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# OVERLOOKED AND UNDERCOUNTED WHERE CONNECTICUT STANDS

## Executive Summary

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Permanent Commission on the Status of Women



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## STATE OF CONNECTICUT

In 1999, Connecticut created its Self-Sufficiency Standard pursuant to P.A. 98-169, An Act Establishing a Self-Sufficiency Measurement and Expanding Job Training Opportunities. In 2002, the Connecticut General Assembly enacted a statute (P.A. 02-54) requiring the Self-Sufficiency Standard to be updated by the state every three years. An update of the report was released in December 2005. *The Real Cost of Living in 2005: The Self-Sufficiency Standard for Connecticut*, can be found at [http://www.cga.ct.gov/pcsw/Publications/Self\\_SufficiencyCT05%20Full%20Report\\_12\\_13\\_05.pdf](http://www.cga.ct.gov/pcsw/Publications/Self_SufficiencyCT05%20Full%20Report_12_13_05.pdf)

## PERMANENT COMMISSION ON THE STATUS OF WOMEN

The Permanent Commission on the Status of Women (PCSW) was established by the Connecticut General Assembly in 1973. The Commission's mandate is to inform leaders about the nature and scope of sex discrimination, to serve as a liaison between government and private interest groups concerned with services for women, to promote consideration of women for governmental positions, and to work with state agencies to assess programs and practices as they affect women and girls. This report can be found on the PCSW's website at <http://www.cga.ct.gov/PCSW>. PCSW gratefully acknowledges funding for this report from the Connecticut General Assembly (CGA). The CGA has recognized the Self-Sufficiency Standard as a tool to strengthen Connecticut's economic competitiveness. This report will move Connecticut's economic agenda forward.

## CENTER FOR WOMEN'S WELFARE

The Center for Women's Welfare at the University of Washington is devoted to furthering the goal of economic justice for women and their families. Under the direction of Dr. Diana Pearce, the Center research questions involving poverty measures, public policy and programs that address income adequacy. The Center partners with a range of non-profit, women's, children's, and community-based groups to evaluate public policy, to devise tools for analyzing wage adequacy and to help create programs to strengthen public investment in low-income women, children, and families. For more information contact:



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# EXECUTIVE SUMMARY

A large number of Connecticut families are finding that their costs are rising faster than their wages. Comparing household incomes to bare-bones budgets, this report finds that 19% percent or nearly one in five Connecticut households lacks enough money to cover basic living expenses. Yet, according to the Federal Poverty Level (FPL), only one in three of these households is officially poor or in need. The remainder—two out of every three households—live in a “policy gap” where they have too much income to qualify for most supports, yet not enough to meet their most basic needs, especially as the costs of housing, health care, and other necessities skyrocket.

Using the Self-Sufficiency Standard for Connecticut and Census data, this report addresses these questions:

- How many Connecticut families are working hard but are not able to pay for their basic needs?
- Where do these families live?
- What roles do gender and/or race/ethnicity play in determining who has adequate income?
- How do education, occupation and employment patterns affect the chances of having adequate income?

The report finds that Connecticut families struggling to make ends meet are neither a small nor a marginal group, but rather a substantial and diverse proportion of the state. Married couples with children, families where parents work full-time, and people of all racial, ethnic, and educational backgrounds are part of the overlooked and undercounted in Connecticut.

## 1. THE SELF-SUFFICIENCY STANDARD FOR CONNECTICUT: A NEW MEASURE OF INCOME ADEQUACY

Though innovative for its time, many researchers and policy analysts have concluded that the official poverty measure, developed over four decades ago, is not only methodologically out of date, but also is no longer an accurate measure of poverty. Even the Census Bureau now characterizes the federal poverty measure as a “statistical yardstick rather than a complete description of what people and families need to live.”

The Self-Sufficiency Standard was developed to provide a more accurate, nuanced, and up-to-date measure of income adequacy. While designed to address the major shortcomings of the FPL, the Self-Sufficiency Standard also reflects the realities faced by today’s working parents, such as child care and taxes.

The Standard is a “bare bones” budget, and does not include any restaurant or take out food, savings, credit card or loan payments, or emergency funds. For Connecticut, the Standard is calculated for 23 regions and all possible household combinations. In each state, the Self-Sufficiency Standard is calculated using scholarly or credible public sources such as the U.S. Census Bureau. Data for the Standard are collected annually (at minimum), are age- and geographically-specific,

The Self-Sufficiency Standard describes the income required by Connecticut’s working families to pay for the basic needs of housing, food, child care, health care, transportation, miscellaneous costs, and taxes, on a region-by-region basis.

and are collected or calculated using standardized or equivalent methodology.

