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Pulling Apart in Connecticut: Income Gaps Widening

***CT group calls on private and public sectors to strengthen economy
by narrowing income gaps***

A new report on income trends finds that the gap between wealthy and poor Connecticut families is widening, and Connecticut is one of only two states where income for the poorest families declined between 1991 and 2002. While incomes for the poorest Connecticut families have stagnated in recent years, wealthier families have seen their incomes increase by nearly one-third, the sixth largest increase among all states.

This state report by Connecticut Voices for Children, a research-based advocacy organization for children and families, was released in partnership with the Economic Policy Institute and the Center on Budget and Policy Priorities, which released a corresponding national report.

Connecticut Voices warned that these severe and growing income gaps threaten the state's economic health and quality of life. The costs of a growing economic divide can be found in child poverty, poor health outcomes, less affordable housing, educational achievement gaps, and reduced quality of life. To help in reversing these trends, Connecticut Voices called for the public and private sectors to take responsibility for ensuring that all Connecticut families can share in the economic growth of the state.

Among the report's findings:

- **The gap between rich and poor families in the state is widening at a greater rate than in nearly all other states.** The income of the wealthiest fifth of Connecticut families was 6.9 times the income of the poorest fifth in 2002, compared to 5.2 times in 1991. This increase in income inequality was the second greatest among all states. Connecticut's wealthy are pulling away from middle-income earners as well, though at a less dramatic rate. The ratio of top to middle incomes increased from 2.1 in 1991 to 2.5 in 2002.
- **Connecticut is one of only two states in which income for the poorest fifth of families actually declined between 1991 and 2002.** On average, income for low-income families in the U.S. gained \$2,236 (16.1%), but in Connecticut income for these families actually

declined slightly by \$22 (-0.1%). In contrast, income for the wealthiest fifth of residents increased by \$35,093 (31.9%), the sixth highest increase among all states.

Connecticut Voices for Children called on the private and public sectors to take new responsibility for narrowing these economic gaps and enabling all residents to share in the economic prosperity of the state:

- **Connecticut should create a state earned income tax credit (EITC).** The federal EITC, a tax credit available to low-income working families, lifts more children out of poverty than any other federal program. A state EITC would build on the success of the federal model.
- **The state should restore funding to programs that support low-income families with children, which have been cut by nearly half over the last 10 years, including child care, housing, job training, housing assistance, energy assistance and safety net programs.**
- **The state should increase our public investment in education and reduce educational disparities.** The state can start by increasing the state's contribution to high quality pre-school programs, improving the state's share of K-12 education funding, and restoring severe cuts to need-based scholarships.
- **Connecticut employers should pay wages that enable families to make ends meet and to share in the growth of the Connecticut economy.**

“Connecticut will only have a strong economic future if we provide opportunities for all workers to earn incomes that enable them to make ends meet for their families,” said Douglas Hall, Associate Research Director at Connecticut Voices for Children and co-author of the report. “While low-wage workers in the rest of the country are seeing their incomes improve, Connecticut workers are headed in the wrong direction.”

“We can't afford an economy that leaves thousands more families behind, working in poverty-wage jobs that can't pay the bills,” said Shelley Geballe, President of Connecticut Voices for Children and co-author of the report. “A state earned income tax credit would help families to cover the gap between low wages and Connecticut's high cost of living.”

Connecticut Voices for Children is a research-based policy and advocacy organization committed to promoting leadership, policy change, and investment on behalf of all of Connecticut's children and youth. For more information on Connecticut Voices, or to read Voices' report, *Pulling Apart in Connecticut*, see www.ckidslink.org. The Center on Budget and Policy Priorities (www.cbpp.org) is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. The Economic Policy Institute (www.epi.org) is a nonprofit, nonpartisan think tank that seeks to broaden the public debate about strategies to achieve a prosperous and fair economy. The national report by CBPP and EPI is available at www.epinet.org.

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