CONNECTICUT VOICES FOR CHILDREN

Building Family Economic Security

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Children's health, safety, education, and well-being are largely dependent on their families' ability to make ends meet. "Economic security" means having enough income to meet basic needs and enough reserves to be protected against unexpected financial crises. In Connecticut, an increasing proportion of families are feeling insecure economically, with stagnating wages and rising costs. Today, too many Connecticut families are headed by workers who do not earn enough to meet basic self-sufficiency needs, who cannot afford decent housing, who cannot pay their ever-rising energy bills, who do not have access to preventive health care, and whose state taxes are disproportionately high. Who, in the end, bears the brunt of these problems? Our children. Children who grow up in impoverished homes do less well in school, have more health problems, have higher rates of teen pregnancy, and earn far less money over their lifetimes than their more affluent peers.

During the past 15 years, Connecticut's low-wage families have *lost* economic ground. What's more, many of the jobs that vanished during the last recession have not been regained.
Connecticut's lowest-income families experienced the nation's second largest drop in real (inflation-adjusted) income from 1991 and 2002. Connecticut's lowest-wage earners made less in 2005 than they did in 1990. That's due, in large measure, to structural changes in the state economy and meager, poorly targeted, public investments in job growth. Connecticut has seen a decline in good-paying jobs in the Manufacturing, Information and Management sectors and an increase in lower-paying service jobs, many of which do not provide health and pension benefits.

Even with the new service jobs, Connecticut's rate of job creation has been anemic when compared with other states. As of December 2006, Connecticut had regained only 65.2% of the jobs it lost in the most recent recession. And there is no sign that things are significantly improving. Connecticut's growth in the past year has lagged even the modest national and regional growth rates.

For many Connecticut families, the building blocks of economic security are crumbling.

Energy: Connecticut's cost of living is among the highest in the country. Electric energy prices are higher in Connecticut than in most other states and the District of Columbia. The deregulation of the energy industry in the late 1990s has produced mixed results and no clear benefit to families struggling to pay utility bills.

Housing: The good news is that thousands of new housing units are being built or restored in many Connecticut cities. The bad news is that many of these apartments and condominiums are priced far beyond the means of most city dwellers. At the same time, Connecticut housing prices have grown 3.5 times faster than Connecticut wages in the last five years. Now, in 157 of Connecticut's 169 towns, the median family income is too low to qualify a family for a mortgage to buy a house that is selling at the median sales price. Yet, housing has been a low priority of the state since the mid-1990s, when the Department of Housing was eliminated and housing was consolidated into the Department of Economic and Community Development.

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Wages: Connecticut workers throughout the income spectrum have lost ground in recent years. Over the long-term, from 1980 to 2005, modest wage gains by low-wage workers were dwarfed by dramatic gains among high-wage workers. However, between 2003 and 2005, real (inflation-adjusted) wages declined for low, middle, and high-wage workers (i.e., for all but the very highest-wage workers). These recent trends suggest that the vast majority of Connecticut's workers are not benefiting from the state's recent economic recovery.

Pay Equity: Women make up nearly 48 percent of the workforce in Connecticut and nearly one-quarter (24%) of all households with minor children are headed by women. Yet, Connecticut women, on average, earn only 74 cents for every dollar earned by men. For African-American and Latino women the ratio is worse: 57 cents for every dollar earned by their male counterparts. At the rate of progress being made by Connecticut women, they won't collect equal pay for comparable work until 2086.

Family Assets: Nearly 20 percent of Connecticut families are "asset poor." This means that they have so little in financial assets that they could not meet their family's basic needs for more than three months if family income was interrupted – even if they reduced their living expenses to the federal poverty level.

Connecticut's economic development initiatives have been misdirected. In the absence of a comprehensive, strategic state plan for Connecticut's growth and development, and with little capacity (and – until recently – interest) within state government to examine the returns on our public investment, Connecticut has squandered millions of dollars on companies that have moved out of state, failed to create the jobs that were promised, shuttered their doors or simply relocated from one Connecticut community to another. At the same time, areas of needed public investment that have high economic return – such as increased funding for our public colleges and universities to keep tuition affordable, and better public transportation – go wanting.

Connecticut should prioritize *proven* investments that develop our human capital, create and sustain high-quality jobs, and help *all* families to make ends meet.

- Overhaul the state's economic development policies so that tax incentives and economic development subsidies are subject to rigorous, periodic review to assure that the state is getting the economic return it expected and that the funds could not be better invested elsewhere;
- Increase our subsidies for high-quality child care so that more parents can enter the workforce confident that their children are in settings that are safe, healthy, and educational;
- Put more resources into affordable and supportive housing, and re-establish an independent Department of Housing;
- Explore ways to reduce Connecticut's high energy costs by enacting a tax on windfall profits and using the revenues to promote conservation and the development of alternative energy sources and restore funds to the Low Income Home Energy Assistance Program, the Connecticut Clean Energy Fund, and the Connecticut Energy Efficiency Fund;
- Adopt a state-level Earned Income Tax Credit that would put much needed money into the pockets of lower-income working people; and
- Invest in programs that build family assets (e.g., Individual Development Accounts and homeownership incentives).