

Poverty Despite Work in Connecticut, 2005 by Douglas Hall, Ph.D.

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Employment is widely recognized as a *necessary* condition to emerge from poverty. Yet for too many Connecticut families, employment may not be *sufficient* to escape poverty. Despite having the third highest minimum wage in the nation at \$7.10 an hour (behind Alaska and Oregon), full-time minimum wage employment is not adequate to support a family in Connecticut.¹ A family headed by someone working 40 hours a week, 52 months of the year at minimum wage would earn \$14,768 in Connecticut, only 76 percent of the federal poverty level (FPL) for a family of four.²

Moreover, in Connecticut, the FPL is woefully inadequate as a measure of a family's ability to meet its needs. A 1999 report commissioned by Connecticut's Office of Policy and Management, *The Self Sufficiency Standard for Connecticut*,³ calculated what it *really* costs to support a family for a year in Connecticut. For a family of four, the Connecticut Self-Sufficiency Standard varies between \$46,000 and \$62,000 (depending on the region of the state in which the family lives). This is approximately the total amount that would be earned by a person who is working between 3 and 4 full-time, year-round, minimum wage jobs.⁴ These amounts dwarf the federal poverty level. Even 200% of the FPL is barely adequate as a proxy for self-sufficiency in Connecticut.

This brief looks at the prevalence of the "working poor" (and near-poor) in Connecticut, drawing on data from the US Census Bureau's 2003 American Community Survey.⁵

¹ The Connecticut General Assembly has passed legislation raising the Connecticut minimum wage to \$7.40 on January 1, 2006 and to \$7.65 on January 1, 2007, raising the annual income of a full time year round minimum wage worker to \$15,392 in 2006, and to \$15,912 in 2007.

² The federal poverty level for a family of four in 2005 is \$19,350. United States Department of Health and Human Services, *The 2005 HHS Poverty Guidelines: One Version Of The [U.S.] Federal Poverty Measure* (<http://aspe.hhs.gov/poverty/05poverty.shtml>).

³ Diana Pearce, *The Self Sufficiency Standard for Connecticut*, (Connecticut Office of Policy and Management, 1999).

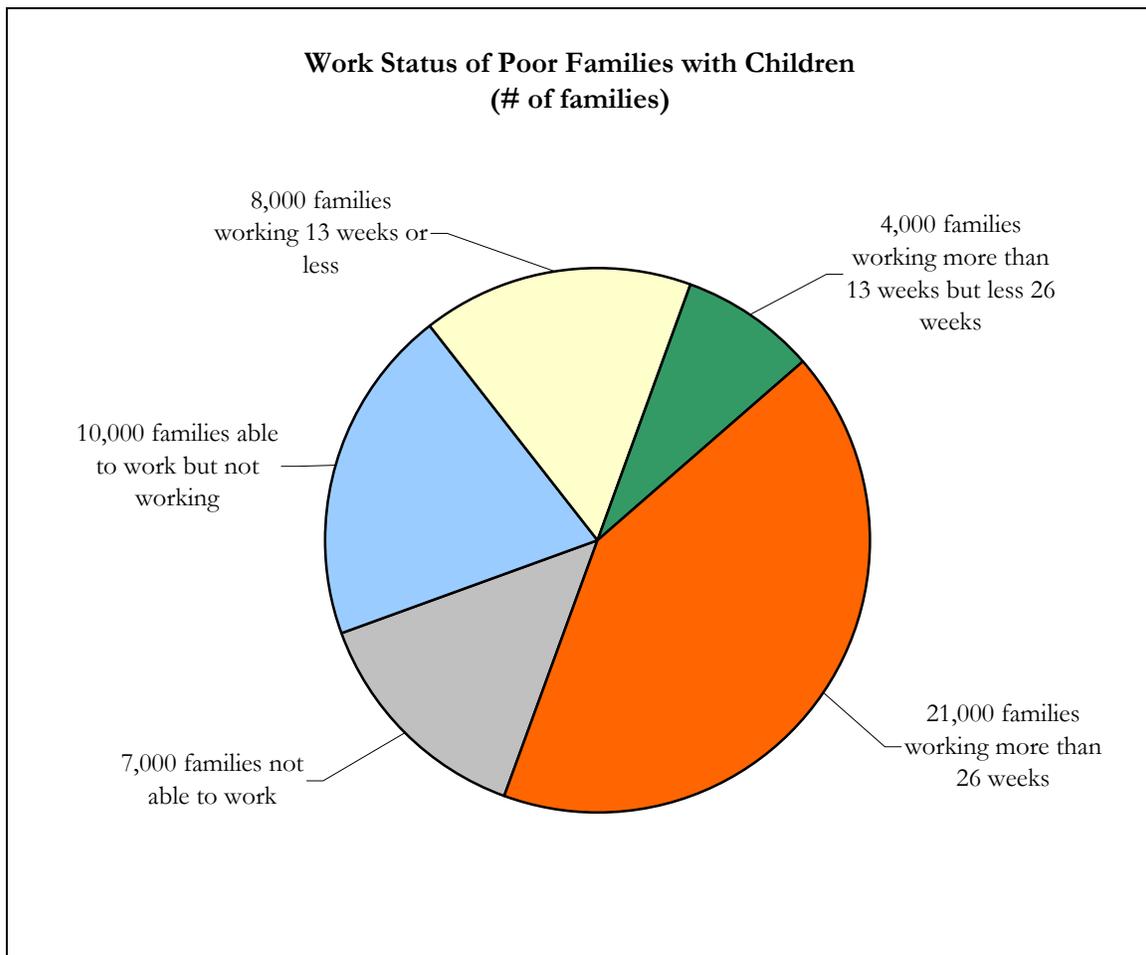
⁴ Based on a family with two children: one infant, and one school-age. These data are inflation adjusted to \$2005 using the Consumer Price Index for all urban consumers (CPI-U).

