunities they need to thrive.
- In 2015, 15.4 percent of part-time workers said they wanted more work. This is still slightly above the pre-recession level and higher than historical levels. Throughout the 1990s only about one in ten part-time Colorado workers wanted to be working full-time. An elevated rate of involuntary part-time employment is likely due to an ongoing structural shift in the economy where employers rely increasingly on part-time workers as a means to control labor costs.
- In 2015, 80.3 percent of the prime working age population were employed, which is still more than 3 percentage points lower than the pre-recession high. The employment-to-population ratio took a nose dive during the recession and been slow to recover despite falling unemployment rates.
- The people most prominently missing from the labor force are prime working age men. The share of all prime age men who are working plummeted from 91.7 percent in 2007 to 85.2 percent in 2011 recovering to 87.6 percent in 2015, which is still below the pre-recession level. Lower labor force participation rates have affected men of all races and ethnicities.

2. Unemployment

The unemployment rate in Colorado is impressively low. Yet, focusing exclusively on this single measure risks missing the full story about how the Colorado labor market is faring. Many Coloradans are still working below their full potential. Underemployment remains high overall—particularly for Black, Latino and young Coloradans. The long-term unemployment rate has dropped substantially but still remains above the pre-recession rate.

- The average unemployment rate for 2015 was 3.9 percent—well below the national rate of 5.3 percent and the 10th lowest rate in the country.
- Unemployment rates by county range from a low of 2.1 percent to a high of 7.7 percent. The highest unemployment rates are concentrated in and around the San Luis Valley.
- The underemployment rate adds to our understanding of the strength of the labor market by counting jobless workers looking for work, those who have given up searching for a job, and involuntary part-time workers. The underemployment rate has been declining in recent years but at 7.9 percent in 2015 still remains slightly above the 2007 rate of 7.3 percent.
- While the statewide unemployment rate has dropped significantly, Black and Latino workers are still facing high levels of joblessness and underemployment. In 2015, the unemployment rate for Black Coloradans was 11.5 percent—more than twice the rate for White workers (4.1 percent). The same is true for underemployment: black Coloradans experience underemployment (17.1 percent) at more than twice the rate of White Coloradans (8.1 percent). Likewise, Latinos experienced relatively high rates of unemployment (6.4 percent) and underemployment (13.0 percent) in 2015.
- Young workers—ages 16 to 24—faced some of the highest rates of unemployment (8.3 percent) and underemployment (14.4 percent) in 2015.
- In 2015, 17.9 percent of all jobless workers were facing long-term unemployment—still above the 2007 rate of 13.1 percent. Colorado is slowly moving off the peak long-term unemployment rate of 41 percent reached in 2010.

3. Wages

Wage growth in Colorado has been strikingly uneven. For the majority of workers, wages have been stagnate over the last decade regardless of education level and growing productivity. The median wage has been flat since the end of the recession. And wages for half of all Colorado workers are down 2 percent since 2000. The current wage trends are discouraging for the ability of low and middle wage workers to keep up with rising household costs.

- In 2015, the median hourly wage in Colorado was $18.49—still below the 2007 median wage of $19.32.

- The economic recovery for wages has really only meant that the median hourly wage in Colorado has stopped falling. While the unemployment rate has dropped every year since 2010, the median wage has been flat over that same period. Expanding our timeframe, we can see that the current median wage is only $1.29 above the 1979 level when adjusted for inflation.
- The wealthiest Coloradans have seen their wages grow much faster and more consistently than middle and low-wage earners across the state. In 2015, those in the 20th percentile earned wages 1.7 percent lower than they earned in 2000 in real dollars. Middle-wage earners are also down from 2000—earning 2.3 percent less than they did in 2000. Those at the top of the income spectrum (80th and 90th percentiles), however, have experienced more steady growth and are up 8.8 and 14.4 percent respectively since 2000.
- Higher education results in higher wages but not wage growth over time. In 2015, the median hourly wage of a worker with a bachelor's degree or higher ($26.21) was nearly twice the median wage of Coloradans who only completed high school ($14.93). Yet, even the wages of Colorado's most educated workers have also stagnated since 2000. The 2015 median wage for workers with a college degree in Colorado is essentially the same as it was in 2000 when adjusted for inflation.
- Increased productivity has historically resulted in rising wages and better living standards. In recent decades, however, growth in wages for most families has lagged significantly behind growth in productivity. In Colorado, productivity increased by nearly 30 percent since 2000, while the median wage declined by 2 percent over the same period.

4. Income

In 2015, median household income finally surpassed pre-recession levels. Despite the recovery in median income, persistent and substantial racial, ethnic and gender income gaps remain. And much like the nation, Colorado is experiencing growing income inequality that has grown worse during the recovery. Income gains have disproportionately accrued to families at the top of the income distribution.

- Eight years after the start of the Great Recession, real median household income in Colorado has returned to pre-recession levels. In 2015, median household income increased to $63,900.
- 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 $31,000 in Alamosa County to a high of $103,000 in Douglas County in 2015.
- Disparities in income by race and ethnicity are significant and persistent. Median household income among Latino households increased by 9 percent between 2007 and 2015 but still lags significantly behind White median household income. In 2015, Latino median income was $46,000 or 65 percent of White median income ($70,500). Median income for Black households totaled $44,800 or 65 percent of white median household income. And Black

household income is still down 3.6 percent from 2007. Median income among Asian households was $70,500 in 2015 and is up 10 percent since before the recession.

- Colorado women working full-time earn only 82 percent of what men earn. Women earn less than men at every educational level. The gap grows substantially at the upper rungs of the education ladder, with the largest gender income gaps existing at the highest levels of education. Women of color in Colorado earn even less compared to non-Hispanic White men. Latina workers earn just 54 percent of White men followed closely by Native American women earning 58 percent and Black women earning 64 percent of White men.
- Nearly half of the income earned in Colorado in 2015 went to the wealthiest 20 percent of households. This means that one of every two dollars earned in the state went to 20 percent of households and the other dollar was split—unevenly—among the bottom 80 percent of households.
- While economic growth has been more or less consistent over time, the benefits of that growth have mostly accrued to the very top of the income spectrum over the last several decades. Lopsided income growth predates the Great Recession and has only continued to worsen during the recovery period. Unequal income growth in the state since the 1970s has resulted in an income gap approaching the historical high water mark of 1928.

5. Poverty

Unlike other measures of the state's economic health, poverty rates have been much slower to respond to the economic recovery. Economic insecurity and poverty remain more pervasive than would be suggested by the high-level headlines about how the state economy is performing. Wage stagnation coupled with rising costs, growing income inequality and eroding labor standards all contribute to persistently high rates of poverty and economic insecurity in the state.

- The state's poverty rate dropped to 11.5 percent in 2015, finally dipping below the pre-recession rate of 12 percent, but still significantly higher than the 2000 rate of 8.7 percent.
- Nearly half of all people are living on far less than the federal poverty level. Nearly half of Coloradans in poverty are living in deep poverty—that is, living on an income that is half of the poverty line. In 2015, that meant $5,885 per year for an individual and $10,045 for a family of three. That's an estimated 294,000 people across the state still living in deep poverty.
- Although the federal poverty level (FPL) is the most commonly used official metric of economic need, many regard it as an underestimate of those who struggle to make ends meet. The Self-Sufficiency Standard for Colorado—the level at which families can meet basic needs without public or private support—generally requires an income at least 200 percent of FPL or even higher in some parts of the state. By this measure, the share of Coloradans without basic economic security was 27.4 percent in 2015 or more than one in four households in the state.

- Poverty rates vary widely by race and ethnicity. The poverty rate among White Coloradans is 8.2 percent—lower than the statewide poverty rate of 11.5 percent and several times lower than the rate among Latinos (19.2 percent), Blacks (19.9 percent) and American Indian/Alaskan Natives (21.5 percent). The poverty rate among Asian households was 14.6 percent.
- Even more striking is the share of people of color living at or near poverty (under 200 percent of the federal poverty level): 46 percent of all Latinos in Colorado live at or near poverty; 44 percent of Black Coloradans; 42 percent of American Indian/Alaskan Natives and 29 percent of Asians.
- Poverty is not distributed evenly across the state—some neighborhoods and some communities have higher than average poverty rates. Black and Latino Coloradans are substantially more likely to live in high poverty neighborhoods. While 14 percent of Whites live in communities with a poverty rate of 20 percent or more, 37.3 percent of Blacks and 38.5 percent of Latinos live in such neighborhoods.
- Women are more likely to live in poverty regardless of education. And single mother families are most at risk for living in poverty. Single mother families account for less than 10 percent of families in Colorado, but are 44 percent of all families in poverty.
- The child poverty rate of 14.5 percent in 2015 is below the 2007 rate (16.3 percent) but still remains significantly higher than the 2000 rate (9.7 percent). The percentage of children living at or near poverty (living in households earning less than 200 percent of FPL) jumps to nearly 33 percent.
- Latino and Black children are considerably more likely to live in poverty compared to White and Asian children in Colorado. In 2015, 7.8 percent of White children lived in households with income under the poverty line. Latino, Black, and American Indian or Alaskan Native children had the highest child poverty rates with over one-quarter of children living in poverty.

CHAPTER 1: Employment

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

Colorado is doing fairly well across several job-related measures. Job growth has been strong in the state—gaining nearly 271,000 jobs since 2007. The labor force is highly educated compared to other states.

Although Colorado has regained the jobs lost during the recession, job growth has not kept pace with population growth and has been concentrated in jobs that pay below self-sufficiency wages. And still the share of Coloradans working part-time jobs because they cannot find full-time employment is above historical levels. Unemployment rates have dropped every year since 2010 (see Chapter 2), but the share of employed prime age adults is still down and has been slow to return to pre-recession levels—signaling that some decline in unemployment may be due to people dropping out of the labor market altogether. The people most prominently missing from the labor force are men ages 25 to 54.

Fast Facts

Job growth has not kept pace with population growth. Colorado needs an additional 117,900 jobs to return to pre-recession employment levels.

Growth is concentrated in jobs paying wages below self-sufficiency while jobs paying minimally self-sufficient wages have declined between 2007-2015.

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

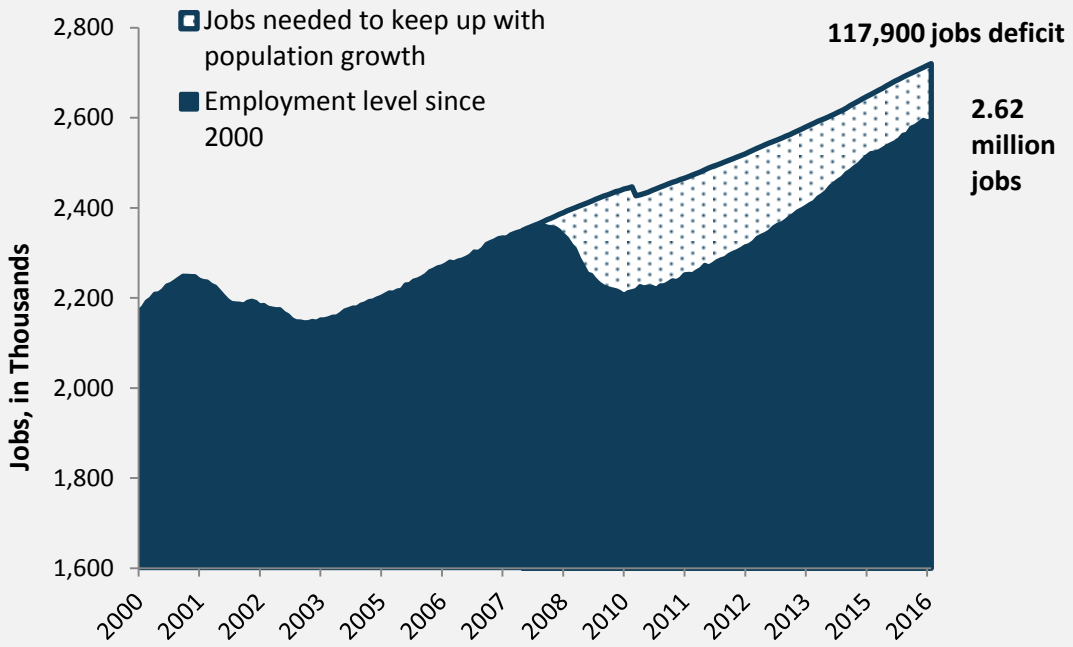
One in five prime-age workers (ages 25 to 54) are not employed—a rate still below pre-recession levels.

Job growth is strong 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 143,000 jobs between December 2007 and January 2010. By early 2013, the Colorado jobs number had returned to pre-recession levels. As of September 2016, Colorado's economy had a total of 2.62 million jobs, an increase of 270,900 jobs compared to December 2007.

***Figure 1.1**: Strong job growth still lags statewide population growth*

TOTAL JOBS AND JOBS NEEDED TO KEEP PACE WITH POPULATION GROWTH, 2000 – SEPTEMBER 2016



Economic Policy Institute analysis of U.S. Bureau of Labor Statistics Current Employment Survey

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 16.5 percent since the start of the recession. To keep pace with its rapid population growth, Colorado needs to create 117,900 additional jobs.

The Colorado economy has added jobs at a decent clip. The monthly average addition of nonfarm jobs has grown from 1,700 in 2010 to 6,000 in 2015. This growth rate, however, is still not sufficient to keep up with population growth in the state. The Colorado economy needs to add an average of 7,500 jobs a month over the next three years to return to pre-recession employment levels.

Growing share of Colorado jobs pay less than self-sufficiency wage

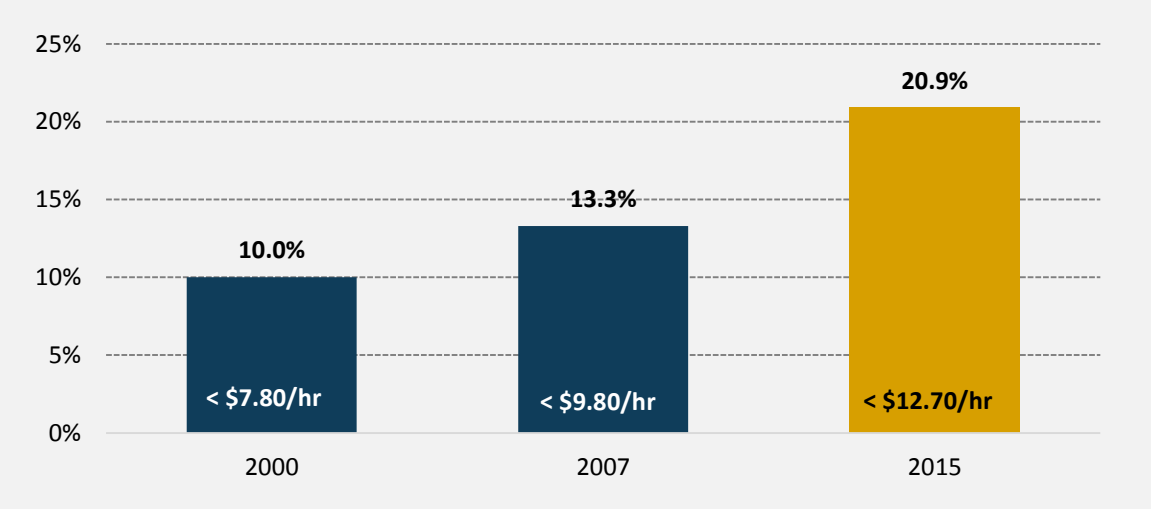
A growing share of jobs in Colorado pay less than self-sufficiency wages. For this analysis, minimal self-sufficiency is defined as being able to meet basic needs without private or public support. The Self-Sufficiency Standard for Colorado calculates the income needed to meet a basic needs budget.[1] We defined a minimally self-sufficient annual salary by calculating the median Self-Sufficiency Standard for a single adult across Colorado's 17 metro counties in 2000, 2007 and 2015 and then compared that to wages by occupation.[2]

The estimated share of jobs paying an annual salary less than what's necessary for a single adult to meet their basic needs has grown substantially between 2007 and 2015 from 13.3 percent to 20.9 percent.

