In recent years, **Colorado’s economy** has been strong, growing faster than the national economy and that of most other states. In August 2017, our state had the second lowest unemployment rate in the nation at 2.4 percent, near its lowest level on record. Unemployment is projected to remain at 3 percent or less in 2018 and 2019.

Colorado created 217,000 net new jobs between 2014 and 2016 — that’s about 70,000 per year on average. The expectation is to add another 50,000 jobs each year from 2017 through 2019.

But a tight labor market and lack of qualified workers have analysts believing economic growth is being held back. They argue Colorado needs more workers; these could be older Coloradans forgoing retirement, new people moving to the state, or simply an increase in the number of people joining the workforce.

As many economists predicted, these conditions are beginning to put pressure on employers to increase wages. In October 2017, average wages in Colorado increased year-over-year by 2.7 percent or $0.73 per hour. However, the pace of wage growth has been much slower than in the recovery periods from past recessions.

When adjusting for inflation, **average weekly wages have been essentially flat since 2000**: They’ve only increased $33, or a little over 3 percent, since 2000.

The total personal income in the state, which is an overall measure of the size of Colorado’s economy, grew at an average rate of 5.4 percent each year between 2014 and 2016. This amount **is projected** to grow between 5 percent and 6 percent between 2017 and 2019.

The **Leeds Business Confidence Index** shows businesses’ expectations for future growth remain positive. The September 2017 **state leading index** published by the Federal Reserve Bank of Philadelphia projects Colorado’s economy will continue to expand into the first quarter of 2018, and the Colorado Secretary of State reports the number of new business entities increased by 5.1 percent in the third quarter of 2017 over the same period last year.
Uneven Growth Throughout the State

The unemployment rate in every Colorado metro area is lower than the national average, as well as lower than it was in 2016. The same holds true for year-over-year growth in the number of jobs for each metro area except Grand Junction, as illustrated in the graphic to the right.

Colorado was recently ranked as one of the top five states in the nation based on its low share of “distressed communities.” Produced by the Economic Innovation Group, the ranking says 45 percent of Coloradans — that’s 2.7 million people — live in “prosperous communities,” but some parts of the state aren’t faring as well. In compiling its distressed community rankings, EIG examines seven factors:

- Population over 25 without a high school diploma
- Amount of vacant housing
- Prime age population (25-64) not working
- Poverty rate
- Community’s median income compared to the state’s median income
- Change in jobs between 2011-2015
- Change in the number of businesses between 2011-2015

Although Colorado ranks low on these measures as a state, 11 counties in south and southeastern Colorado are listed as “distressed communities” due to high poverty rates, many vacant houses, low median incomes, and a loss of jobs and businesses.

The five counties with the highest distressed ratings are illustrated in the graphic below.

Most Distressed Counties in Colorado

<table>
<thead>
<tr>
<th>County</th>
<th>Distressed Rating</th>
<th>Population</th>
<th>Median Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crowley</td>
<td>99.6</td>
<td>5,551</td>
<td>$31,164</td>
</tr>
<tr>
<td>Bent</td>
<td>99.2</td>
<td>5,895</td>
<td>$36,802</td>
</tr>
<tr>
<td>Huerfano</td>
<td>96.0</td>
<td>6,502</td>
<td>$31,709</td>
</tr>
<tr>
<td>Otero</td>
<td>95.7</td>
<td>18,572</td>
<td>$32,316</td>
</tr>
<tr>
<td>Costilla</td>
<td>94.9</td>
<td>3,581</td>
<td>$31,346</td>
</tr>
</tbody>
</table>

The five counties with the highest distressed ratings are illustrated in the graphic below.
Beyond regional differences, some Coloradans are more likely to experience unemployment than others. Despite Colorado’s low unemployment rate in 2016, women and people of color experienced unemployment rates about one-third higher than those of men and white Coloradans. When looking at unemployment by age, teenagers have the highest unemployment rate by far, while older Coloradans see a substantial drop. This is largely due to retirement and workforce exits, so these Coloradans are not counted in unemployment statistics.