## 2. KEY FINDINGS

### One Out of Five Connecticut Families Lacks Income Adequate to Meet Their Basic Needs

Nearly one in five Connecticut households does not have enough income to meet their basic costs of living. This is almost three times the proportion officially considered poor in Connecticut, according to the Federal Poverty Level.

Families with inadequate incomes are found throughout Connecticut, but are the most concentrated in the five regions with the state’s major cities. These regions—Bridgeport, Hartford, New Haven, Stamford, and Waterbury—have proportions that range from 23 percent to 47 percent of households, well above the statewide average of 19 percent.

The costs for the same family composition in different geographic regions of the Connecticut also vary widely. In expensive regions such as Greater Danbury, Lower Fairfield, Stamford, and Upper Fairfield, costs range from 32 to 83 percent more (depending on family type) than in less expensive regions such as Bridgeport, Hartford, New Haven, New London, Northeast Corner, and Windham. Nevertheless, in spite of high costs, incomes in the higher cost regions are also higher, relatively and absolutely, so that the proportions below the Standard are generally lower in high cost than low cost regions.

### Families of Color are More Likely to Have Inadequate Income

While the *majority* of families with inadequate income in Connecticut are White, people of color are *disproportionately* likely to have inadequate incomes, particularly Latinos. Among race/ethnic groups (regardless of gender or family type), the highest percentage of households with insufficient incomes are found among Latinos (51 percent), followed by African-Americans (39 percent), Native Americans (27 percent), and Asian/Pacific Islanders (26 percent). White households are the least likely group to experience inadequate income with just over one in seven (14 percent) of the households having incomes below the Standard.

Most families in Connecticut lacking adequate income share the same characteristics as the majority of Connecticut families: nearly three out of five households are White, nearly nine out of ten are headed by U.S. citizens, and nearly two-thirds have children.

### Higher Rates of Inadequate Income are Linked to Foreign Birth and Non-Citizenship

For households in Connecticut the likelihood of having inadequate income is significantly higher if the householder is foreign-born (27 vs. 18 percent for native-born), and even higher if the householder is not a citizen (34 percent). Among immigrants or “non-citizens” of different ethnic backgrounds, Latinos have an even higher rate (53 percent) of income inadequacy than foreign-born non-Latinos (29 percent).

An anomaly emerges when citizenship and ethnicity together are examined, which can be explained in part due to the high number of Puerto Rican households in Connecticut. Native-born and non-citizen Latinos share equally high rates of income inadequacy (53 percent). About five-sixths of Latinos in Connecticut are Puerto Rican, who have a strikingly high rate of income inadequacy (56 percent).

### Women Who Maintain Families Alone, Especially Single Mothers, Have High Rates of Income Inadequacy

Households maintained by women (without or without children) are more than twice as likely to have income below the Standard as households maintained by men. Families with children—particularly families with children under six years of age—are more likely to have insufficient income. Overall, households with children account for nearly two-thirds of the households below the Standard.

Single parents have a greater likelihood of income inadequacy than married couples. The effect is much greater for single mothers, nearly half of whom lack adequate income compared to just over one-fourth (28 percent) of single fathers and less than one-fifth (18 percent) of married couples with children.

Single mothers also are more likely to be very poor (i.e., with incomes below the Federal Poverty Level *as well as* below the Self-Sufficiency Standard) than other families with children.

Households headed by women of color have even higher rates at which their incomes are below the FPL as well as below the Standard. Households with children maintained by women of color alone have the highest rates of income inadequacy: 80 percent for Latina single mothers, 69 percent for Black single mothers, 43 percent for Asian/Pacific Islander single mothers, compared to 45 percent for White single mothers.

In short, households headed by single mothers are three times as likely to have inadequate income as married couples with children.

## Education Reduces the Rate of Income Inadequacy, Especially for People of Color and/or Women

Householders with less education are much more likely to have insufficient incomes. Nearly half (46 percent) with less than a high school education have incomes below the Standard. The rate drops quickly as education increases, falling to just 8 percent for those with a college degree or more.

While increased education reduces income inadequacy for all race/ethnic and gender groups, two trends are clear. First, returns for increased education are greatest for women of color. Second, given labor market returns, women and people of color need more education to achieve the same level of economic self-sufficiency as White men. Women of color with a Bachelor's or advanced degree still have higher rates of income inadequacy than White men with just a high school degree (21 percent versus 15 percent).

## Employment is Key to Income Adequacy, but Not All Jobs are Equal

Although having stable year-round, full-time work is key to income adequacy, it is not a guarantee. Of the Connecticut households with inadequate incomes, 78 percent have at least one worker; in 36 percent of the households below the Standard, the householder is employed full-time, year-round. Only 11 percent of Connecticut households below the Standard receive public benefits.

Gender is clearly a factor that limits the impact of substantial levels of work. Even when women householders work full-time, year-round, over half the households headed by single women with children lack adequate income.