In part, the trend in the number of jobs offering below self-sufficiency wages is tied to wage stagnation, suggesting not only that new jobs tend to be created at the lower end of the income spectrum, but also that jobs that used to offer economic security no longer do so. In other words, salaries in some occupations have lost ground to rising costs of living at the same time that new job growth has been in occupations that pay annual salaries less than the self-sufficiency standard.

***Figure 1.2**: Statewide growth in jobs paying below self-sufficiency wages*

SHARE OF JOBS PAYING LESS THAN SELF-SUFFICIENCY WAGE FOR SINGLE ADULT, 2000, 2007 AND 2015



Bureau of Labor Statistics Occupational Employment Survey; and Self-Sufficiency Standard for Colorado

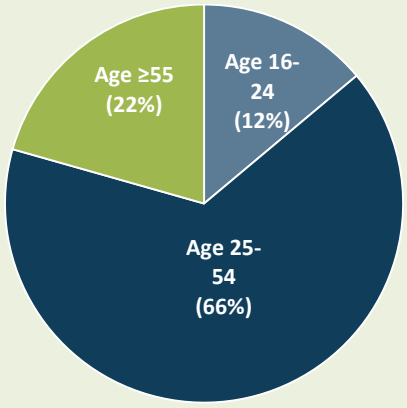
Colorado Labor Force Demographics

The labor force includes people age 16 years and older who either have jobs or have actively sought work within the past four weeks. The average annual labor force totaled about 2.8 million people in 2015.[3]

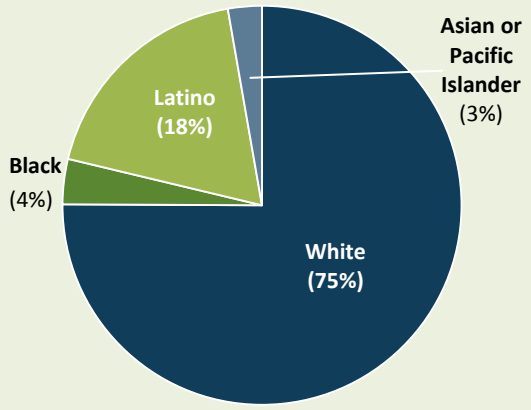
- A slight majority (54 percent) are men; 46 percent are women.
- Nearly 7 in 10 labor force participants are between the ages of 25-54 years old.
- Three-quarters of the labor force is White. Latinos make up the second largest group representing 18 percent of the total labor force while Blacks and Asian/Pacific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

Colorado continues to have a well-educated labor force. About 42 percent of Coloradans working or looking for work hold a bachelor's degree or higher, which is 7 percent higher than the national rate.

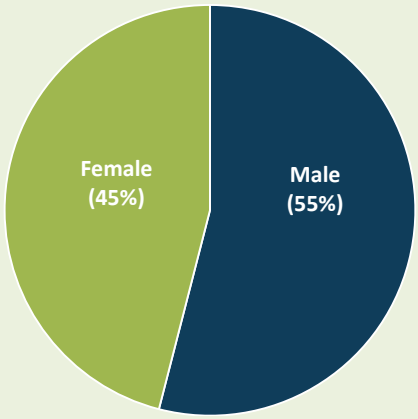
Age



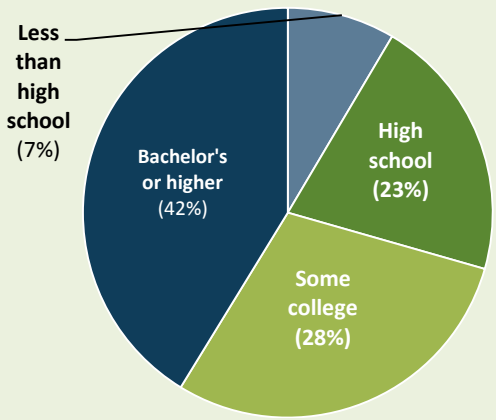
Race and Ethnicity



Gender



Education



Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey (2015 data)

Changing face of Colorado's labor force

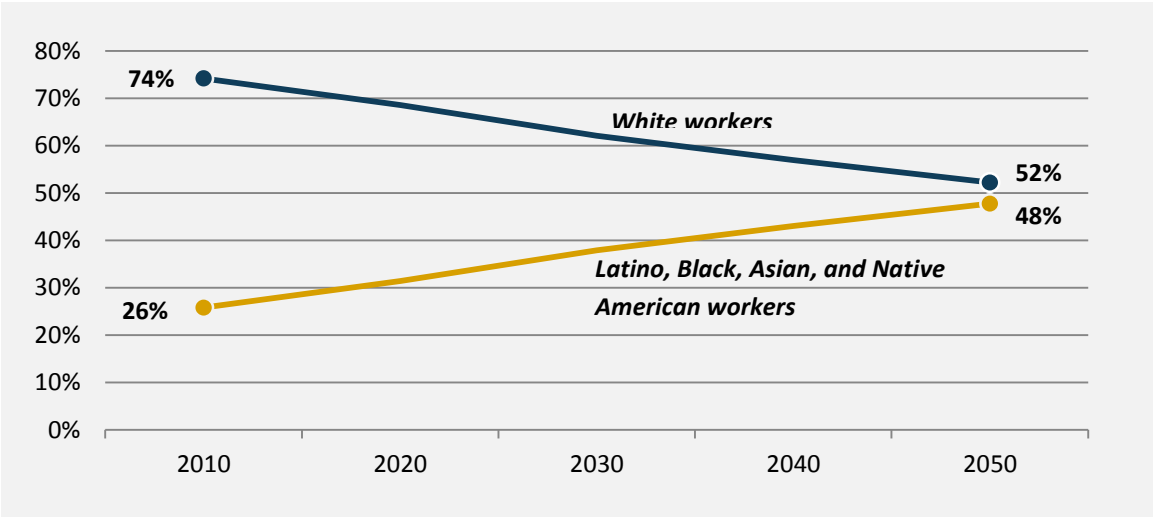
Colorado is becoming an increasingly multiracial state. Between 2000 and 2015, people of color increased from one-quarter of the state's population to nearly one-third. By 2050, an estimated 48 percent of the state's labor force will be people of color.

Since 2000, people of color represent over half of Colorado's population growth, driven primarily by growth in the Latino population. These population shifts are happening across the state—in many urban, suburban and rural areas, people of color are becoming a larger share of the overall population.

As people of color comprise a larger share of the labor force, their social and economic progress will determine the success and growth of the state's economy. The persistent disparities in income, employment and poverty by race and ethnicity in Colorado ultimately threaten the prosperity of these individuals, their families, and the state as a whole. Growing diversity of our labor force can be an asset provided all Coloradans have access to the resources and opportunities they need to thrive.

***Figure 1.3**: Labor force is becoming increasingly diverse*

RACE AND ETHNICITY OF PRIME AGE WORKERS (AGES 25 TO 64) IN COLORADO, 2010-2050



Colorado State Demographer's Office

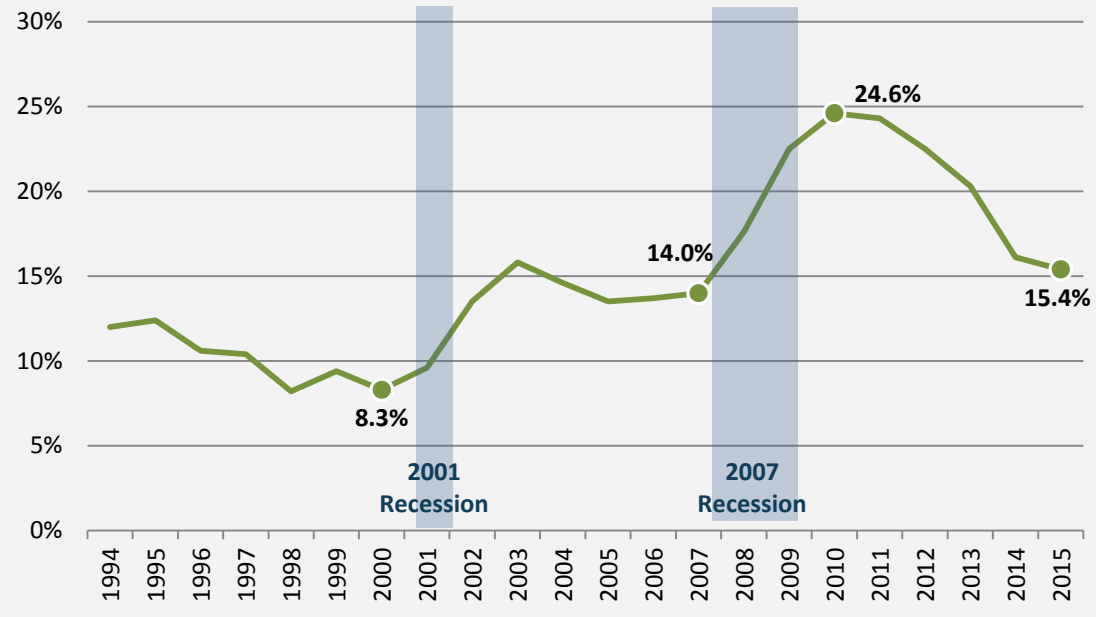
Involuntary part-time workers still above historic levels

Involuntary part-time work surged during the recession peaking at nearly 25 percent in 2010. The share of people working part-time because they can only get part-time hours has dropped steadily since 2010. In 2015, 15.4 percent of part-time workers said they wanted more work. This is still slightly above the pre-recession level and higher than historical levels. Through the late 1990s, less than 10 percent of part-time workers wanted to work full-time. In fact, the share of involuntary part-time workers never returned to pre-recession levels after the 2001 recession but remained elevated moving into the 2007 recession.

This elevated rate of involuntary part-time employment is likely due to an ongoing structural shift in the economy where employers are relying more on part-time workers so they have more flexibility to control labor costs.[4] This shift comes at a cost for workers who want to be working full-time. Involuntary part-time workers earn less income than they need because they can't get full-time hours and part-time jobs tend to pay lower wages and offer few, if any, benefits like health care coverage, retirement savings and don't qualify for unemployment benefits. These jobs can also create hardship for families with variable and unpredictable schedules.

***Figure 1.4**: Share of Coloradans working part-time involuntarily still high*

SHARE OF PART-TIME WORKERS WHO ARE EMPLOYED PART-TIME INVOLUNTARILY, 1994-2015



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

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

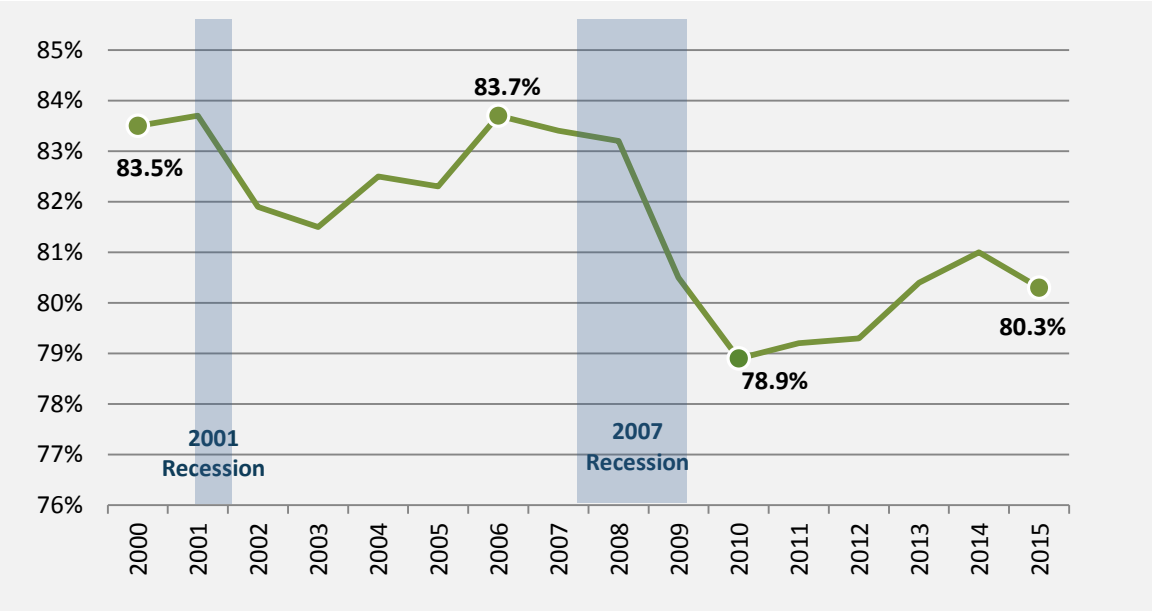
While the jobs have returned to pre-recession levels, not all workers have returned to work. Another helpful measure in assessing the health of the job market is the employment-to-population ratio—that is, the proportion of the working age population that is employed. It is a measure of the ability of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

Here, we examine the share of 25- to 54-year olds—prime-age workers—with a job. In 2015, 80.3 percent of the prime working age population were employed, which is still more than 3 percentage points lower than the pre-recession high. An underutilized workforce hampers productivity and prevents the economy from realizing the potential benefits of full-employment.

The employment-to-population ratio took a nose dive during the 2007 recession and has been slow to recover. At the same time, the state unemployment rate has been dropping steadily—falling every year since 2010 to 3.9 percent in 2015. This likely means that some part of the decline in unemployment is due to people dropping out of the labor market rather than the result of more people finding jobs.

***Figure 1.5**: Nearly 20 percent of prime working-age Coloradans are not working*

EMPLOYMENT-TO-POPULATION RATIO, 25 TO 54 YEAR OLDS, 2000-2015



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

Decline of work among men

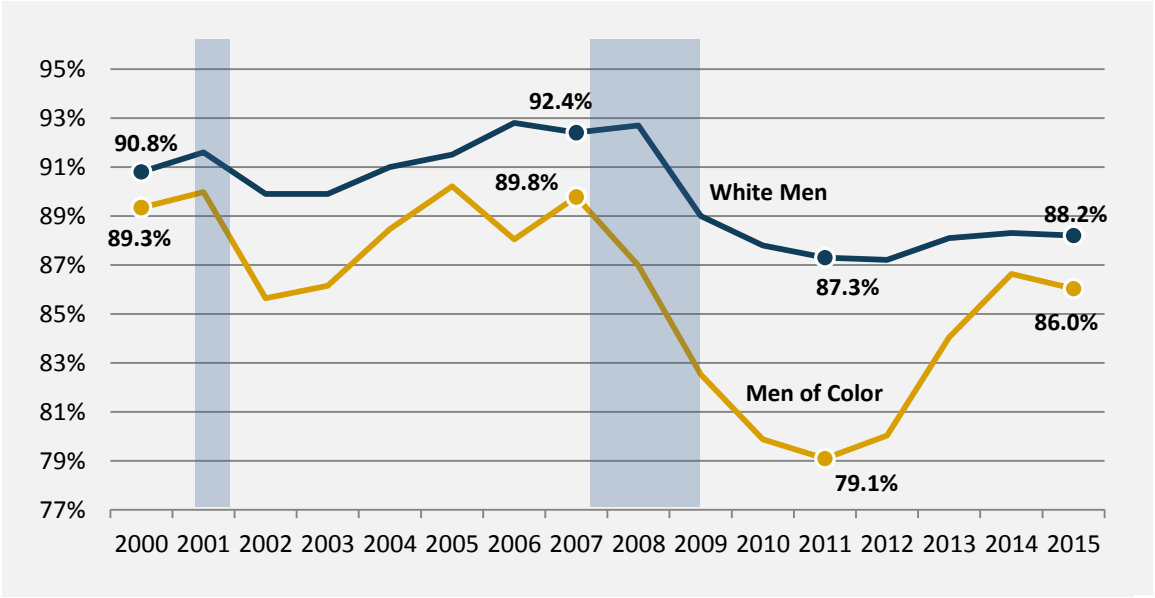
The people most prominently missing from the labor force are men. Nationally, the share of prime age men in the labor force has been falling for decades.[5] Labor force participation of men peaked in 1954 at 98 percent dropping to 88 percent today. In Colorado, the share of all prime age men who are working plummeted from 91.7 percent in 2007 to 85.2 percent in 2011. In 2015, the labor force participation rate for men was 87.6 percent, similar to the national rate.