But it’s not just rural areas — even communities in metro Denver are facing economic distress. For example, the section of north and northeast Aurora comprising the 80010 zip code is considered distressed, even though Arapahoe County and Denver County are categorized as prosperous.
Growth in Low-Wage Sectors

About two-thirds of all new Colorado jobs projected to be created in 2017 are found in five industries:
- Health care and social assistance
- Accommodations and food services
- Retail trade
- Professional, scientific, and technical services
- Other services (except public administration)

About 6 out of 10 new jobs projected to be created in Colorado through 2026 will occur in six industries — the first four listed above plus two others:
- Construction
- Education services

Low-paying jobs in these industries include waiters and waitresses, cashiers, home health aides, personal care aides, child care workers, stock clerks, teacher’s aides, construction laborers, and hairstylists.

Most New Jobs Will Be in Low-Wage Industries

Three of these industry sectors pay average wages below 200 percent of the federal poverty level (FPL) for a family of four, an amount many analysts use as a rule of thumb for family-supporting wages. Two other industries — health care and social assistance and construction — pay average wages barely above 200 percent of FPL. However, the average wages in the accommodations and food services industry are below the amount needed to keep a family of four out of poverty. Only the professional, scientific, and technical services industry pays average wages high enough to support the needs of most families.

Many Colorado Workers Are In Low-Wage Jobs

Compared to other states, Colorado has historically had a smaller share of residents working in low-wage jobs, but during 2016, almost 1 in 4 workers — 500,000 Coloradans — worked in an occupation with median wages unable to keep a family of four out of poverty. Unfortunately, the share of workers in these low-paying jobs has grown by 69 percent since 2004, when about 1 out of 8 Coloradans worked in these low-wage jobs. In 2016, about 3 of every 5 workers — 1.4 million Coloradans — worked in an occupation with median wages less than 200 percent FPL for a family of four. This rate has stayed nearly constant since 2004.
Joseph Zimmerman, a graduate student at the University of Colorado at Denver, analyzed the changes in average income, living costs, and net income for various types of low- and middle-income families across Colorado between 2001 and 2015. He found, when adjusted for inflation, families with higher incomes — defined as double their county’s median — saw their incomes grow faster than costs over this period. However, families with lower incomes — defined as equal to their county’s median — saw their average costs grow faster than their incomes.

Despite Booming Economy, Inequality Persists

One of the major forces affecting the future of opportunity in Colorado is economic inequality, including both income and wealth inequality. While these two measures are deeply interrelated, they are not the same and different policy solutions are needed to address each.

Income includes wages, salaries, interest on savings accounts, dividends, profits from business ventures and collecting rents, and capital gains. On the other hand, wealth, or "net worth" is the difference between an individual's assets and liabilities.

Assets include things such as the value of ownership in a personal residence, value of vehicles, cash in savings, checking, and money market accounts, and investments in stocks, bonds, mutual funds, real estate, and retirement accounts. Liabilities are debts individuals owe on car loans, credit card balances, mortgages, student loans, or other bills yet to be paid. Subtracting the value of liabilities from the value of assets determines an individual's net worth.

Income Inequality

Data from a variety of sources illustrate the escalating expansion of income inequality in the United States. This is seen in the share of income earned by the top 1 percent compared to other U.S. households, which has risen dramatically since the 1970s. New data from the Federal Reserve’s Survey of Consumer Finances confirms this trend, showing the share of income received by the top 1 percent rose to 23.8 percent in 2016. This is very close to the historic high reached in the 1920s, just prior to the onset of the Great Depression.

