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Pulling Apart in Connecticut: Income Gaps Grow More Than in Any Other State

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

A new report on income trends finds that over the last two decades, the gap in average, inflation-adjusted (“real”) income between wealthy and poor Connecticut families *and* the gap in income between wealthy and middle-income families have grown more in Connecticut than in any other state in the country. While real income for the poorest families in the state has declined since the late 1980s by 17%, the *largest drop* of any state, the wealthiest families have enjoyed an increase in their real income of 45%. Middle-income families have seen little change in their real incomes, which increased by only 5.1%. This percentage trend for middle-income residents was *the worst* 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 significant 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 increased child poverty, poor health outcomes, less affordable housing, gaping educational achievement gaps, and a reduced quality of life. To help reverse these trends, Connecticut Voices called for the public and private sectors to take responsibility for ensuring that all Connecticut families share in the economic growth of the state.

Among the report’s findings:

- **The gap between both Connecticut’s rich and poor families and between its rich and middle-income families is widening at a faster rate than in any other state.** The average income of the wealthiest fifth of Connecticut families is 8 times greater than the income of the poorest fifth, compared to 4.6 times in the late 1980s. The wealthiest families have income 2.7 times that of middle-income families, compared to 1.9 times in the late 1980s. *Both* of these increases in income inequality are the greatest among all states.

- **Connecticut is the only state in which real income for the poorest fifth of families declined significantly since the late 1980s.** On average, real income for low-income families in the U.S. increased by \$1,814 (11%), but in Connecticut, real income for these families actually declined by \$4,437 (-17%). In contrast, real income for Connecticut's wealthiest fifth of residents increased by \$52,400 (45%).

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:

- **The state should restore funding to programs that help lower-income families with children move up the income ladder.** Many of these programs have been cut by nearly half over the last 10 years, including child care, job training, housing assistance, energy assistance and safety net programs. The state also should invest significantly more in building the supply of affordable housing within Connecticut.
- **The state should increase our public investment in education and reduce educational disparities.** This 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 markedly increasing funding for need-based scholarships.
- **Connecticut should make its state and local tax systems more fair by enacting a more progressive income tax and creating 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.
- **Connecticut employers should pay wages that enable families to make ends meet and to share in the growth of the Connecticut economy.**

“Connecticut can have a strong economic future only if all our workers have the opportunity to earn incomes that make ends meet for their families,” said Douglas Hall, Associate Director of Research at Connecticut Voices for Children and co-author of the report. “We’re a state of great wealth, but we need to make sure that all of the state’s residents can contribute to and share in the state’s wealth.”

“It’s clear that the benefits of the past decades of economic growth in Connecticut have not reached low- and middle-income families,” said Shelley Geballe, President of Connecticut Voices for Children and co-author of the report. “Increased state support for all of these families is imperative, particularly as Connecticut’s economy begins to decline once again.”

Connecticut Voices for Children (www.ctkidslink.org) is a research-based policy and advocacy organization that works to advance strategic public investment and wise public policies to benefit our state’s children, youth and families. 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.

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