Lower labor force participation rates have affected men of all races and ethnicities across the country, although participation is lower for men of color. Figure 1.6 shows that this trend is true in Colorado, where labor force participation for White men and men of color is down for both groups with men of color experiencing a dramatically larger drop in participation during the recession. Labor force participation among men of color, however, has risen more quickly than White men during the recovery period.

Nationally, falling labor force participation is concentrated among less educated men—those with a high school degree or less. The Council of Economic Advisors points to the reduction in demand for lower skilled labor and the associated low earnings of less-educated men to explain much of the decline.[6] The rapid rise in incarceration in the U.S. particularly of low-skilled men has also contributed to declining labor force participation. The absence of so many men from the labor force has enormous negative health and social consequences for these jobless men and their families. A smaller workforce also results in an economy that grows more slowly.[7]

***Figure 1.6**: Fewer men are working*

EMPLOYMENT-TO-POPULATION RATIO, COLORADO MEN 25 TO 54 YEARS OLD, 2000-2015



Economic Policy Institute Analysis of Current Population Survey

Notes

[1] Diana Pearce. (2015). *The Self-Sufficiency Standard for Colorado 2015*. Colorado Center on Law & Policy. Available at http://cclponline.org/our-issues/economic-self-sufficiency/colorado-self-sufficiency-standard/.

[2] Thresholds for this analysis were defined using data from the Self-Sufficiency Standard for Colorado. The self-sufficiency thresholds for Figure 1.2 were determined by calculating the median self-sufficiency salary for a single adult across Colorado's 17 metro counties for 2000 ($16,200), 2007 ($20,300) and 2015 ($26,300). The self-sufficiency salaries are based on the local cost of living and defined as an income sufficient to meet basic needs without public or private support. Those 17 counties account for well over 80 percent of the jobs in the state in 2015. We excluded mountain resort communities from our computation of the median self-sufficiency salary because they are some of the highest cost communities in the state and would have driven up the thresholds substantially, potentially overestimating the cost of living.

The self-sufficiency thresholds for 2000, 2007 and 2015 were then compared to annual wages at the 10th, 25th, 50th, 75th and 90th percentiles for the most detailed occupations (as defined under the Standard Occupation Classification System) made available through the Occupational Employment Statistics Program (OES). A count of jobs in each occupation category paying less than the sufficiency thresholds was estimated by multiplying the appropriate wage percentile by the number of jobs in that category. For example, wages at the 90th percentile for fast food cooks in 2015 was $25,360—less than the 2015 self-sufficiency threshold. So we took 90 percent of those 6,620 jobs to get 5,958 jobs paying less than self-sufficiency wages. We did this for each occupation to estimate a total number of jobs paying less than self-sufficiency wages and compared that to the overall total jobs.

[3] Local Area Unemployment Statistics, U.S. Bureau of Labor Statistics.

[4] Lonnie Golden. (2016). *Still falling short on hours and pay: Part-time work becoming new normal*. Washington, DC: Economic Policy Institute. Available at http://www.epi.org/publication/still-falling-short-on-hours-and-pay-part-time-work-becoming-new-normal/

[5] Council of Economic Advisors. (2016). The Long-Term Decline in Prime-Age Male Labor Force Participation. Available at https://www.whitehouse.gov/sites/default/files/page/files/20160620_cea_primeage_male_lfp.pdf.

[6] *Ibid*.

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

CHAPTER 2: Unemployment

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

The unemployment rate in Colorado is impressively low. Yet, focusing on this single measure fails to tell the full story about how the Colorado labor market is faring. Underemployment remains high overall—particularly for Black, Latino and young Coloradans who are still trying to get a foothold in the recovering economy. The long-term unemployment rate has dropped substantially but still remains higher than the pre-recession rate.

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

Fast Facts

The unemployment rate in 2015 was 3.9 percent. The underemployment rate was 7.9 percent.

Unemployment rates by county range from a low of 2.1 percent to a high of 7.7 percent.

About 17 percent of Black Coloradans looking for work are either underemployed or unemployed—a rate nearly twice that of White Coloradans. Nearly 13 percent of Latinos are underemployed.

Young workers—ages 16 to 24—faced the highest rates of unemployment (8.3 percent) and underemployment (14.4 percent) in 2015.

In 2015, 17.9 percent of all jobless workers were facing long-term unemployment—still nearly 5 percentage points above the 2007 rate.

Defining Unemployment

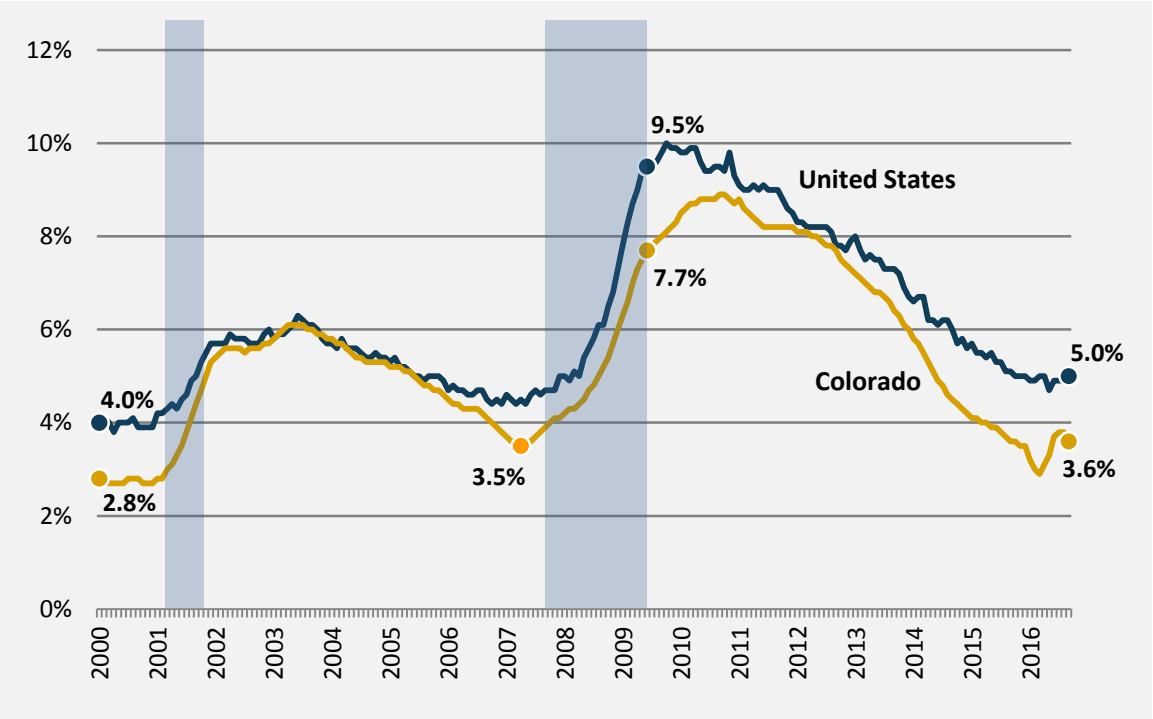
An unemployed person is someone without a job but available to work and actively seeking work by having looked for a job in the last four weeks. The *unemployment rate* is the share of workers (employed and unemployed people) who are unemployed. One critique of the unemployment rate as a measure of joblessness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

Colorado unemployment rate remains below the national rate

The Colorado unemployment rate of 3.9 percent for 2015 was below the national rate of 5.3 percent and the 10th lowest rate in the country. Unemployment in Colorado has remained slightly lower than the national rate over the course of the 2007 recession. While Colorado unemployment closely tracked the national rate during the recovery period, more recently statewide unemployment has fallen more quickly compared to the national trend.

Figure 2.1: *Colorado unemployment rate has fallen more quickly than the U.S. rate*

MONTHLY UNEMPLOYMENT RATE, COLORADO AND U.S., 2007 – SEPTEMBER 2016



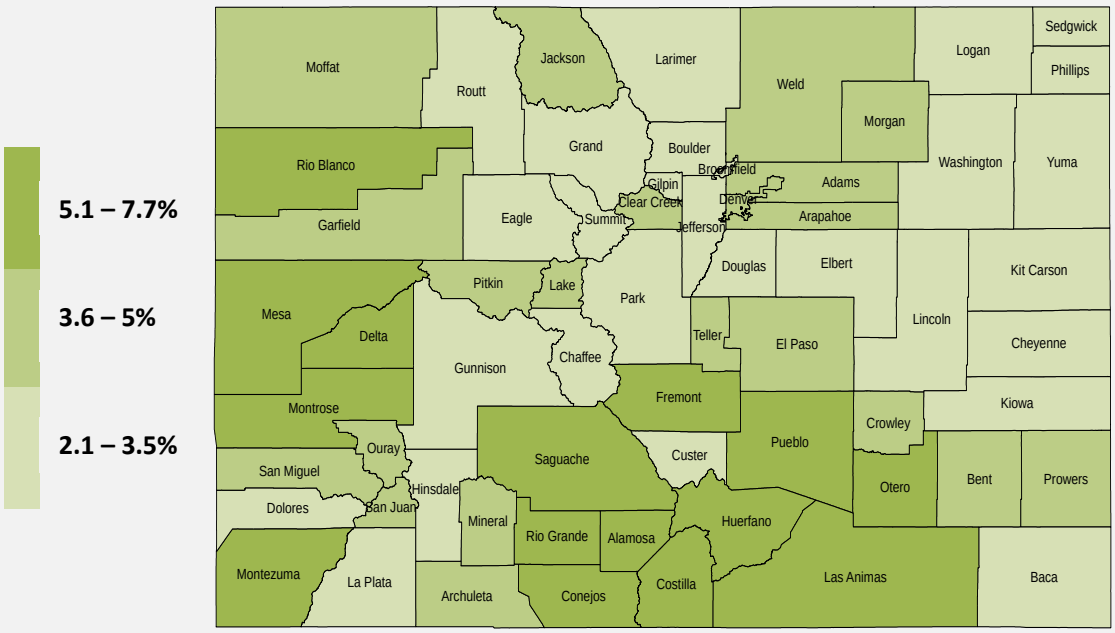
U.S. Bureau of Labor Statistics Local Area Unemployment Statistics

Wide variation in unemployment rates across the state

In 2015, unemployment rates across the state ranged from a low of 2.1 percent in Baca County to a high of 7.7 percent in Huerfano County. The counties with the highest rates of unemployment are clustered mostly in the south central part of the state. The unemployment rate, however, is only one economic indicator and does not tell the entire story. For example, while Baca, Phillips and Kit Carson Counties had the lowest unemployment rates in the state of just over 2 percent, all three counties had child poverty rates of over 20 percent in 2015.

***Map 2.1**: Variation in unemployment rates across Colorado counties*

Unemployment Rates, by County, 2015



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

Putting People Back to Work and Growing Colorado's Economy

Middle-skill jobs—those requiring training beyond high school—are an essential to the Colorado economy.[3] Examples of middle-skill jobs include licensed practical nurses, carpenters, and biomedical equipment technicians. Middle-skill jobs account for nearly half of all jobs in Colorado.[4] About 13 percent of the labor force in the state has a high school diploma only and another 7.2 percent (about 175k workers) have less than a high school education.[5] For many of these workers, postsecondary skills training is a cost-effective investment leading to an in-demand job that can offer wages sufficient to meet basic needs. At the same time, career pathways to these middle-skills jobs must include outreach to those who first need to master basic literacy and numeracy in addition to job specific training.

Defining *Underemployment*

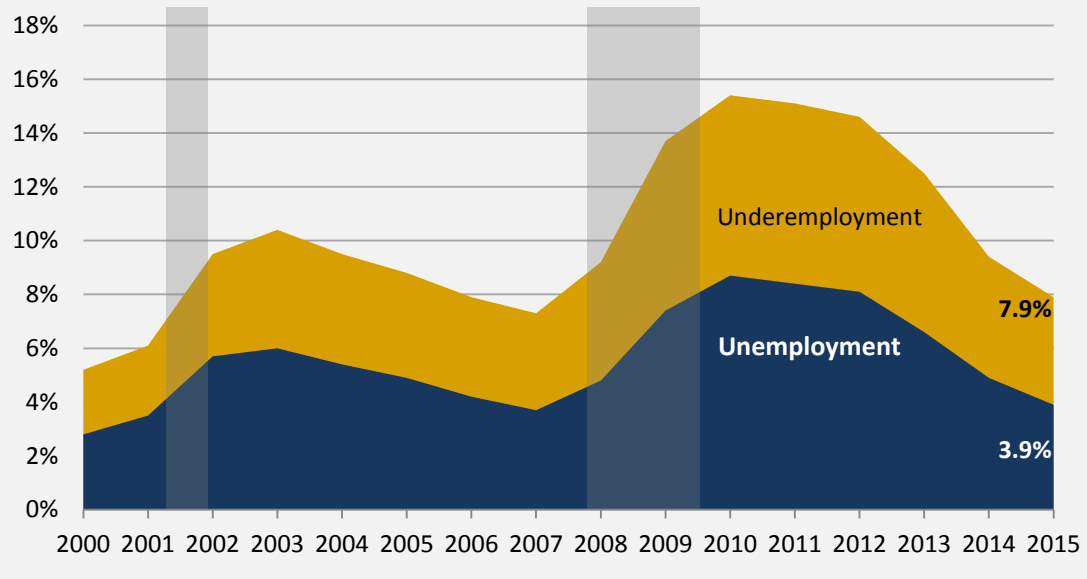
Underemployment is another measure of slack in the labor market. The unemployment rate only counts jobless workers actively looking for work. The *underemployment rate* counts two more groups of workers: (1) those who are working part-time but want full-time work (involuntary part-timers) and (2) those 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. It is a more complete account of the share of people who are not working at full capacity, but could be if jobs were available. The underemployment rate has been declining in recent years. This is good news, but at 7.9 percent for 2015, the current rate is still slightly above the 2007 level of 7.3 percent and well above the 2000 rate of 5.2 percent.