Several sources point out the root of this growing income inequality is exploding wage inequality. Wages for the top 1 percent rose almost 157 percent between 1979 and 2015, while the increase for the bottom 90 percent was only about 21 percent over the same period.
Income inequality is not isolated to certain regions or locations in the United States, whether urban or rural. It exists in all regions and all states throughout the country, including Colorado. The top 1 percent takes in 16.6 percent of all income in Colorado, compared to 20.1 percent nationally. According to the Economic Policy Institute (EPI), this puts Colorado at 21st among the states for income inequality.

EPI’s data reveal some surprising information about the location and extent of the highest levels of income inequality within Colorado as well.

For example, the most income-unequal county in our state is Custer County, where the top 1 percent makes 86.6 times more than the bottom 99 percent, based on respective average annual incomes of $3,016,497 and $34,823.

Custer County ranks fifth highest in the country on this measure. Two other Colorado counties are in the nation’s top 25 — Pitkin County at number 9 and San Miguel County at number 22.

The most income-unequal metropolitan areas in Colorado also hold some surprises: EPI’s data show Glenwood Springs ranks first in the state and ninth in the country, with the top 1 percent making 42.4 times more than the bottom 99 percent, with average annual incomes of $2,441,991 and $57,634, respectively. Sterling, Colorado ranks second in the state for income inequality and 21st nationally — the only other Colorado metro area in the nation’s top 25.

Wealth Inequality

As bad as income inequality has become, wealth inequality is an even larger problem, since wealth is much more highly concentrated in the population than income. This is important because wealth fuels the kinds of investments that promote economic mobility, such as a down payment on a house, tuition for college, or start-up money for a business.

Wealth also provides a cushion against setbacks like a job loss, health problems, or a major car repair bill. Income determines whether families can meet their current needs, while wealth helps them advance economically over the long term. It can be the difference between just getting by and getting ahead. Plus, wealth can be passed on from one generation to the next, giving young people a leg up as they start out in life.

Recent data from the Federal Reserve shows, in 2016, the top 10 percent of the population received about half of all income, but held more than three-quarters of all wealth in the country. Not only do those at the top have more wealth than those at the bottom, but their wealth is made up from different types of assets as well.

Since wealth is the difference between a household’s assets and liabilities, debt is a crucial element driving the country’s growing wealth inequality. Between 1999 and 2016, the mix in the type of debt Colorado families have has changed dramatically. While mortgage debt is still the largest, it has remained constant as a share of overall family debt, going from 77 percent in 1999 to 73 percent in 2016.
However, the amount of student debt held by families increased by almost 600 percent, and its share of family debt grew by almost 200 percent. Student loan debt is now the largest source, in dollar terms, of nonmortgage debt owed by families nationally, according to the Federal Reserve’s 2016 survey.

More Colorado Families Struggling With Student Debt, Other Non-Mortgage Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt Owed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>$830, $2,600, $1,810</td>
</tr>
<tr>
<td>2016</td>
<td>$5,630</td>
</tr>
</tbody>
</table>

Up 578.3% since 1999


Implications

Clearly, both income and wealth inequality have negative implications. Economic inequality adversely affects the major levers of opportunity, including education, health, work policies, housing, and asset building. It also strains Colorado’s and the country’s overall economic stability and productivity.

The recently passed federal tax legislation is projected to increase the level of wealth and income inequality in the U.S.

Research finds inequality leads to several negative outcomes, including:
- Unequal access to education opportunities
- A range of health problems
- Reduced economic growth
- A shrinking middle class

The last point above is crucial, as income and wealth inequality in America now affect everyone struggling to enter or stay in the middle class. Even within the bottom 90 percent of American households, though, these repercussions are especially severe for those who have historically been left out and left behind by current policies, programs, and practices.

As the Institute for Policy Studies points out, continued acceleration of the racial wealth divide will impact black and Hispanic/Latino families and eventually the economy at large, as “the majority of U.S. households will no longer have enough wealth to stake their claim in the American middle class or higher.”

Given that almost half of Colorado’s population in 2050 is projected to be comprised of racial and ethnic minorities, it’s not a stretch to say the future of the middle class depends on whether we can reverse growing racial inequality.