



Connecticut Leads the Nation in Multiple Measures of Income Inequality Joachim Hero, MPH

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Key Facts:

- Most recent Census data show that Connecticut and New York lead the nation in household income inequality, followed by Louisiana, Texas, Alabama, and Mississippi.
- In addition to having the second-most unequal household income distribution in the country, Connecticut, out of all US states, has had the greatest *growth* in household income inequality over the past several decades.
- Out of 250 Metropolitan Statistical Areas (MSA) throughout the nation,¹ MSAs in Connecticut² occupied *four* of the top five spots for increased income inequality. Stamford-Norwalk, Bridgeport, Waterbury, and Danbury ranked 1st, 3rd, 4th, and 5th, respectively, for the highest growth of income inequality in the country.

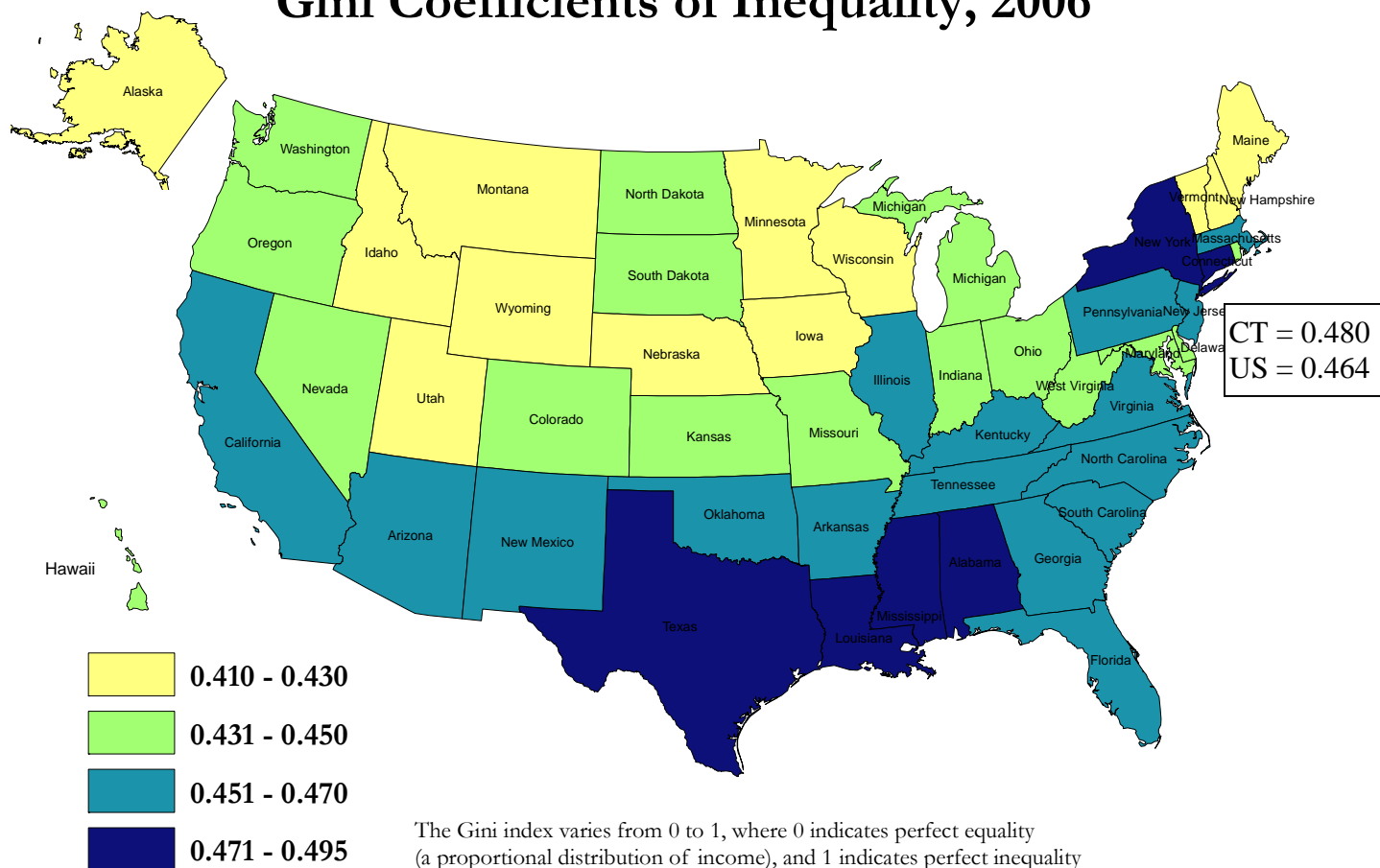
New York and Connecticut lead the nation in household income inequality. According to newly-released data from the United States Census Bureau, New York and Connecticut lead the nation in household income inequality, followed by Louisiana, Texas, Alabama, and Mississippi. The map below displays states categorized by their degree of household income inequality, based on a well-accepted index known as the Gini coefficient.³

