CONNECTICUT VOICES FOR CHILDREN

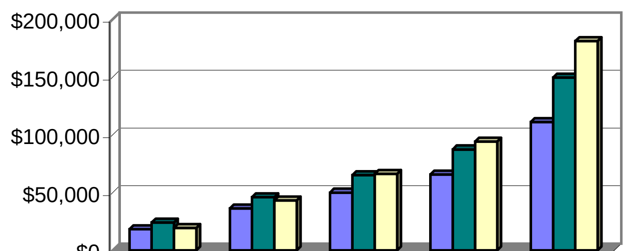
Pulling Apart in Connecticut:
An Analysis of Trends in Family Income

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.

Average Income of Connecticut Families: 1978-80 -- 1998-00 (1999$)



	Bottom Fifth	Next to Bottom	Middle Fifth	Next to Top Fifth	Top Fifth
1978-1980	$18,223	$36,234	$49,989	$65,577	$111,042
1988-1990	$24,024	$45,934	$65,127	$87,391	$149,558
1998-2000	$19,351	$43,266	$66,146	$94,217	$181,194

Income Quintiles (20% of Families, by Income)

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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