⁵ These ACS data have been provided to Connecticut Voices for Children by the Center on Budget and Policy Priorities through the State Fiscal Analysis Initiative.

The Working Poor

In 2003, 86% of the Connecticut families with children who had incomes below the federal poverty level had a parent who was able to work: 43,000 of the 50,000 poor families.⁶ This is the same percent as the national average.⁷ The remaining 7,000 families were headed by a parent who was *not* able to work (e.g., disabled or over age 65).

Of these 43,000 poor Connecticut families with a parent who was able to work, over three quarters (76%) had a parent in the workforce, and almost half (21,000 families) had a parent who worked more than 26 weeks over the course of the year.⁸ This is slightly less than the national average (of 54% working more than 26 weeks), and compares to a low of 28% in the District of Columbia and a high of 75% in Hawaii.



⁶ By 'able to work', this report means that at least one parent was both: a) under 65 years old; and b) not reporting a disability and out of the workforce. Unless otherwise indicated, these data are from the 2003 American Community Survey. Because these data are collected monthly throughout the year, and reference the previous twelve month period, they do not precisely correspond to the calendar year. For ease of use, they are referred here as '2003' data.

⁷ Montana and Utah led all states at 95%, while Rhode Island's 77% was the lowest rate. The remaining 7,000 families were headed by a parent who was not able to work. In some family units, for instance, disabilities may prevent parents from participating in the work force.

⁸ These data are based on the combined employment of the family householder and spouse.

Nationwide, 10.7 million people, including 6 million children, live in poor families in which parents work more than 26 weeks of the year. In Connecticut, there are 69,000 people in such families, including 40,000 children.

The Working ‘Near-Poor’

Expanding the universe to look at families who are ‘near-poor’ (defined as those in families with incomes greater than 100% of the FPL, but less than 200% of the FPL) gives a more complete picture of family economic self-sufficiency in Connecticut.

In Connecticut, 80,000 poor and near poor families had working parents in 2003, representing 86% of the 94,000 poor and near-poor families with children in Connecticut.⁹ Three quarters (75%, or 71,000 families) of Connecticut’s poor and near-poor families worked more than 13 weeks in a year, with most families (64,000) working more than half of the year. With 68% of poor and near poor families working more than 26 weeks, Connecticut falls below the national average of 77%.¹⁰ In fact, among the 50 states, Connecticut has the lowest percentage of poor and near poor families working 26 or more weeks in the year.

Nationwide, 38 million people, including 20 million children, live in poor and near-poor families in which parents work more than 26 weeks of the year. In Connecticut, there are 234,000 people in such families, including 128,000 children.

Conclusion

The majority of Connecticut’s poor families have a working parent, but nonetheless have a family income under the federal poverty level. Employment, long believed to be the most significant step on the path out of poverty, is no longer adequate. Indeed, too many families get stuck in employment cycles earning poverty level wages, with inadequate or no health insurance, and no accessible path to escape from the cycle.

For parents with low educational attainment, this path has grown even more difficult as Connecticut has shed many of its relatively high-wage manufacturing jobs that had been available to parents with a high school education or less, and gained low-wage service sector jobs that often trap families in poverty. These shifting employment trends make it even more difficult for the working poor to escape from poverty than in the past. As Bob Herbert noted in a recent New York Times column entitled “The Mobility Myth,” traditional conceptions about the ability of families and individuals to work their way from one social class to another may no longer be valid. With above average wage manufacturing jobs in Connecticut declining by more than 100,000 between 1990 and 2004, and low paying jobs in leisure and hospitality, education and health services growing, the stepping stones out

⁹ Idaho, Utah, Vermont, and Wyoming led all states at 95%, while the District of Columbia’s 72% was the lowest rate.

¹⁰ Among the 50 states and the District of Columbia, the proportion of working poor families working more than 26 weeks ranges from a low of 48% in the District of Columbia to highs of 85% or more in Hawaii (88%), Utah (87%), and Vermont (85%).

of poverty are both fewer and less solid than in decades past, particularly for families with low educational attainment.¹¹

Despite the fact that so many of Connecticut's families and communities are suffering the consequences of this pervasive cycle of poverty, *despite* working, many successful policy solutions that build ladders to help families lift themselves out of poverty are not being implemented. For example, unlike each of its neighboring states, Connecticut lacks a state level earned income tax credit. Efforts to expand family asset building opportunities through Individual Development Accounts have fallen short of their potential. Need-based aid for higher education – both state and federal – has been whittled away, eroding one of the few known paths out of poverty for families. Connecticut has also reduced funding for its child care subsidy (Care4Kids) program, as well as for many other supports for low-wage parents. Changes in these and other policies would enable Connecticut's working poor families to move along a pathway to economic self-sufficiency.

Connecticut is a state of incredible wealth. More effort needs to be made to ensure that all of Connecticut's families have the opportunity to share in, and in turn contribute to, the commonwealth of Connecticut. Entrenching the working poor is not the way to do that. Connecticut can do better.

¹¹ Economic Policy Institute analysis of Current Population Survey data, cited in Douglas Hall and Shelley Geballe, *The State of Working Connecticut, 2005*, (forthcoming, 2005).