¹ MSAs are defined by the federal Office of Management and Budget (OMB) for use by Federal statistical agencies in collecting, tabulating, and publishing Federal statistics. Each metro or micro area consists of one or more counties and includes the counties containing the core urban area, as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core.

² Stamford-Norwalk, Bridgeport, Waterbury, Danbury, Hartford, and New Haven are the Connecticut MSAs included in the 250 MSAs mentioned here. To see all of Connecticut's MSAs in 2000, go to: <http://www.bls.gov/lau/maps/necmpr.htm>.

³ The term Gini coefficient is often used interchangeably with the term Gini index, though technically the Gini index refers to the Gini coefficient expressed as a percentage. Also, note that the Gini coefficients reported here are calculated using before-tax income. Therefore, recent changes in the federal tax code, that have disproportionately benefited higher income persons, would not be directly reflected in the Gini coefficients used in this report.

Gini Coefficients of Inequality, 2006



Source: Connecticut Voices for Children analysis of US Census Bureau, American Community Survey, 2006

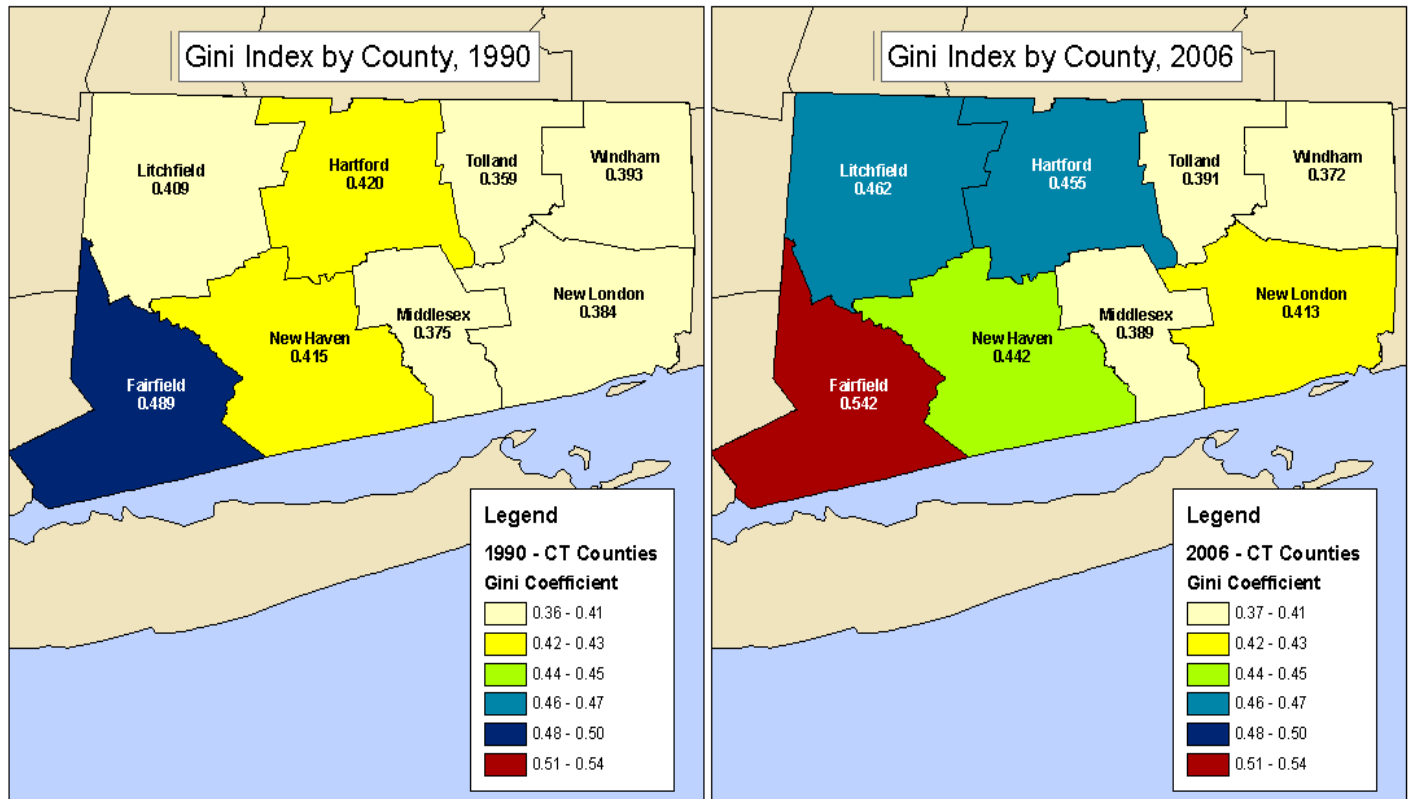
Measured by the Gini coefficient, in 2006 Connecticut had the second most unequal income distribution in the nation (Gini = 0.480), slightly less unequal than New York State (Gini = 0.495). Connecticut's high-income households—the top 20%—received over *half* (51.6%) of all the income in the state. The poorest 20% of the households in Connecticut had only 3.3% of all income in the state.⁴

