

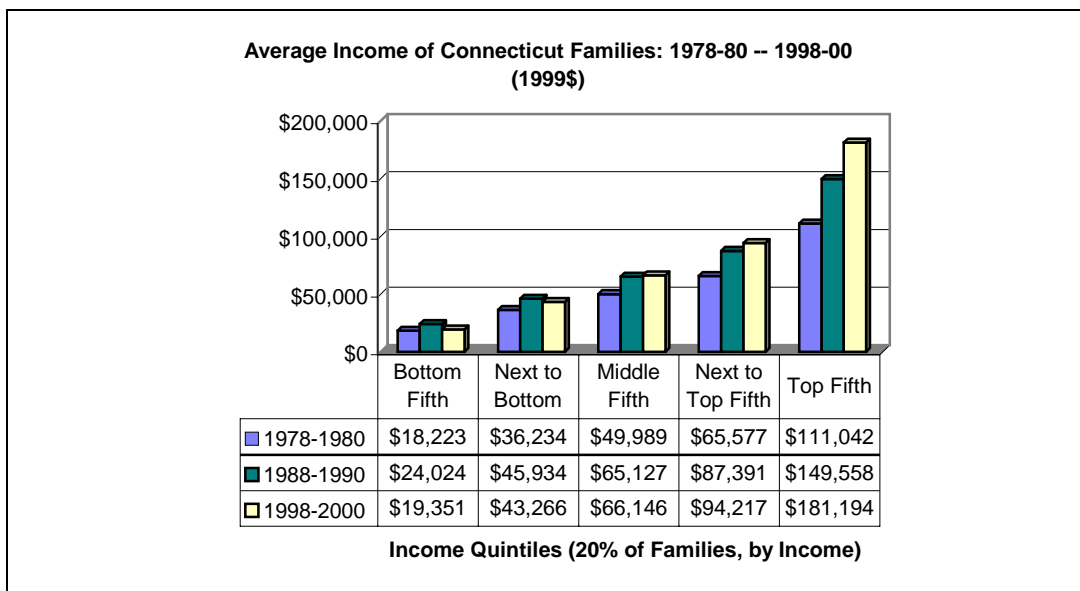


Pulling Apart in Connecticut: An Analysis of Trends in Family Income

FACT SHEET

This report examines trends in inflation-adjusted (“real”) annual family income in Connecticut. It compares three points in time that were similar high points in Connecticut’s economic cycle: 1978-80, 1988-90, and 1998-2000.¹ The report compares “income quintiles” – the poorest 20% of Connecticut families to the richest 20%, and to the three quintiles in between.

Over the 1980s, the real incomes of *all* Connecticut families increased – by about one-third. By comparison, over the 1990s, the real incomes of the poorest 40% of CT families *fell*, the income of the middle 20% stayed about the same, and only the incomes of the top 20% of families increased more than the national average.



Income Quintile	1980-1990		1990-2000	
	\$ Change	% Change	\$ Change	% Change
Poorest Quintile	\$5,801	31.8%	-\$4,672	-19.4%
Next to Poorest Quintile	\$9,700	26.8%	-\$2,668	-5.8%
Middle Quintile	\$15,138	30.3%	\$1,019	1.6%
Next to Wealthiest Quintile	\$21,814	33.3%	\$6,827	7.8%
Wealthiest Quintile	\$38,516	34.7%	\$31,635	21.2%

¹ Data are taken from the Census Bureau’s March Current Population Survey. Three-years worth of data are averaged in each time period to increase the accuracy of the estimates. Data are pre-tax, and do *not* include capital gains income. The report therefore *underestimates* the magnitude of Connecticut’s income divide.

Over the 1990s, the gap between the average annual income of Connecticut's poorest 20% and its richest 20% of families grew more than in any other state:

- Over the 1990s, the average real income of Connecticut's poorest 20% of families **declined by \$4,674** (19.4%). This decline was nearly **four** times greater than the decline in the next worst state, Massachusetts, where the poorest 20% lost \$1,190. Connecticut was one of only 13 states where the real incomes of the poorest 20% of families *fell*; in all other states, the poorest 20% enjoyed real income gains. Nationally, the income of the poorest 20% of families *increased* by \$1,601 (12.3%).
- By comparison, during the 1990s, the real incomes of Connecticut's wealthiest 20% of families **rose by \$31,635** (21.2%). Their share of total family income in Connecticut increased from 41% to 45%.
- CT was one of only two states (CT and MA), where the bottom fifth lost economic ground, while the top fifth gained ground. The **increase** in the average annual income of Connecticut's wealthiest 20% of families (\$31,635 – from \$149,558 to \$181,194/year) was **1.6 times more than** the average *total annual* income of Connecticut's poorest 20% of families (\$19,351/year).
- While Connecticut's richest 20% of families had an annual income about **6** times that of its lowest 20% of families in late 1970s *and* late 1980s, by the late 1990s the richest 20% enjoyed an annual income that was **9.4** times greater.

Over the 1990s, the income divide also increased between Connecticut's highest income families, and all other Connecticut families:

- Connecticut was one of only 10 states where the real income of the **second-to-poorest** 20% also *fell* (by \$2,668). In all other states, families enjoyed real income gains, and the average increase nationally was \$2,698 (9%).
- In only 6 states did families in the **middle 20%** fare worse than in Connecticut. The real income gain for Connecticut families in the middle 20% was one-fifth the national average (\$1,019 in Connecticut, compared to \$4,935 nationally).

The report highlights the importance of **not** balancing the state budget on the backs of lower-income families. Connecticut's economy over the 1990s has already cost these families significant economic ground. Connecticut must instead find ways to *help* Connecticut's middle and lower-income families make up lost ground by making budget and policy choices that *increase their incomes and reduce their expenses*. Options include: increasing the state minimum wage; expanding access to affordable and accessible child care, health care, and housing; enhancing access to education and training so essential to economic success in Connecticut's "New Economy;" helping families to build assets (such as through Individual Development Accounts and homeownership programs); and adopting tax policies that help reduce the income divide (including a refundable state earned income tax credit and the proposed "millionaire's tax" to generate additional revenues for essential family supports for lower-income families).

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Produced in partnership with the Economic Policy Institute and the Center on Budget and Policy Priorities.
Funded by the Melville Charitable Trust, the Charles Stewart Mott Foundation, and the Annie E. Casey Foundation