



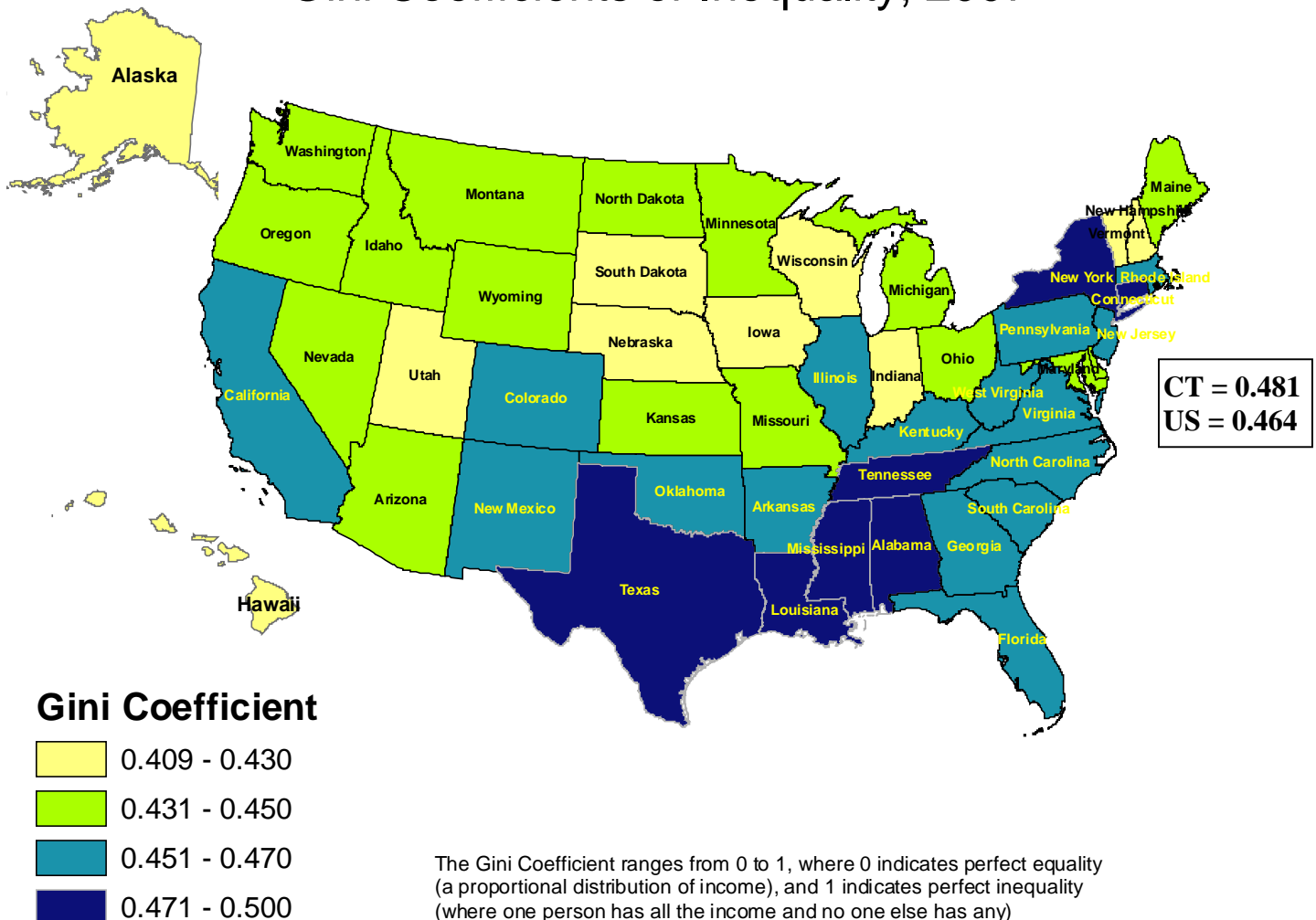
## Connecticut Leads the Nation in Multiple Measures of Income Inequality: 2007 Joachim Hero, MPH

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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 Mississippi, Louisiana, Texas, and Tennessee.
- 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.