Connecticut has the nation's fastest growing household income inequality. In addition to having the second-most unequal distribution of household income in the country, Connecticut, out of all states in the nation, has had the greatest *growth* in household income inequality over the past several decades. Between 1969 and 1999 (the most recent decennial census), Connecticut's Gini coefficient rose 22 percent (0.087 points), from 0.390 to 0.477.⁵ Nationally, household income inequality also has continued to grow in recent years, increasing 1.7 percent since 2002 (from 0.462 to 0.470 in 2006) and 3.3 percent over the past 10 years (from 0.455 in 1996 to 0.470 in 2006).

⁴ While these are similar to the national numbers (the top 20% of households with 49.9% of all income and the bottom 20% with 3.4% of all income), the national numbers are largely influenced by very populous states with pronounced income inequality such as New York, California and Texas.

⁵ United States Census, *Housing and Household Economic Statistics Division*. "Gini Ratios by State: 1969, 1979, 1989, 1999" Table S4.

Income inequality has grown in all but one of Connecticut's eight counties. With the exception of Windham County, where household income inequality has decreased, every county in Connecticut has had an increase in household income inequality since 1990. The map below shows Connecticut in 1990 and in 2006, with each county classified by its Gini coefficient. Fairfield County is by far the most inequitable of Connecticut's counties (and the 3rd most inequitable in the country) with a coefficient of 0.542 in 2006 compared to 0.462 in the next most unequal county (Litchfield). Litchfield County has seen the largest growth in inequality, rising 12.9% from 0.409 to 0.462 over this period.