***Figure 2.2**: Underemployment remains high*

ANNUAL UNEMPLOYMENT AND UNDEREMPLOYMENT RATES, 2000-2015



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

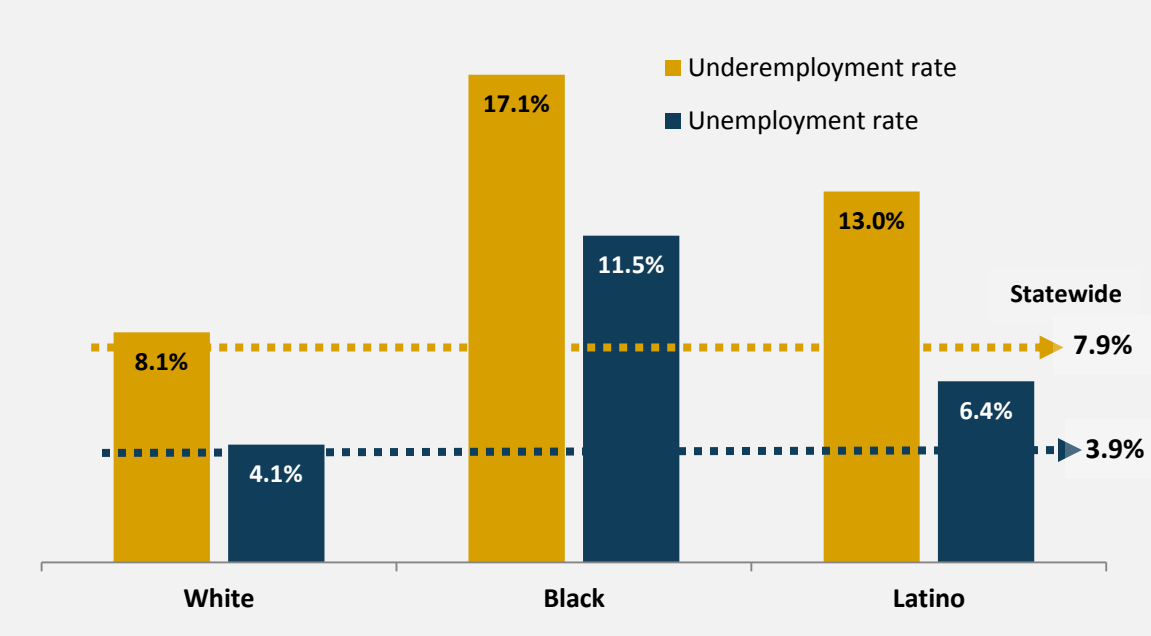
Higher joblessness and underemployment for Black and Latino Coloradans

Racial and ethnic minorities, young workers, and the less-educated experienced the highest rates of joblessness and underemployment in 2015. Figure 2.3 shows that unemployment and underemployment rates differ dramatically by race and ethnicity. Latino and Black Coloradans have substantially higher unemployment and underemployment rates compared to White workers. In 2015, the unemployment rate for Black Coloradans was 11.5 percent—more than twice the rate for White workers. The same is true for underemployment: Black Coloradans experienced underemployment (17.1 percent) at twice the rate of White Coloradans (8.1 percent). Likewise, Latinos experienced relatively high rates of unemployment (6.4 percent) and underemployment (13 percent).

Regardless of the economic climate, Blacks and Latinos tend to experience higher rates of unemployment relative to their White counterparts. One reason underemployment rates remain high, in particular, is because it is very difficult to return to the workforce after being out of work for an extended period of time. Employers tend to see long periods of unemployment as a red flag. One study found that as the period of unemployment lengthens, the likelihood of getting called for an interview declines substantially—with the majority of the decline occurring in the first eight months of the period of unemployment.[6]

***Figure 2.3**: Work is more difficult to find for Latino and Black Coloradans*

UNEMPLOYMENT AND UNDEREMPLOYMENT RATES, BY RACE AND ETHNICITY, 2015



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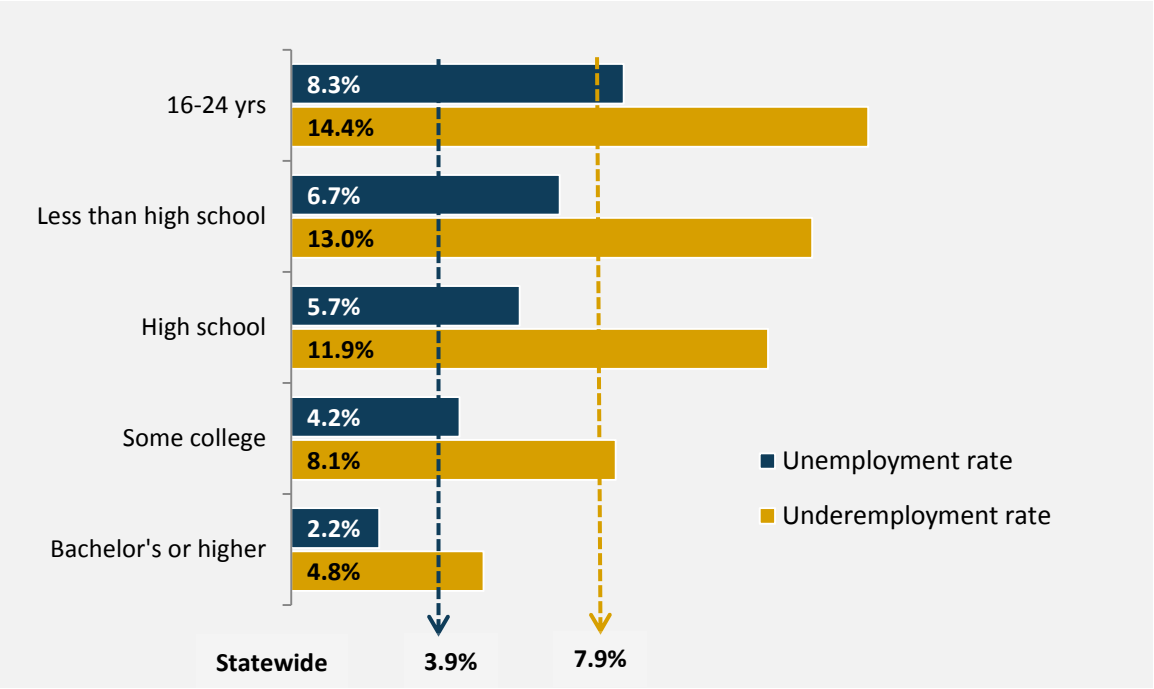
Young workers experience the highest levels of unemployment

Young workers—ages 16 to 24—faced the highest rates of unemployment (8.3 percent) and underemployment (14.4 percent) in 2015. The unemployment rate for this age group averaged about 11.7 percent over the last three decades, hitting its lowest level of 7.2 percent during the tight labor markets of the late 1990s. In comparison, average annual unemployment for all workers in 2015 was 3.9 percent and underemployment averaged 7.9 percent. Higher joblessness among young workers is typical for any given year; unemployment rates tend to drop significantly with age.

Education is an important predictor of employment stability. High school graduates experience higher rates of unemployment and underemployment compared to college graduates. And yet even new college graduates are facing a tough job market. Rates of unemployment and underemployment among new college grads nationally is still slightly above pre-recession levels and a growing share of young college graduates are working jobs that don't require a degree.[7] A recent report from the Economic Policy Institute argues that these young educated workers are primed to enter the labor force but employers have not significantly ramped up hiring due to weak demand for goods and services.

***Figure 2.4**: Young and less educated workers experience higher joblessness rates*

UNEMPLOYMENT AND UNDEREMPLOYMENT RATES, BY AGE AND EDUCATION, 2015



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Long-term unemployment rate higher than pre-recession levels

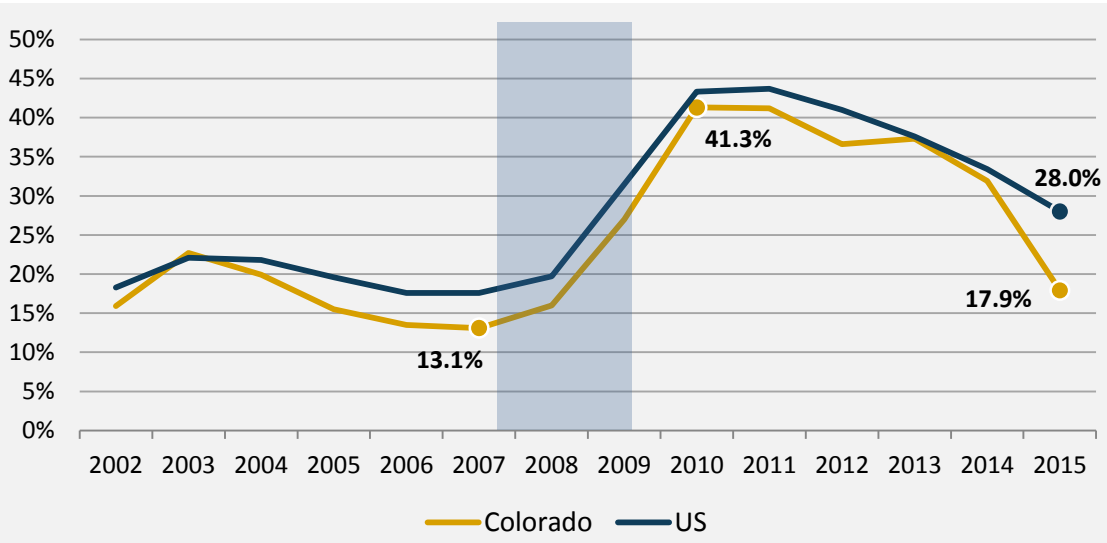
Another useful means of gauging the strength of the labor market is looking at the duration of unemployment. The long-term unemployment rate is a measure of the share of unemployed workers who have been jobless for more than 26 weeks. Previous recessions have caused small, brief spikes in the long-term unemployment rate. The 2007 recession caused a much larger and more prolonged increase in long-term unemployment peaking at 41 percent in 2010.

In 2015, the share of Coloradans who have been jobless for more than six months dropped sharply from nearly 32 percent in 2014 to 17.9 percent. While this is an encouraging development, long-term unemployment in Colorado in 2015 was still 5 percentage points above the 2007 rate.

Recent research highlights the plight of the long-term unemployed.[8] 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,[9] and among those who do eventually land jobs, only a small percentage remain stably employed.

***Figure 2.5**: Long-term jobless rate dropped significantly in 2015*

SHARE OF UNEMPLOYED WORKERS JOBLESS FOR > 26 WEEKS, COLORADO AND U.S., 2002-2015



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

Notes

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

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

[3] 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

[4] National Skills Coalition. Colorado's Forgotten Middle. Available at http://www.nationalskillscoalition.org/resources/publications/file/middle-skill-fact-sheets-2014/NSC-Colorado-MiddleSkillFS-2014.pdf

[5] CCLP analysis of American Community Survey 5-year estimates (2010-2014).

[6] 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.

[7] Teresa Kroeger, Tanyell Cooke and Elise Gould. (2016). The Class of 2016: The labor market is still far from ideal for young graduates. Washington, DC: Economic Policy Institute. Available at http://www.epi.org/publication/class-of-2016/#epi-toc-6

[8] 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*.

[9] 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

CHAPTER 3: Wages

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

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

The current wage trends are discouraging for the ability of middle- and low- wage workers to keep pace with rising household costs. The median wage has been flat since the end of the recession. And wages for half of Colorado workers are down 2 percent since 2000 despite 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.[2]

Fast Facts

In 2015, the median hourly wage in Colorado was $18.49 and has been falling or flat since 2009.

Wage growth since 2000 has been uneven: wages for workers in the 80th percentile have increased nearly 9 percent while wages in the 20th percentile are down nearly 2 percent.

Median wage for workers with a bachelor's degree or higher are essentially the same as 2000.

Worker productivity has increased nearly 30 percent between 2000-2013, while the median wage dropped by 2 percent over the same period.

Median wage has been falling or flat since 2009

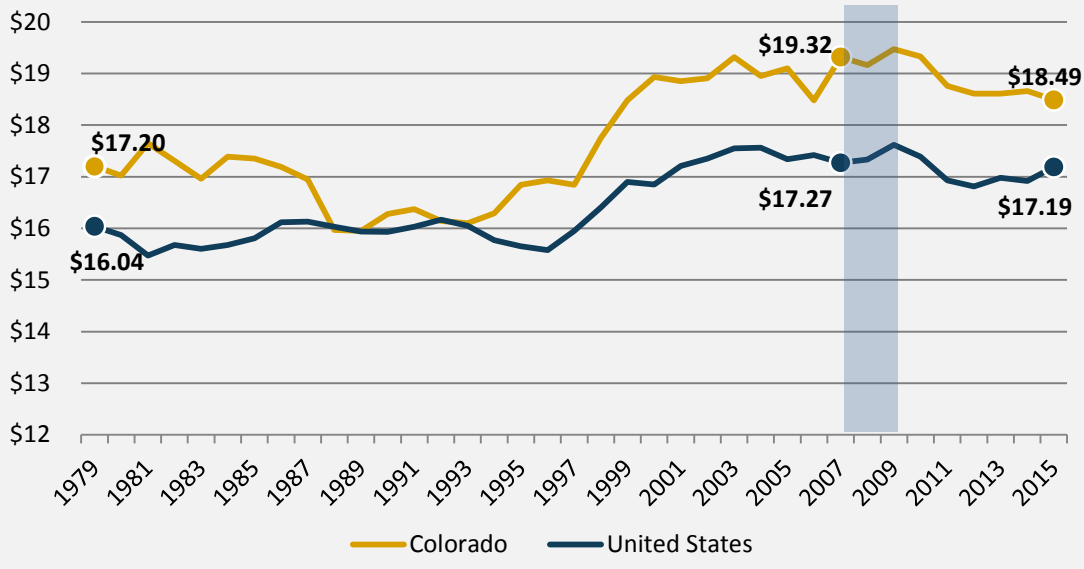
This chapter focuses primarily on inflation-adjusted median hourly wages of individual workers because trends in hourly wages drive annual earning trends. In 2015, the median hourly wage in Colorado was $18.49—equivalent to nearly $38,500 annually. That's still below the 2007 median wage of $19.32.

While the unemployment rate has dropped every year since 2010, the median wage has been mostly stagnant over that same period. Dropping unemployment has not resulted in much upward pressure on wages but simply translated into halting the decline of the median hourly wage. Expanding our timeframe, we can see that the majority of Coloradans have experienced minimal growth in wages since 1979—the current median wage is only $1.29 above the 1979 level when adjusted for inflation.

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

***Figure 3.1**: Economic recovery for wages only means median wage has stopped falling*

MEDIAN HOURLY WAGES, COLORADO AND U.S., 1979-2015 (2015 DOLLARS)



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Looking at Wages by Percentiles

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

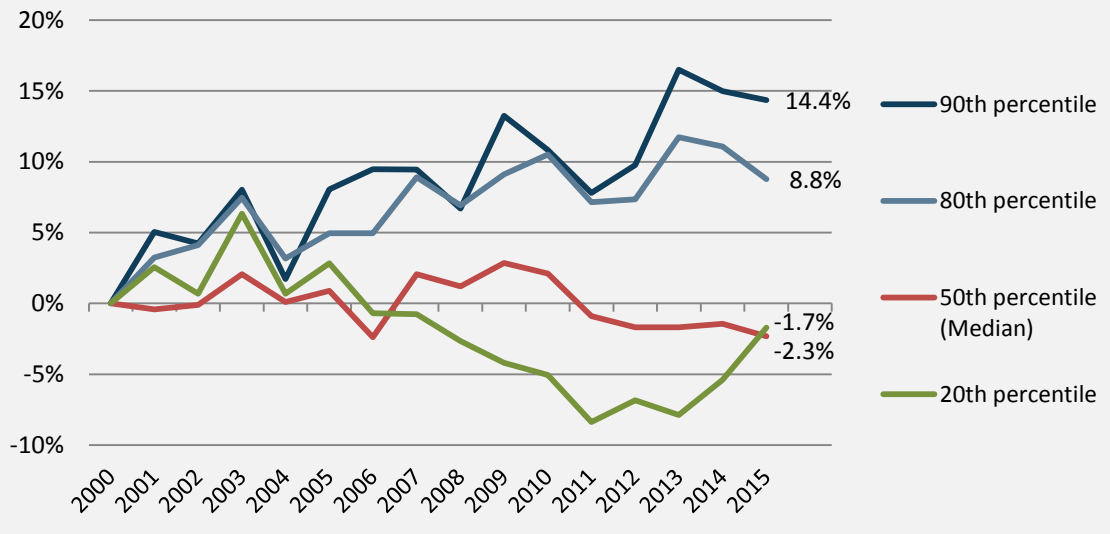
Most Coloradans have seen little sustained wage growth since 2000

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

Meanwhile, for low-wage earners, the past decade or so has truly been a lost decade. In 2015, those in the 20th percentile earned wages nearly 2 percent lower than they earned in 2000 in real dollars. Middle-wage earners are also down from 2000—earning 2.3 percent less than they did in 2000. Those at the top of the income spectrum (80th and 90th percentiles), however, have experienced more steady growth.