Whether the householder is male or female, the wage level, rather than the occupation, has the most impact on the rate of income inadequacy. As the data show, seven of the top ten occupations for households with incomes below the Self-Sufficiency Standard are also in the top ten for *all* Connecticut households. Therefore, employment within these seven occupational groupings results in adequate income for some households, but inadequate income for others.

While full-time, year-round work (regardless of the occupation) is an important protection against income adequacy, households with incomes above the Standard work only about 31 percent more hours than those below. However, their wage rates vary greatly. The hourly wages of householders above the Standard are more than twice those below the Standard (\$29.22 per hour versus \$11.76 per hour). If householders with incomes below the Standard increased their work hours to match those with incomes above the Standard, that would only close about 21 percent of the wage gap, while earning the higher wage rate of those above the Standard, with no change in hours worked, would close 79 percent of the gap.

Thus, families are not poor because they lack workers or work hours, or because they are working in the “wrong” occupations, but because their wages within their occupations are inadequate to meet basic expenses.

## 3. RECOMMENDATIONS TO CLOSE THE GAP

*Where Connecticut Stands* shows that there is a need for Connecticut's policymakers and for our economy to address structural issues. This is especially true in light of a rapidly changing competitive global economy and a diverse, aging workforce. There are many strategies Connecticut can consider to address income adequacy and economic development.

This report also finds disparities in earnings for women and people of color. Affirmative action policies and enforcement of employment laws which prevent discrimination should be strengthened. Leadership and attention to pay equity initiatives can also address the gaps. This report clearly identifies specific areas for initiatives targeted to the Latino community, women (especially single parent families) and urban residents. Highlights follow.

### Targeted State Investments

**Improve affordability and access to continuing education** including high-technology training rather than training for low-wage, low-skill jobs. Investments in skilled occupational and incumbent worker training as well as adult education should be expanded.

**Invest in sustained sector initiatives.** The state should create strategic grants through the Department of Economic and Community Development which target new technologies and higher wage jobs. These could include industry clusters such as alternative energy, high-tech manufacturing, and allied health technologies. Such targeted development would allow Connecticut DECD to leverage previous investments in career ladder pilots and build on successful programs.

**Expand access to asset-building strategies, including individual development accounts (IDAs).** Such initiatives could begin with financial literacy education for youth, low-income households, and other targeted populations. IDAs enable families to build short- and long-term economic security by investing in savings, retirement plans, cars, homes, tuition for higher education, and create self-employment opportunities such as starting a business.

**Expand micro enterprise support and development especially targeted to women, the Latino community and urban residents.** Investments should consider the size and revenues of the enterprise, targeting the very smallest. Micro enterprises employ twice as many people as the top 25 employers in Connecticut combined and generate billions of dollars in revenues. Women- and minority owned enterprises are a significant and growing part of our economy.

## Tax Policy

**Institute a state Earned Income Tax Credit (EITC).** Increased earnings can be addressed through state tax policy as well. State EITCs have proven to be one method to reduce poverty. Twenty-one states have enacted EITCs that piggyback on the federal credit and build on its success. Connecticut is the only New England state with an income tax that does not have a state EITC. Low-wage families stand to gain up to \$900 per year if enacted.

**Provide tax incentives for business that offer sustainable family and work policies.** Tax credits could be offered to small and mid-size businesses that offer paid sick or family leave, flexible work schedules and reduced work week options.

## Income Support

**Reduce living expenses.** Many Connecticut families are struggling to make ends meet, but have incomes too high to qualify for public programs. Income eligibility levels for subsidized housing, health, child care, food and energy should be raised to help bridge the gap between low wages and basic needs for working families. Asset tests for public assistance benefits should be raised or in some cases, eliminated.

*The Self Sufficiency Standard for Connecticut* demonstrated that child care on average consumes from 30 to 39 percent of a family's budget. Expanding subsidized child care options for working families could have a significant impact on income adequacy for families with young children.

These types of supports are essential not only to assist those employed in the service sector, but to help small businesses grow and strengthen their viability by enabling them to recruit and retain a stable workforce.

Service sector jobs are expected to remain in high demand in Connecticut for years. It is likely that individuals employed in this sector of the state's economy will need to rely on such supports to sustain themselves and their families.

**Increase wages.** Raising the minimum wage in Connecticut lifts the economic well-being of residents at the lowest levels. Some communities have undertaken living wage campaigns to index minimum wages to the cost of living, especially housing costs for a given geographic area, such as a city or town.



Connecticut households with inadequate income are part of the mainstream workforce. These findings should guide public policies which enable Connecticut households to achieve and sustain economic self-sufficiency while supporting the advancement of the Connecticut economy. ***Our challenge is to make it possible for all Connecticut households to earn enough to meet their basic needs while supporting targeted economic development efforts in a changing state.***