Connecticut's urban areas lead the nation's urban areas in growth in income inequality. Income inequality is often more pronounced in metropolitan areas than in non-metropolitan areas. Recently, the Federal Reserve Bank of Boston calculated the change in income inequality between 1989 and 2004 for 250 metropolitan statistical areas (MSAs) in the United States. Among these 250, MSAs in Connecticut occupied *four* of the top five MSAs for increased income inequality. Stamford-Norwalk, Bridgeport, Waterbury, and Danbury ranked 1st, 3rd, 4th, and 5th, respectively, for the highest growth of income inequality in the country. Further down the rankings appear New Haven-Meriden (which ranked 30th) and Hartford (which ranked 79th).⁶

Why Connecticut is "pulling apart" so rapidly. Since at least the late 1970's, Connecticut has been pulling apart economically, with inflation-adjusted (real) wages among lower-wage workers remaining stagnant while wages among higher-wage workers increased. This trend has accelerated since 2001, with real wages having *fallen* for all but the very highest wage levels. Lagging wages have persisted even while productivity and profits in Connecticut have grown, a divide that has been occurring since the 1990s.⁷ Economic growth that is skewed in favor of the wealthiest Connecticut residents contributes to the increasing income inequality in our state, and undermines the

⁶ Gittel R., Rudokas J. "Changes in Income Distribution in New England." *Communities and Banking*, 18 (4). 20-23 (2007).

⁷ See Joachim Hero, Douglas Hall and Shelley Geballe, *State of Working Connecticut* (CT Voices for Children, September 2007). <http://www.ctkidslink.org/publications/SOWCT2007fullreport.pdf>

ideal that all families who contribute to the state's economic growth should benefit from it. The continued loss of high-paying jobs in the manufacturing sector and the concurrent rise in the number of lower-paying, non-unionized jobs are other factors contributing to income divergence.

Why income inequality matters. Research shows that income inequality has negative impacts on health, opportunity, and quality of life. Children who grow up in poverty have poorer health, higher rates of learning disabilities and developmental delays, and poorer school achievement. They also are far more likely to be unemployed as adults than children who were not poor. This extends the income gap between Connecticut's high and low earners into future generations.⁸

In addition, recent epidemiological research suggests that income inequality causes a shift in the income/life expectancy curve, so that almost everyone in a community pays the costs of inequality in health outcomes—not just the least well off. Income inequality is not only associated with higher all-cause mortality rates, but also with higher mortality rates from heart disease, cancers, homicide, and infant mortality across *all* income groups.⁹

What can be done? The continued increase in Connecticut's household income inequality is not simply an unfortunate and inevitable trend. Some government policies exacerbate income divergence while others can narrow it. Economists have predicted that making the 2001-06 federal tax cuts permanent, for example, would widen the income gap between high and low income earners.¹⁰ Conversely, the implementation of refundable state earned income tax credits (EITCs) or child tax credits would reduce after-tax income inequality by providing a wage subsidy to low-income workers. While 23¹¹ states have their own EITC and over 20 states have some form of child tax credit, Connecticut currently does not have state-level equivalents to either of these credits. Given the negative and compounding effect that economic inequality can have on a society, Connecticut cannot afford to ignore the growing divide between rich and poor when considering future policy alternatives.

⁸ Connecticut Voices for Children Special Report on Economic Security (CT Voices For Children, March 1998). <http://info.med.yale.edu/chldstudy/CTvoices/kidslink/kidslink2/reports/publications.html>.

⁹ See generally I. Kawachi, B. Kennedy & R. Wilkinson, *Income Inequality and Health* (New York: The Free Press, 1999); K. Lochner et al, "State-Level Income Inequality and Individual Mortality Risk: A Prospective, Multilevel Study," *American Journal of Public Health* 91(3):385-391 (2001)(showing that individuals living in high income-inequality states were at increased risk of mortality, compared with individuals living in low income-inequality states, and that near-poor whites had the greatest increase in mortality risk); I. Kawachi, "Letting the Gini out of the Bottle: Making Sense of the Evidence on Income Inequality, Social Cohesion, and Health," (March 11, 2002). <http://www.ksg.harvard.edu/inequality/Seminar/Papers/Kawachi.ppt>

¹⁰ The Effect of the 2001-06 Tax Cuts on After-Tax Incomes, 110 Cong. (2007). (testimony of Jason Furman. Retrieved 09/13/07)

¹¹ See Levitis, J., Koulisch, J., "A Majority of States with Income Taxes have Enacted State Earned Income Taxes" October 5, 2006. Center on Budget and Policy Priorities. Retrieved 10/25/07. <http://www.cbpp.org/10-5-07sfp.htm>