***Figure 3.2**: Wage growth is not evenly distributed across the income spectrum*

PERCENT CHANGE IN WAGES, BY INCOME GROUP, 2000-2015 (2015 DOLLARS)



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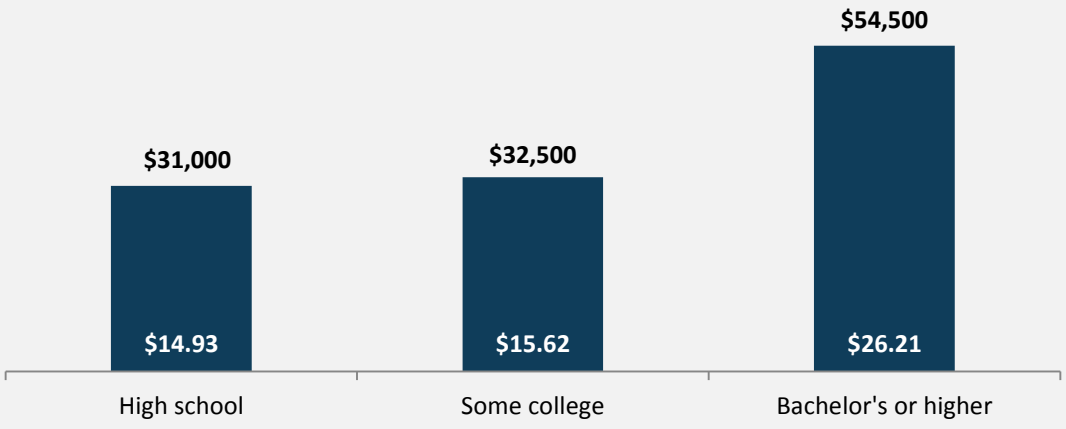
While wages have been mostly stagnant for the middle-class, costs have continued to rise creating a middle-class squeeze that strains families and ultimately hinders economic growth. Since 2000, the cost of living in Colorado to meet basic needs like health care, child care and housing increased three times faster than wages.[4] Not only is this harmful for individual families but it also has serious implications for the overall economy. Middle-class households are important drivers of aggregate demand. A dollar of income for low- or middle- income households produces three times more consumption than a dollar to a high income household.[5]

Education results in higher wages but not wage growth over time

Not surprisingly, workers with higher levels of education command higher wages. The highest median wages are seen among those who complete college. In 2015, the median hourly wage of a worker with a bachelor's degree or higher ($26.21) was substantially higher than the median wage of Coloradans who only completed high school ($14.93).

Figure 3.3: *Higher levels of education result in a higher median wage*

MEDIAN HOURLY WAGES AND ANNUAL SALARY EQUIVALENT, BY EDUCATIONAL ATTAINMENT, 2015



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

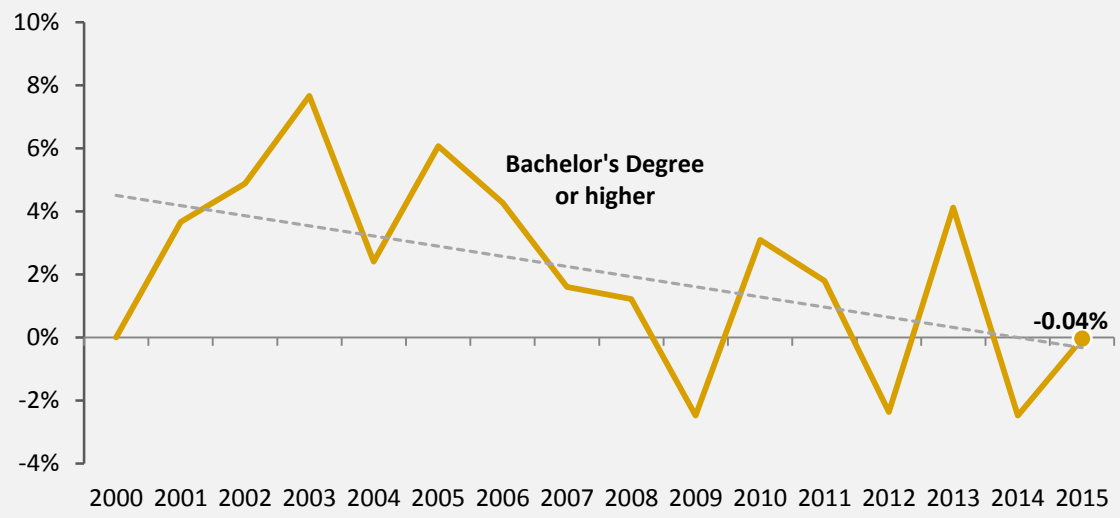
Although Figure 3.3 clearly illustrates the importance of education for higher earnings, the wages of college educated workers in Colorado are performing poorly over time—experiencing virtually no overall growth since 2000. The 2015 real median wage for workers with a college degree in Colorado is essentially the same as it was 2000 while the cost of college tuition and basic costs of living have continued to rise. This trend is apparent nationally as well: Young college graduates in 2016 earn average wages only 0.7 percent higher than graduates in 2000.[6]

The situation for young female graduates is even worse. The gender pay gap among recent college graduates has widened since 2000.[7] Nationally, young men graduating from college in 2016 earned 8.1 percent more than in 2000 while women graduating in 2016 earned 6.8 percent less than they did in 2000. Today, young women in the class of 2016 earned just 79 cents on the dollar compared to men, down from 92 cents in 2000. This growing gap is all the more concerning given that these young men and women are very similarly situated in terms of work experience given they are both just starting out.

Finally, there is evidence that college graduates are settling for lower level jobs and jobs that provide fewer benefits. During the Great Recession, the share of young graduates working in jobs that do not require a college degree increased and has not yet begin to show meaningful improvement.[8] Fewer young graduates now have jobs that offer pension coverage which fell from 41.5 percent in 2001 to only 29.4 percent in 2015.

Figure 3.4: *Colorado college graduates making the same as they were in 2000*

CUMULATIVE PERCENT CHANGE IN WAGES FOR COLLEGE GRADUATES, 2000-2015 (2015 DOLLARS)



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

Productivity gains no longer lead to wage increases

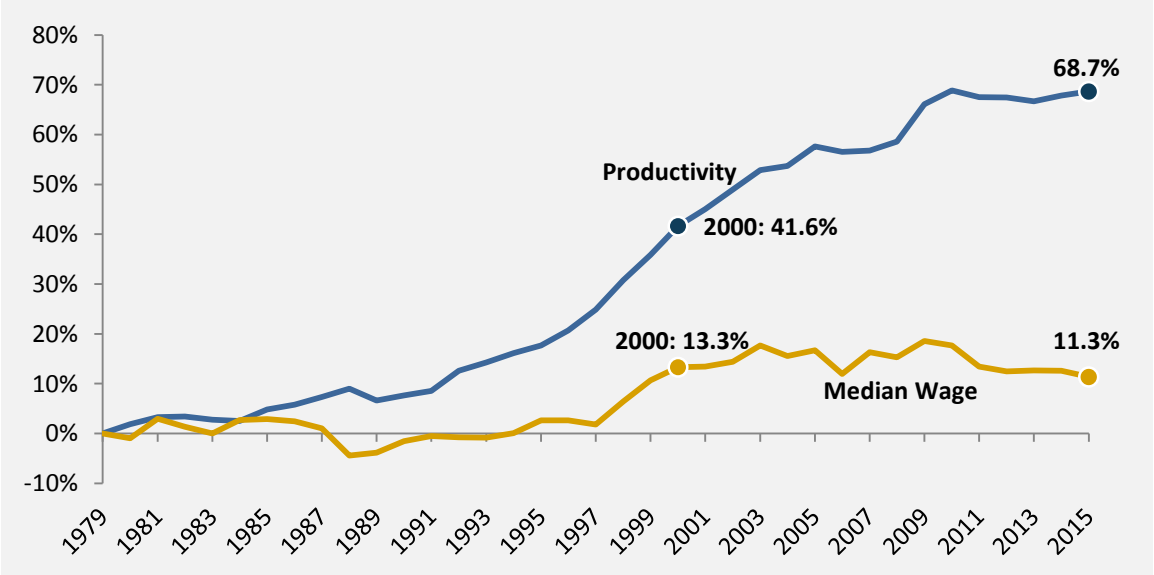
Productivity, put simply, is economic output per worker. It is calculated using the Gross Domestic Product (in this case for Colorado), and dividing it by the total number of people in the labor force. Increased productivity has historically resulted in rising wages and better living standards. In recent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

This trend first started to take hold nationally in the early 1970s. In the period between 1948 and 1973, nationally productivity increased nearly 97 percent. Those gains were shared with workers as hourly compensation rose by 91.3 percent.[9] Starting in the early 1970s, we see a very different trend. Nationally, productivity grew 75 percent between 1979 and 2015—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 12 percent and most of that growth occurred during the strong labor markets of late 1990s—growth that has been all but erased for most workers in the past decade or so.[10]

In Colorado the story has been similar. Gross state product per worker grew 68.7 percent between 1979 and 2015. Meanwhile, the median wage grew only 11.3 percent. The split between gains in productivity and wages that occurred in the mid-1980s really expanded starting in 2000. Between 2000 and 2015, productivity increased by nearly 30 percent while median wages have declined by 2 percent over the same period.

***Figure 3.5**: Productivity increases in Colorado but wages fail to follow*

CUMULATIVE PERCENT CHANGE IN PRODUCTIVITY AND MEDIAN WAGE, 1979-2015



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

Notes

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

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

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

[4] Diana Pearce. (2015). *The Self-Sufficiency Standard for Colorado 2015*. Colorado Center on Law & Policy. Available at http://cclponline.org/our-issues/economic-self-sufficiency/colorado-self-sufficiency-standard/.

[5] *Ibid.*

[6] Teresa Kroeger, Tanyell Cooke and Elise Gould. (2016). The Class of 2016: The labor market is still far from ideal for young graduates. Washington, DC: Economic Policy Institute. Available at http://www.epi.org/publication/class-of-2016/#epi-toc-6

[7] *Ibid.*

[8] Federal Reserve Bank of New York. (2016). The Labor Market for Recent College Graduates. Available at https://www.newyorkfed.org/research/college-labor-market/index.html.

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

[10] *Ibid*.

CHAPTER 4: Income

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

Median income finally surpassed the pre-recession level in 2015. (This is in sharp contrast to the median hourly wage, which has been flat since 2010.)

Despite the recovery in median income, persistent and substantial racial, ethnic and gender income gaps remain. Black and Latino workers experienced larger declines in income during the recession and have been slow to recover those losses and still only earn 65 percent of White median income. Women at all levels of education also still earn less than men.

Also, income gains have disproportionately accrued to families at the top of the income distribution, especially during this recovery. Low- and middle- income families are not sharing in the growth and prosperity of the broader economy.

Fast Facts

Real median income in Colorado increased to $63,900 in 2015 and is finally surpassing the 2007 level.

Black household income is 65 percent of White household income and still down 3.6 percent since 2007. Latino household income is up 9 percent compared to 2007 but still only 65 percent of median income among White households.

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

Half of all income earned in Colorado in 2015 went to the top 20 percent of households.

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

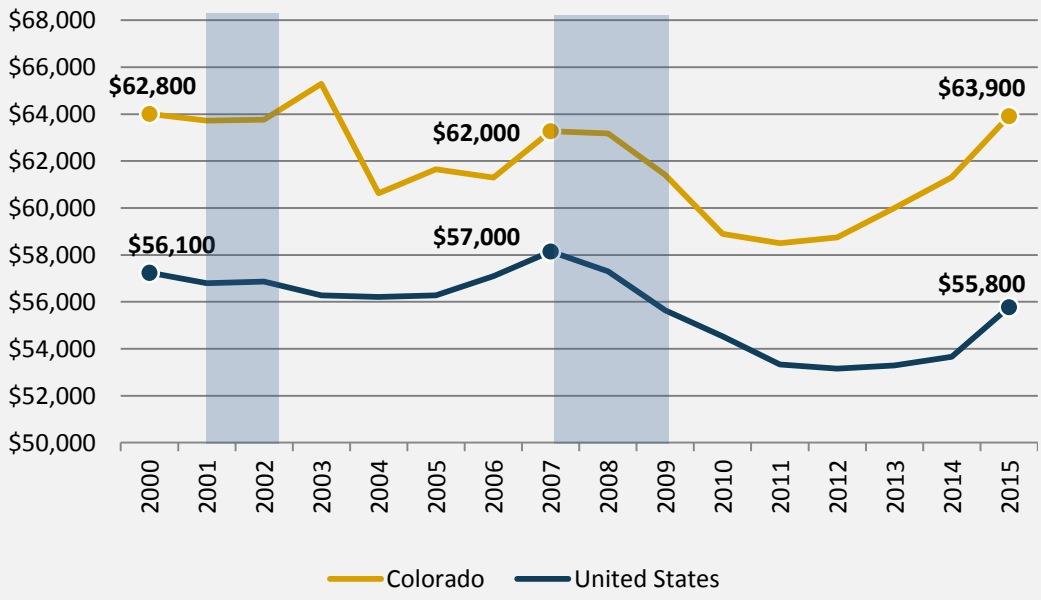
Median household income finally returns to pre-recession levels

Eight years after the start of the Great Recession, real median household income in Colorado has returned to pre-recession levels. In 2015, median household income increased to $63,900. While it is clear that the Great Recession had a significant effect on income, the preceding business cycle was also tough for many workers. With the exception of a spike in 2003, real median income in Colorado never regained its 2000 peak before the Great Recession took hold in 2007.

Median household income in Colorado has been, on average, about $6,000 higher than the national median since 2000. Nationwide median income dropped more precipitously—by nearly 9 percent between 2007 and 2012—and has been slow to return to pre-recession levels. Some forecasters predict that given the relationship between lackluster income growth and a long period of high unemployment, we may be facing a long recovery period to regain lost ground on income.[1] Case in point: although the unemployment rate has been dropping since 2010 in Colorado, the median wage has been flat over the same period.

***Figure 4.1**: Real median household returns to pre-recession levels in 2015*

MEDIAN HOUSEHOLD INCOME, COLORADO AND U.S., 2000-2015 (2015 DOLLARS)



U.S. Census Bureau American Community Survey

What is counted as income? [2]

Three basic categories of income are presented in this chapter:

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

Median household income varies significantly by county

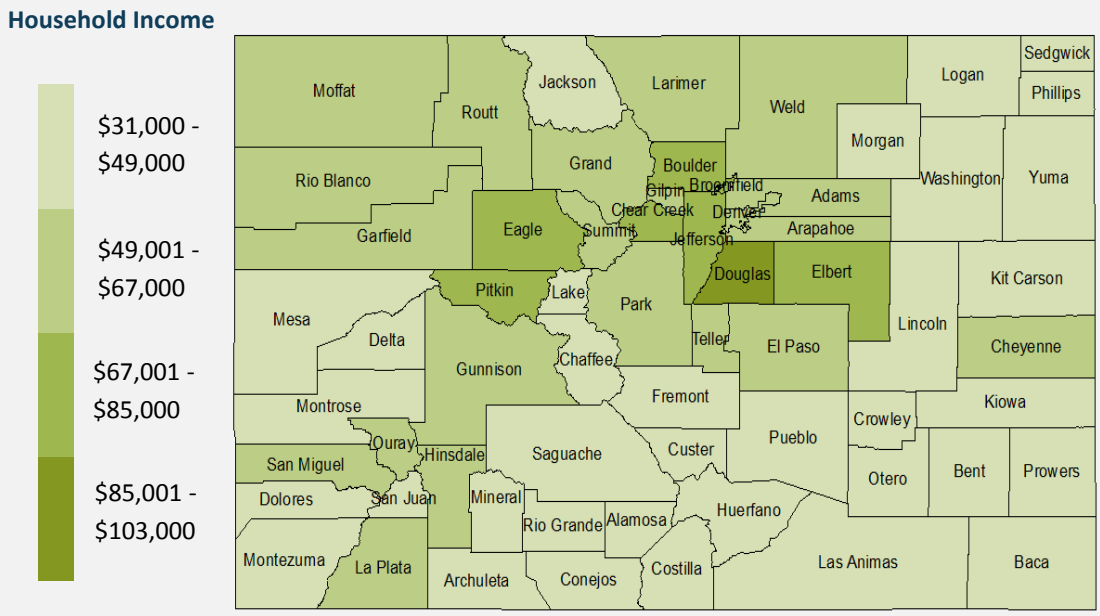
Colorado is a diverse state with a combination of rural, urban and tourist communities neighboring one another. Median household income across the state ranges from a low of $31,000 in Alamosa County to a high of $103,000 in Douglas County. Again, this is median income—the income earned by households in the middle of the income distribution. So half of all households in Alamosa County actually earned less than $31,000.