## Gini Coefficients of Inequality, 2007

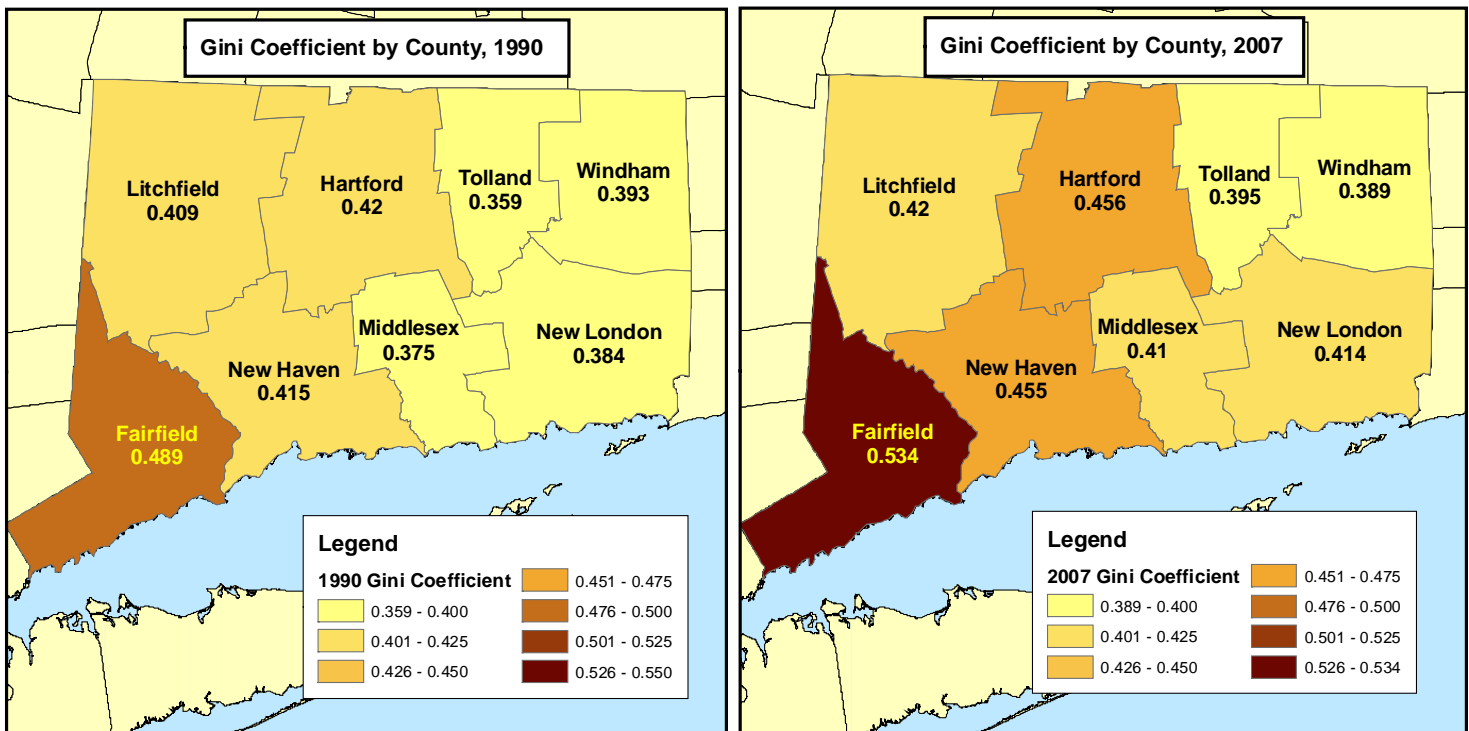


***New York and Connecticut lead the nation in household income inequality.*** According to the latest data from the United States Census Bureau, New York and Connecticut lead the nation in household income inequality, followed by Mississippi, Louisiana, Texas, and Tennessee. The map above displays states categorized by their degree of household income inequality, based on a widely used index known as the Gini coefficient.<sup>1</sup>

In 2007, Connecticut had the second most unequal income distribution in the nation (Gini = 0.481), less unequal than only New York State (Gini = 0.500). Connecticut's highest-income households — the top 5% — received a quarter (24.9%) of all the income in the state. The poorest 20% of the households in Connecticut received only 3.3% of all income in the state.<sup>2</sup>

***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 1979 and 2007, Connecticut's Gini coefficient rose 23 percent (0.091 points), from 0.390 to 0.481.<sup>3</sup> The national Gini coefficient, by comparison, only increased by 13 percent (.052 points) over this time.

***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 2007, with each county classified by its Gini coefficient. Fairfield County is by far the most inequitable of Connecticut's counties (and the 3<sup>rd</sup> most inequitable in the country) with a coefficient of 0.534 in 2007 compared to 0.456 in the next most unequal county (Hartford). Tolland, New Haven and Middlesex Counties have seen the largest growth in inequality, each experiencing a nearly 10% rise in the Gini over this period.



<sup>1</sup> 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.

<sup>2</sup> In the U.S., the top 5% of households received 22.5% of all income and the bottom 20% received 3.4% of all income. Data from: U.S. Census Bureau, "Shares of Aggregate Household Income by Quintile" 2007 American Community Survey. Table B19082.

<sup>3</sup> United States Census, *Housing and Household Economic Statistics Division*. "Gini Ratios by State: 1969, 1979, 1989, 1999" Table S4.

**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 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.<sup>4</sup> Economic growth that is skewed in favor of the wealthiest Connecticut residents contributes to the increasing income inequality in our state, and undermines the 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.<sup>5</sup>

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 between states, but also with higher mortality rates from heart disease, cancers, homicide, and infant mortality across *all* income groups.<sup>6</sup>

**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.<sup>7</sup> Conversely, much can be done on the state-level to make the tax structure more progressive—lightening the tax burden on those who can least afford it and asking more from those who can most afford it. Along these lines, 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 23<sup>8</sup> 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.

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<sup>4</sup> See Joachim Hero, Douglas Hall and Shelley Geballe, *State of Working Connecticut, 2008: Wage Trends* (CT Voices for Children, August 2008). [http://www.ctkidslink.org/publications/2008SWCTWages\\_Full.pdf](http://www.ctkidslink.org/publications/2008SWCTWages_Full.pdf)

<sup>5</sup> Connecticut Voices for Children Special Report on Economic Security (CT Voices For Children, March 1998). <http://info.med.yale.edu/chldstdy/CTVoices/kidslink/kidslink2/reports/publications.html>.

<sup>6</sup> 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); Backlund E. et al, “Income Inequality and Mortality: a multilevel prospective study of 521,248 Individuals in 50 U.S. States.” *International Journal of Epidemiology*. 36(3):590-6 (2007).

<sup>7</sup> The Effect of the 2001-06 Tax Cuts on After-Tax Incomes, 110 Cong. (2007). (testimony of Jason Furman. Retrieved 09/13/07)

<sup>8</sup> See Levitis, J., Koulish, J., “State Earned Income Tax Credits: 2008 Legislative Update” October 8, 2008. Center on Budget and Policy Priorities. Retrieved 1/27/09. <http://www.cbpp.org/6-6-08sfp.htm>