Income is a primary driver of health outcomes.[4] 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 Alamosa County.[5] In fact, recent research has found that geography matters most for the life expectancy of lower income people in America.[6] This is true in Colorado as well: life expectancy for low-income men in the state differs by as much as 8 years depending on where they reside and differs by 6 years for low-income women.

The counties with the lowest median household income are clustered in the San Luis Valley and south eastern parts of the state. Counties with the highest median household incomes are clustered along the Front Range and stretch to the mountain resort communities. About three-quarters of Colorado's 64 counties had a median income below the statewide median income.

Map 4.1: *Median household income varies substantially across the state*

MEDIAN HOUSEHOLD INCOME, BY COUNTY, ESTIMATES FOR 2010-2014 (2014 DOLLARS)



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

Race-based income gaps are significant and persistent

Median income varies substantially by race and ethnicity, even after controlling for education.[7] These are deeply rooted patterns that have persisted for many decades across the nation and in Colorado. Research suggests that the Great Recession and uneven recovery that followed has only widened the racial and ethnic income gaps.

While 2015 saw income gains across the board, Latinos and Asians in Colorado saw the largest increases. Median Black household income is still down from 2007. Median household income for Latino and Black households remains substantially and persistently lower than White households.

- Median income for Latino households increased in 2015 and is up 9 percent compared to 2007. Despite this positive trend, Latino household income still lags significantly behind White households. In 2015, Latino median income was $46,000 or 65 percent of White median income.

- Black household median income is still down 3.6 percent from 2007. In 2015, median income for Black households was $45,800 or 65 percent of White median household income.
- Asian households are the outlier to this general pattern. Real median income for Asian households is up 10 percent from 2007 and was essentially equal to White median household income at $70,500.

By 2040, an estimated 45 percent of the Colorado's population will be people of color. As people of color comprise a larger share of the labor force, their social and economic progress will determine the success and growth of the state's economy. Persistent racial gaps in income, employment and opportunity threaten the prosperity of these families and the state as a whole.

***Figure 4.2**: Median income substantially less for Black and Latino households*

MEDIAN HOUSEHOLD INCOME, BY RACE AND ETHNICITY, 2015

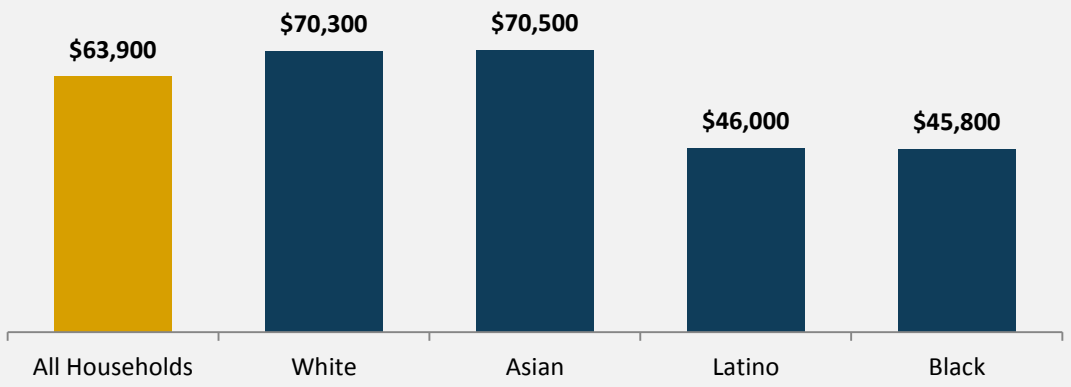
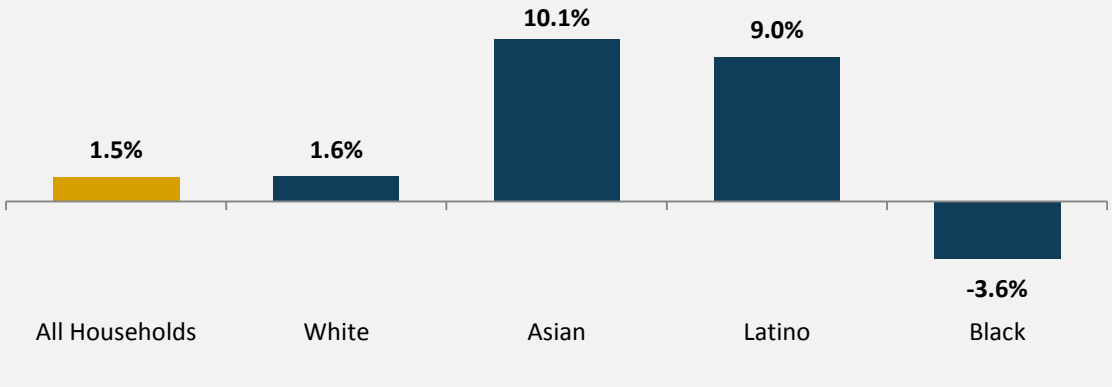


***Figure 4.3**: Median income for Black households still has not recovered*

PERCENT CHANGE IN MEDIAN HOUSEHOLD INCOME, BY RACE AND ETHNICITY, 2007-2015 (2015$)



U.S. Census Bureau American Community Survey

Substantial gender wage gap for women of color

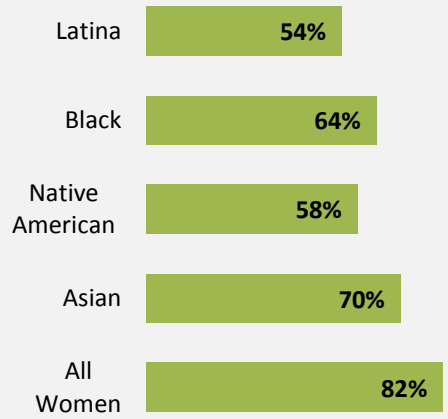
Colorado women working full-time earn only 82 percent of what men earn. Women earn less than men at every educational level.[8] The gap grows substantially at the upper rungs of the education ladder, with the largest gender income gaps existing at the highest levels of education. And the wage gap affects women as soon as they enter the labor force growing larger as they progress through their careers.[9] Straight out of college, young women earn $4 per hour less than their male classmates despite having essentially the same level of experience.[10]

Women of color in Colorado earn even less compared to non-Hispanic White men. Latina workers earn just 54 percent of White men followed closely by Native American women earning 58 percent and Black women earning 64 percent of White men.

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.[11] 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 influence 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 4.4**: Substantial gender wage gap for women of color*

GENDER WAGE GAP, BY RACE AND ETHNICITY, 2014



	Women	White Men	Lifetime Lost Earnings
Latina	$31,200	***$57,800***	$1,061,800
Black	$36,700		$841,600
Native American	$33,700		$961,700
Asian	$40,600		$688,500
		All Men	
All Women	$41,700	***$50,900***	$368,300

National Women's Law Center analysis of U.S. Census Bureau American Community Survey

Median wages have been essentially stagnant for men since 2000 in Colorado and up less than 5 percent for women over the same time period. This trend of stagnant earnings for men but slowly growing earnings for women still has not done much to close the gender pay gap. Assuming progress continues along the current trajectory, the disparity in earnings between men and women in Colorado will not close until 2057.[12]

Looking at Income by Fifths

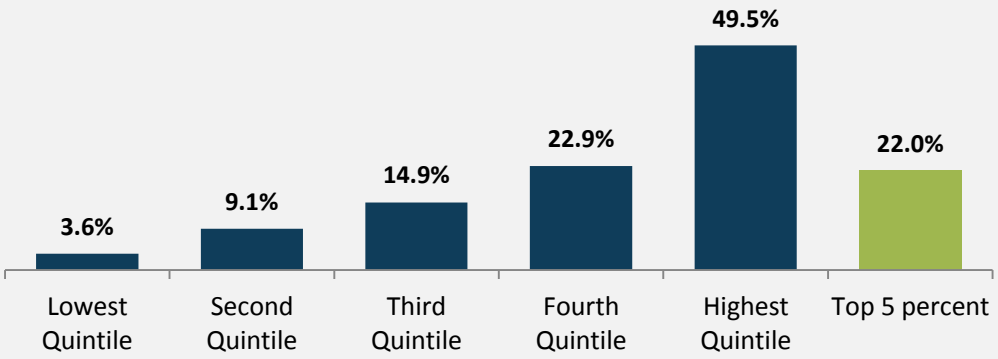
Median income is only one point in the income distribution. Breaking income down into fifths—or quintiles—is another way to examine how income is distributed across a population. Quintiles are calculated by ranking reported incomes from the lowest to the highest and then dividing them into fifths. Incomes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

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

Rising income inequality in America is by now a familiar story. Colorado is no exception to that narrative. A growing share of the state's income is concentrated among a shrinking share of households at the very top of the income distribution. In 2015, half of the state's total personal income was earned by the richest 20 percent of Colorado households. This means that one of every two dollars earned in the state went to 20 percent of households and the other dollar was split—unevenly—among the remaining 80 percent of households.

Figure 4.5: *Top 20 percent of households earned half of all income in the state*

SHARE OF TOTAL STATE INCOME, BY INCOME GROUP, 2015



U.S. Census Bureau American Community Survey

Growing income inequality

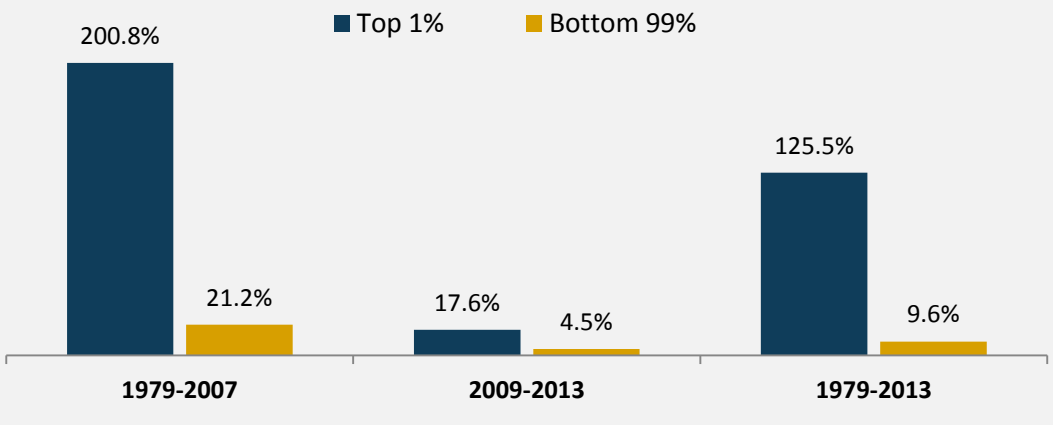
Income inequality remains one of the most compelling and concerning aspects of the current American economy—a structural problem equally characteristic of Colorado's economy. While economic growth has been more or less consistent over time, the benefits of that growth have mostly accrued to the very top of the income spectrum since the late 1970s. We have growth without broadly shared prosperity. The graphs below reveal the extent of the problem in Colorado.

Lopsided income growth is a long-term trend in Colorado that has continued into the post Great Recession recovery period:

- Between 1979 and 2007, the top 1 percent of earners took home nearly half of all income in Colorado. Average income for those at the top grew by over 200 percent. Over the same period, average income for the bottom 99 percent of Coloradans grew by 21.2 percent.
- While Coloradans at all income levels experienced declines from the Great Recession, income growth since the Recession has been uneven. Between 2009 and 2013, the top 1 percent of earners captured 41 percent of total income growth in the state. During this period, average income of the bottom 99 percent of Colorado families grew by 4.5 percent compared to 17.6 percent of families at the top of the income spectrum.
- These trends have resulted in substantially lopsided income growth spanning a three-decade period. Between 1979 and 2013, average income for the bottom 99 percent grew by less than 10 percent compared to 125.5 percent for those at the top.

Figure 4.6: *Lopsided income growth in Colorado*

AVERAGE REAL INCOME GROWTH, TOP 1% AND BOTTOM 99%, 1979-2013, COLORADO

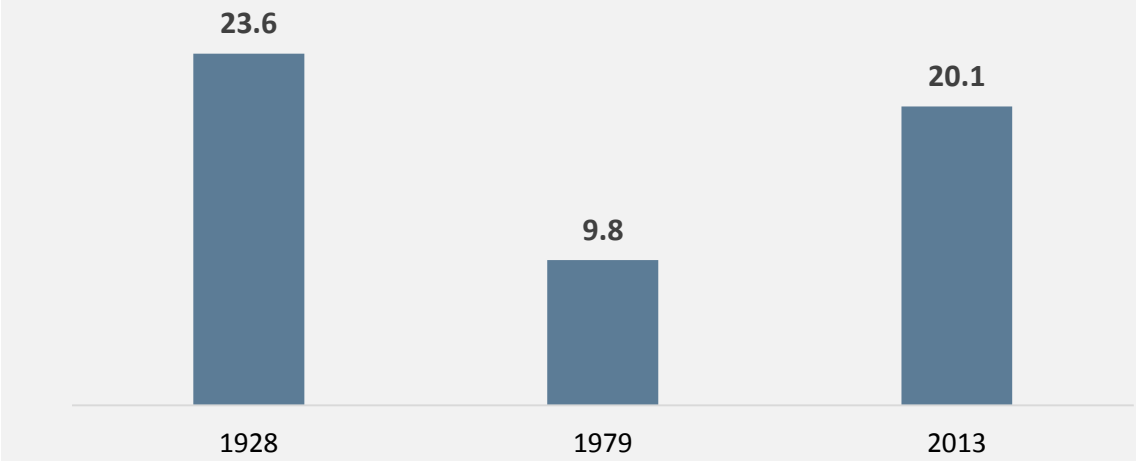


Estelle Sommeiller, Mark Price and Ellis Wazeter. 2016. Income inequality in the U.S. by state, metropolitan area, and county. Economic Analysis Research Network (EARN) Report

Unequal income growth since the 1970s has resulted in an income gap approaching the historical high water mark. In 1928, the top 1 percent of families made nearly 23.6 percent as much as the bottom 99 percent of earners. This gap dropped substantially to 9.8 by 1979. Since that time, however the income gap has returned to near historic highs. In 2013, the top 1 percent earned average incomes 20 times greater than the bottom 99 percent of Coloradans.

Figure 4.7: *Unequal income near historical peak*

RATIO OF INCOMES OF TOP 1% AND BOTTOM 99%, 1928, 1979 AND 2013, COLORADO



Estelle Sommeiller, Mark Price and Ellis Wazeter. 2016. Income inequality in the U.S. by state, metropolitan area, and county. Economic Analysis Research Network (EARN) Report

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.

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

Notes

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

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

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

[4] Raj Chetty et al. (2016). The Association between Income and Life Expectancy in the United States, 2001-2014. Available at https://scholar.harvard.edu/files/cutler/files/jsc160006_01.pdf. See also, Michelle Webster. (2016). *Vital Signs: The Influence of Race, Place and Income on Colorado's Health*. Colorado Center on Law & Policy. Available at cclpvitalsigns.org.

[5] See Robert Wood Foundation. *County Health Rankings and Roadmaps* website. Available at: http://www.countyhealthrankings.org/app/colorado/2016/rankings/costilla/county/outcomes/overall/snapshot.

[6] See note 4.

[7] Valerie Wilson. (2016). *African Americans are paid less than whites at every education level*. Washington, DC: Economic Policy Institute. Available at http://www.epi.org/publication/african-americans-are-paid-less-than-whites-at-every-education-level/.

[8] Institute for Women's Policy Research. (2015). The Economic Status of Women in Colorado. Available at http://www.wfco.org/file/IWPR_Briefing-Paper_CO_Oct2015.pdf.

[9] *Ibid.*

[10] Teresa Kroeger, Tanyell Cooke and Elise Gould. (2016). The Class of 2016: The labor market is still far from ideal for young graduates. Washington, DC: Economic Policy Institute. Available at http://www.epi.org/publication/class-of-2016/#epi-toc-6.

[11] 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.

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

[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&nsl_code=LIME&sourceObjectId=8741033&sourceRevId=1&fee_ind=N&exp_date=20240804-19:41:13.

[17] 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.

CHAPTER 5: Poverty

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

Poverty rates dropped again in Colorado in 2015 finally dipping below pre-recession levels. The overall poverty rate dropped to 11.5 percent and the child poverty rate dropped to 14.5 percent. These levels remain substantially higher than 2000, when more families were still experiencing the benefits of the full employment economy of the 1990s.

Poverty rates among people of color in Colorado are even higher making it clear that the economic recovery is more theoretical than reality for these families. The poverty rate among Latinos is 19.4 percent and 19.9 percent for Black Coloradans.

Economic insecurity and poverty remain more pervasive than would be suggested by the unemployment rate and job growth numbers. Wage stagnation coupled with rising costs, growing income inequality and eroding labor standards all contribute to persistently high rates of poverty and economic insecurity in the state.

Fast Facts

In 2015, 11.5 percent of Coloradans lived in poverty—now below the 2007 rate but still substantially higher than 2000 (8.7 percent).

Nearly 1 in 4 Coloradans live at or near the poverty level.

The poverty rate among Whites in Colorado is 8.3 percent—lower than the statewide poverty rate and several times lower than Latinos (19.4 percent), Blacks (19.9 percent) and American Indian/Alaskan Natives (21.5 percent).

Nearly 33 percent of all children in Colorado lived at or near the poverty level in 2015.

Poverty rate dropped in 2015 but remains in double digits

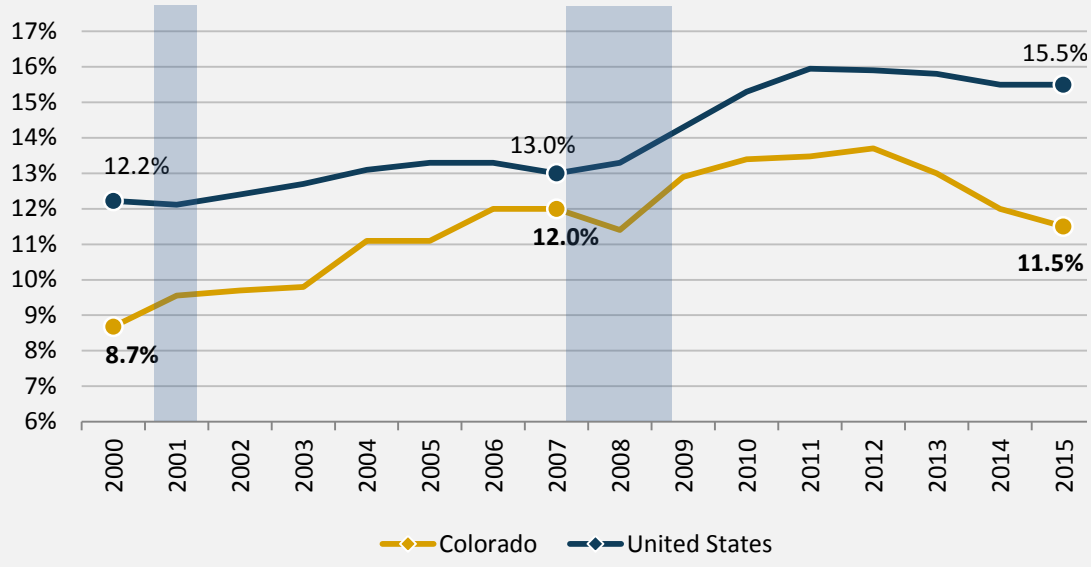
Historically, poverty rates have tracked business cycles—increasing during recessions and declining during periods of economic expansion. The pattern since 2000 has been slightly different both nationwide and in Colorado. Poverty rates have actually continued to increase during the recovery following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

The state's poverty rate dropped to 11.5 percent in 2015, finally falling below the 2007 pre-recession rate**.** While poverty is moving in the right direction, it is still well above the 2000 rate of 8.7 percent. The Center on Budget and Policy Priorities has called this trend the "new normal" where economic recoveries take years to reach low- and middle-income households. In fact, economic insecurity has become a commonplace experience in America with four in five workers experiencing a period of economic struggle at some point during their working years.[1]

A substantial share of people in Colorado are living on much less than the federal poverty level. An estimated 45 percent of Coloradans in poverty (or 294,000 people) are living in deep poverty—that is, living on an income that is half of the poverty line. In 2015, that meant $5,885 per year for an individual and $10,045 for a family of three. The number of people living in deep poverty increased by nearly 33,000 between 2007 and 2015.

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

PERCENT OF POPULATION LIVING IN POVERTY, COLORADO AND U.S., 2000-2015



U.S. Census Bureau American Community Survey

Poverty Measures

Federal Poverty Level

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

Table 5.1: 2016 Federal Poverty Level

Family Size	100% FPL	200% FPL
1	$11,770	$23,540
2	$15,930	$31,860
3	$20,090	$40,180
4	$24,250	$48,500
5	$28,410	$56,820
6	$32,570	$65,140
7	$36,730	$73,460
8	$40,890	$81,780

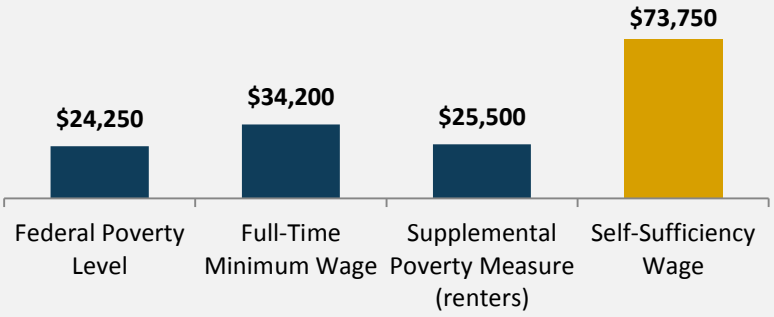
Self-Sufficiency Standard

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

Supplemental Poverty Measure

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

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



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

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

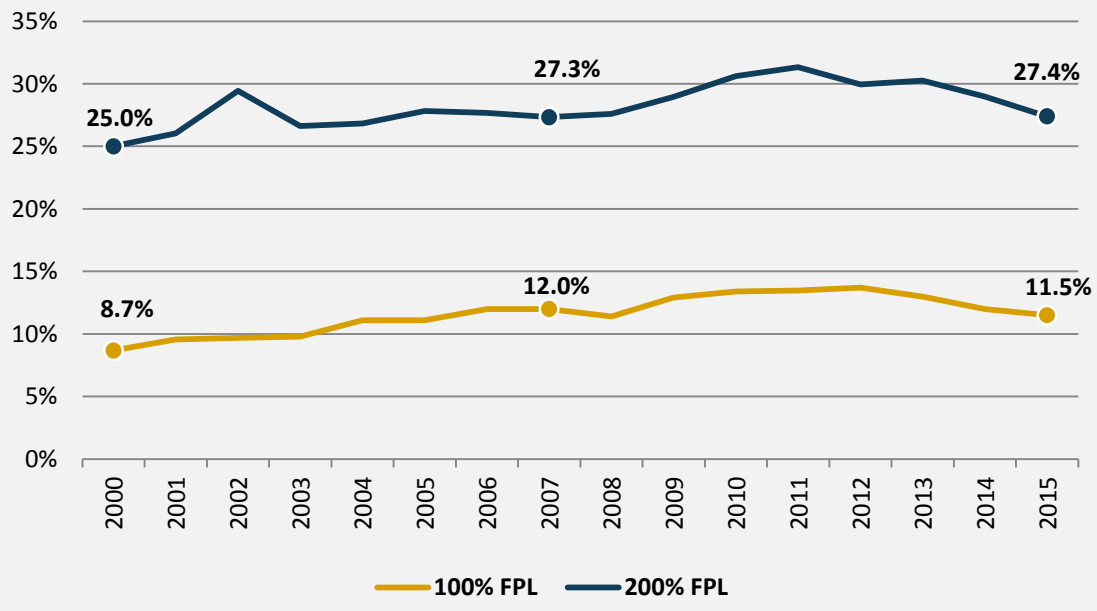
One in four Coloradans living at or near poverty

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

Figure 5.3 shows the share of Coloradans with incomes under 200 percent of FPL—that is, less than $23,540 for an individual and $40,180 for a family of three in 2015. Using this metric more accurately identifies the share of households that cannot meet their basic needs in Colorado. By this measure, the share of Coloradans without basic economic security was 27.4 percent in 2015.

Figure 5.3: *More than one in four Coloradans live in or near poverty*

PERCENT OF COLORADANS LIVING AT 100 AND 200 PERCENT OF FPL, 2000-2015



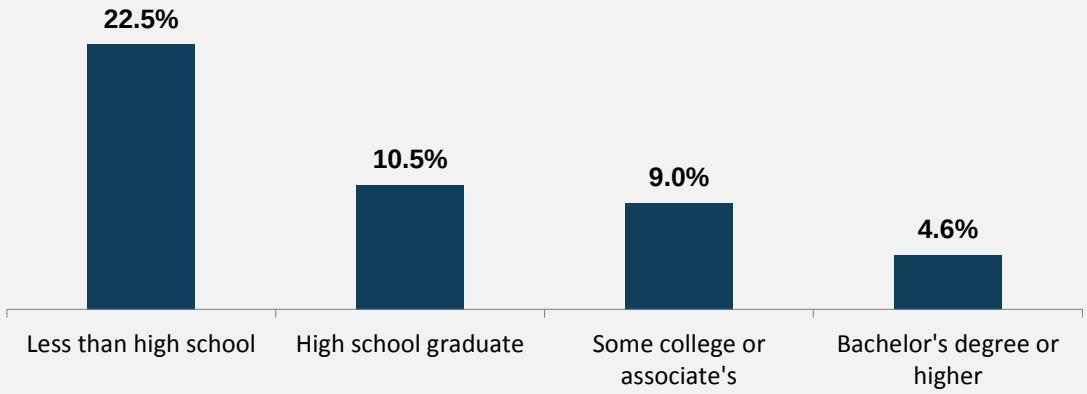
U.S. Census Bureau American Community Survey

Education lifts people out of poverty

Poverty disproportionately affects certain groups. Less than 5 percent of Coloradans with at least a bachelor's degree lived in poverty in 2015. On the other end of the education spectrum, 22.5 percent of Coloradans without a high school diploma lived in poverty. Education is a key pathway out of poverty. An education, however, does not provide the earnings boost it once did. Recent analysis by the Federal Reserve Bank of New York shows that inflation adjusted median annual earnings of recent college graduates has not gone up much since the 1990s.[4]

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

POVERTY RATES, BY EDUCATIONAL ATTAINMENT, 2015



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

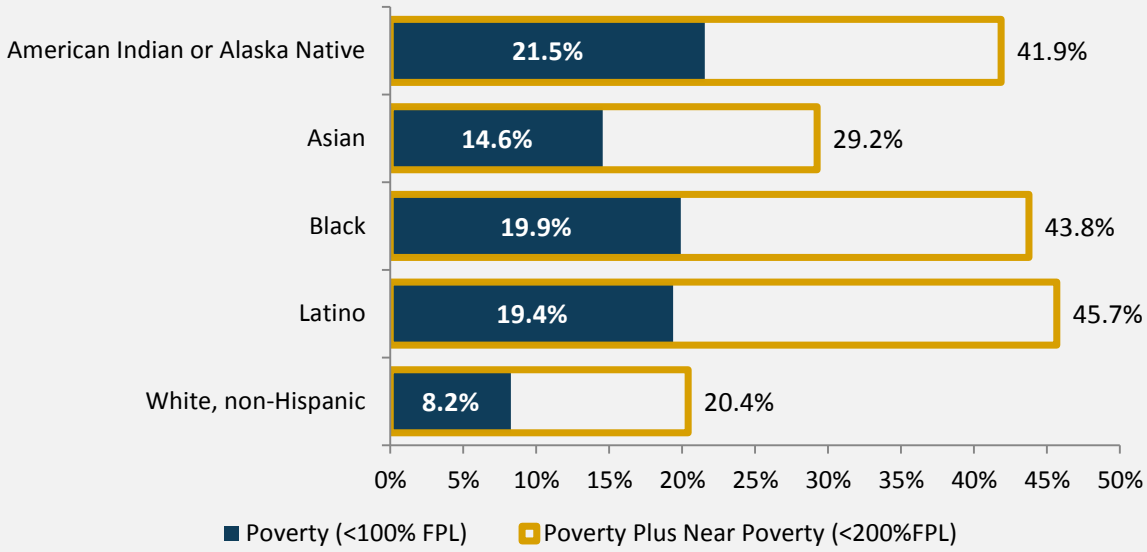
Stark disparities in poverty rates by race and ethnicity

Poverty rates vary widely by race and ethnicity.[5] The poverty rate among White, non-Hispanics in Colorado is 8.3 percent—lower than the statewide poverty rate of 11.5 percent and several times lower than Latinos (19.4 percent), Blacks (19.9 percent) and American Indian/Alaskan Natives (21.5 percent). The poverty rate among Asian households is 14.6 percent.

Even more striking is the share of people living at or near poverty (under 200 percent of the federal poverty level) by race and ethnicity: 46 percent of all Latinos in Colorado live at or near poverty; 44 percent of Black Coloradans; nearly 24 percent of Asians; and 45.2 percent of American Indian or Alaskan Natives.

Figure 5.5: *Nearly half of all Latinos in Colorado live at or near poverty*

POVERTY RATES, BY RACE AND ETHNICITY, 2015

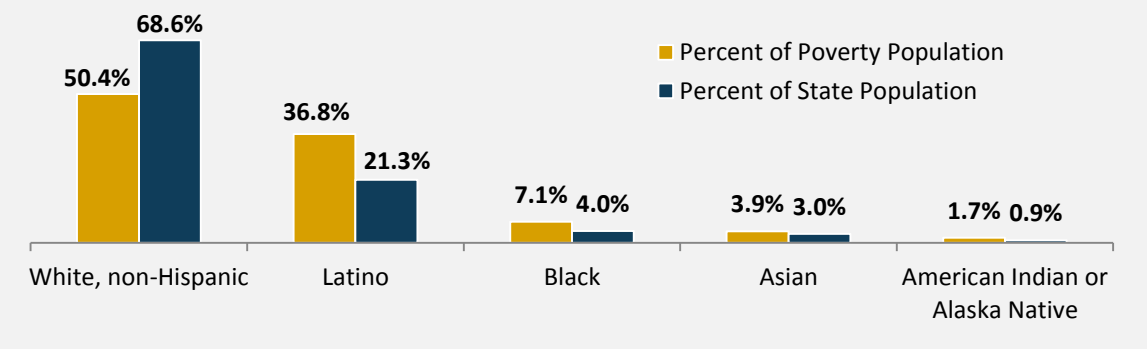


U.S. Census Bureau American Community Survey

Latinos, Blacks, and American Indian/Alaskan Natives experience higher rates of poverty, and are overrepresented in the population living in poverty. For example, Latinos make up about 21 percent of the total state population, but accounted for about 37 percent of the population living in poverty in 2015. Blacks are also overrepresented in the poverty population accounting for 4 percent of the statewide population but 7 percent of people living in poverty in Colorado. The opposite pattern holds for Whites, who account for 69 percent of the total population and 50 percent of the population living in poverty.

Figure 5.6: *Latinos and Blacks disproportionately in poverty*

SHARE OF POPULATION IN POVERTY AND STATE POPULATION, BY RACE AND ETHNICITY, 2015



U.S. Census Bureau American Community Survey

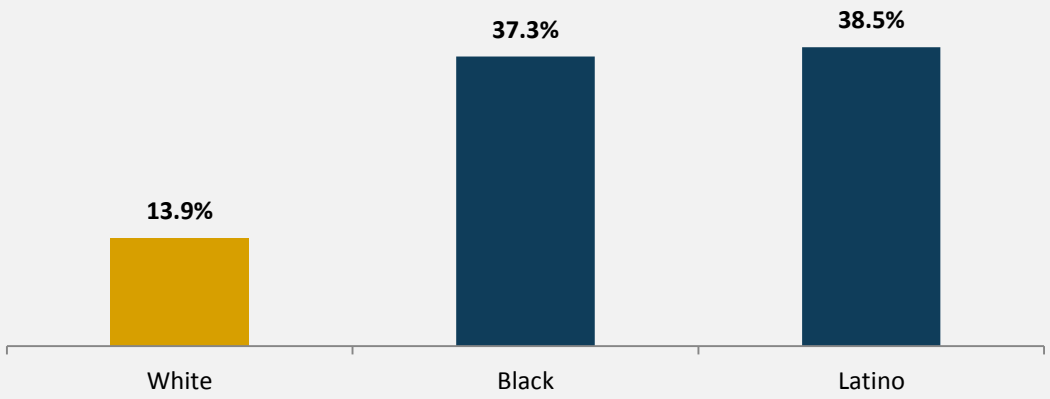
People of color more likely to live in high poverty neighborhoods

Poverty is not distributed evenly across the state—some neighborhoods and some communities have higher than average poverty rates. The full employment economy of the 1990s helped reduce concentrated poverty across the country, but since 2000 it has been on the rise.[6] In 2000, 9.5 percent of Coloradans lived in neighborhoods with a poverty rate of 20 percent or more. By 2010, 21.3 percent of Coloradans lived in high poverty neighborhoods—an increase of 650,000 residents.[7]

A growing body of research has concluded that living in high poverty neighborhoods only further strains low-income families and makes breaking the cycle of generational poverty even more difficult.[8] The clustering of families in poverty actually changes the experience of living in poverty—making it more difficult, more stressful and feel more pervasive because it extends outside the home and touches the entire neighborhood.

People of color are more likely to experience this clustering. Figure 5.7 shows the percent of Coloradans by race and ethnicity residing in neighborhoods with 20 percent or more people living below the federal poverty line. While 14 percent of Whites live in high poverty communities, well over one-third of Blacks and Latinos live in such neighborhoods.

Figure 5.7: *Black and Latino Coloradans more likely to live in concentrated poverty*
PERCENT OF POPULATION LIVING IN CONCENTRATED POVERTY, BY RACE AND ETHNICITY, 2010-2014



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

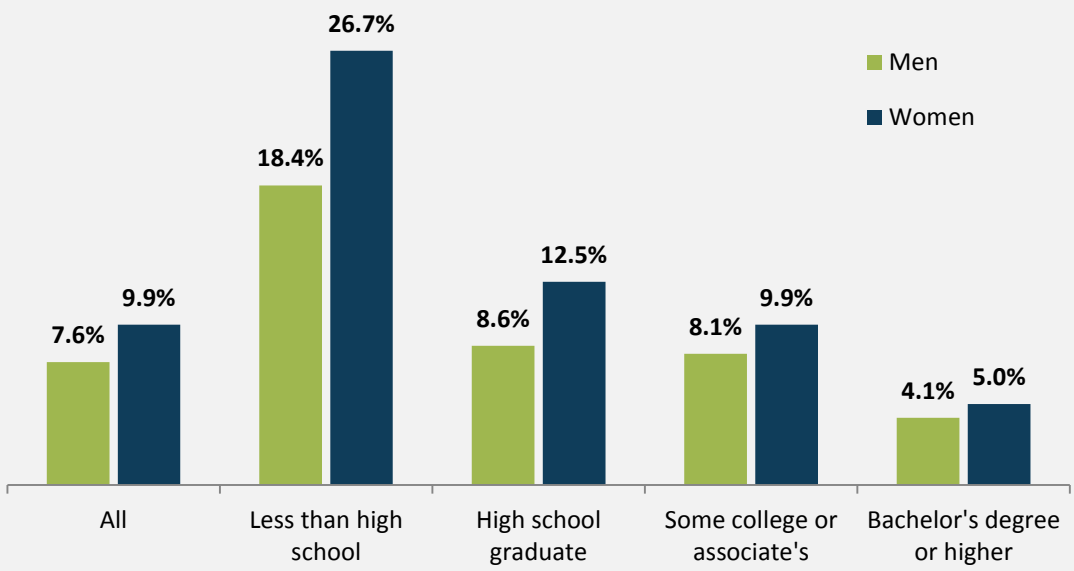
Women are more likely to live in poverty regardless of education

In Colorado, women are more likely to live in poverty compared to men. Of the 438,000 people over 18 living in poverty, 45 percent are single women—although single women account for only one-quarter of the overall population. Marriage provides some protection from slipping into poverty. Married individuals account for over half of the total adult population and only one-quarter of those living in poverty.

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

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

POVERTY RATES, BY GENDER AND EDUCATIONAL ATTAINMENT, 2015



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

Poverty is highest among single mother families

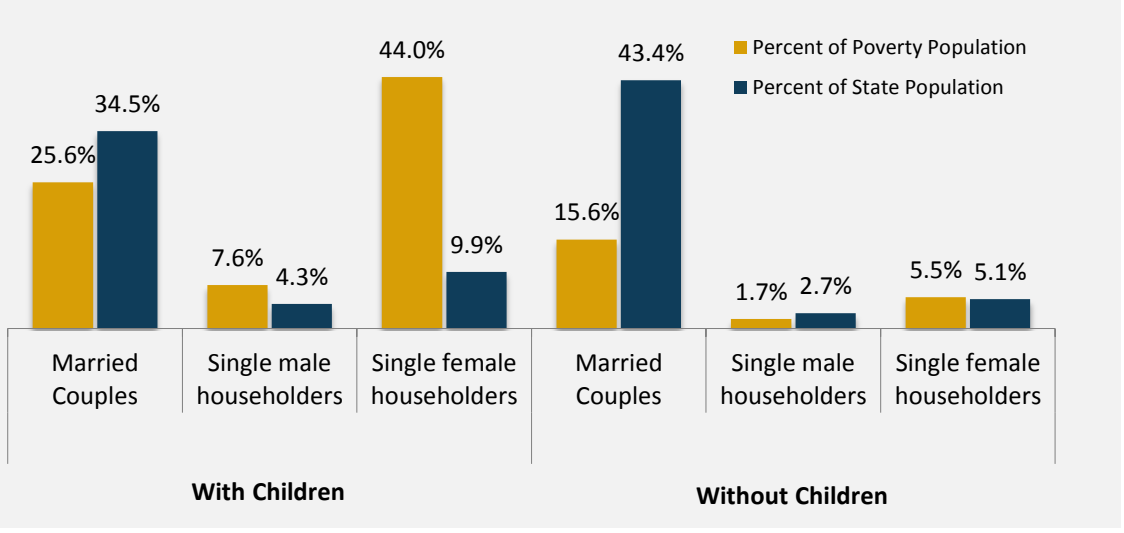
Single women with children account for the greatest share of families living in poverty.[9] Although only 9.9 percent of Coloradans live in single mother households, they account for 44 percent of households in poverty. Single father households, on the other hand, account for 4.3 percent of the total population and 7.6 percent of the families in poverty.

While being a single parent substantially increases the likelihood of poverty for both men and women, the challenge of making ends meet is more pronounced among single mothers. Single mother families face all the challenges of being a single parent coupled with significant labor market disparities. For example, median annual income among single mothers in Colorado is $30,000—61 percent of median income for single father households ($49,000) and about one-third of the median income for married couples with kids ($95,000).[10] Women make up over half of all minimum wage workers in Colorado.[11]

Education is essential to lifting women out of poverty. Well over half of single mothers in Colorado with less than a high school diploma live in poverty. With each progressively higher level of educational attainment, the share of women living in poverty declines.

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

SHARE OF TOTAL HOUSEHOLDS AND HOUSEHOLDS IN POVERTY, BY FAMILY TYPE, 2015

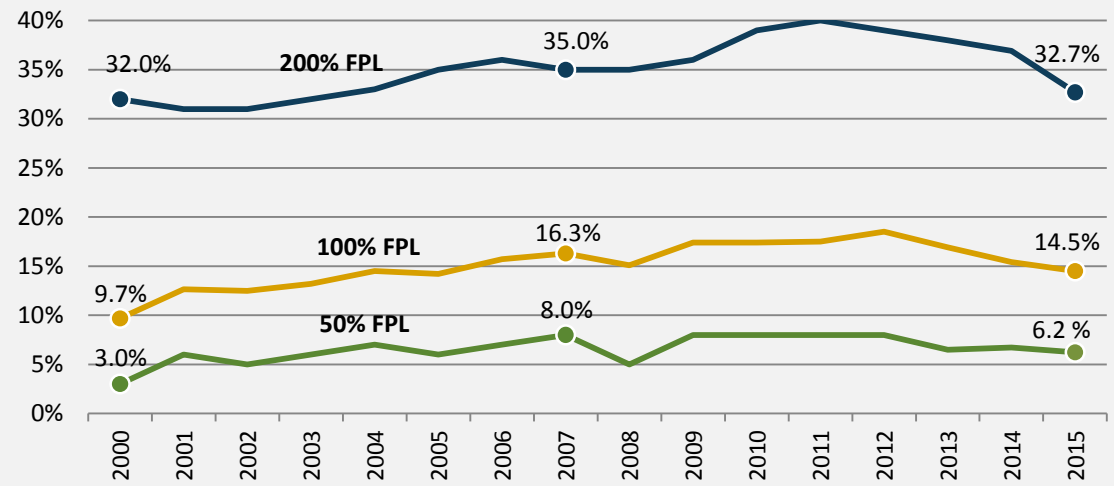


U.S. Census Bureau American Community Survey

Child poverty drops to pre-recession levels

The child poverty rate is the percent of children under 18 who live in a household with an income below the federal poverty level. Between 2000 to 2007, the share of Colorado children in poverty increased from 9.7 percent to 16.3 percent—an increase of more than 100,000 children living in poverty. During this period, Colorado had one of the fastest growing child poverty rates.[12]

Figure 5.10: *Nearly 40 percent of children live in households under 200% FPL*
PERCENT OF CHILDREN LIVING IN HOUSEHOLDS BELOW 50%, 100% AND 200% OF FPL, 2015



U.S. Census Bureau American Community Survey

The child poverty rate continued to increase after 2007 but at a slower rate. In 2015, the child poverty rate dropped to 14.5 percent—falling slightly below the 2007 rate but still remains significantly higher than the 2000 rate (9.7 percent). The percentage of children living in deep poverty—those in households with incomes less than half of the federal poverty level—remained virtually unchanged between 2007 and 2012 before dropping slightly to 6.2 percent in 2015. That equates to about 77,000 children in deep poverty—up substantially from 38,000 in 2000. If we look at households earning less than 200 percent of FPL to better reflect the threshold below which households struggle to meet their basic needs, the one-third of all Colorado children live at or near the poverty level.

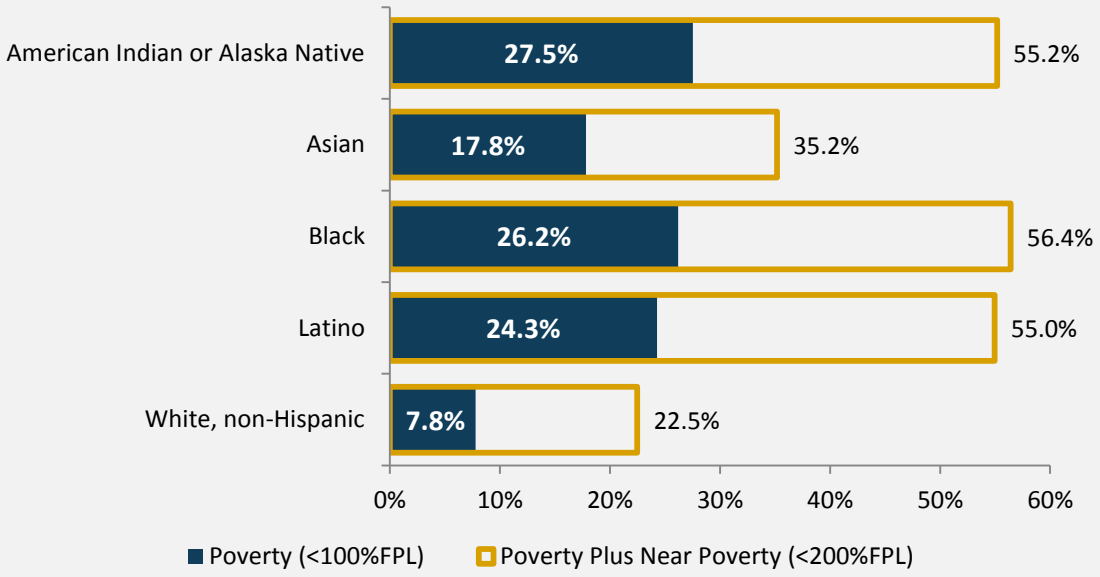
Child poverty rates vary by race and ethnicity

Children of color are considerably more likely to live in poverty compared to White children in Colorado. In 2015, 7.8 percent of White children lived in households with income under the poverty line. Latino, Black, and American Indian or Alaskan Native children had the highest child poverty rates with over one-quarter of children living in poverty.

As discussed earlier, twice the federal poverty level comes closer to an estimate of the income needed to meet basic needs in Colorado. Using this benchmark, over half of Latino, Black, and American Indian or Alaskan Native children live at or near the poverty level in the state.

Poverty is now widely viewed as one of the most significant threats to child health. Recently, pediatricians have called for classifying childhood poverty as a disease.[13] Living in poverty puts children at risk of developing conditions with lifelong consequences, including premature birth, low birthweight, asthma, obesity, diabetes and mental illness.

Figure 5.11: *Children of color are substantially more likely to live in poverty*
CHILD POVERTY RATE, BY RACE AND ETHNICITY, 2015



U.S. Census Bureau American Community Survey

Notes

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

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

[3] *Ibid*.

[4] Federal Reserve Bank of New York. (2016). The Labor Market for Recent College Graduates. Available at https://www.newyorkfed.org/research/college-labor-market/college-labor-market_wages.html.

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

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

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

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

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

[10] U.S. Census Bureau, 2015 American Community Survey, Table B19126

[11] EPI analysis of Current Population Survey Outgoing Rotation Group microdata (2015), CBO Economic Projections (January 2016), and Colorado Department of Labor.

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

[13] American Pediatric and American Academy of Pediatrics. (2013). A Strategic Road-Map: Committed to Bringing the Voice of Pediatricians to the Most Important Problem Facing Children in the US Today. Available at http://www.academicpeds.org/public_policy/pdf/APA_Task_Force_Strategic_Road_Mapver3.pdf.

Acknowledgements

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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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