

Mind the (Wealth) Gap

Rich state, poor state: Dispatches from down-and-out Connecticut

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Thursday, June 05, 2008

By Fairfield County Weekly Editorial



Sean Corbett photo

Main Street, Bridgeport: a man rests in the shade with all of his belongings in a cart

The Big, Poor Picture

His name is Bob, and more than 35 years ago he attended the prestigious Foote School in New Haven. Tonight, in a bitter twist, Foote School eighth-grade volunteers are dishing out food to him at the city's Downtown Evening Soup Kitchen. Bob is 53. He's worked all his life. But three years ago he swallowed his pride and, for the first time, walked through the doors of the soup kitchen. Despite a consistent stream of steady low-wage "temp" jobs, after rent and other expenses, there just isn't enough for food. "I don't want to come here everyday," he says. "But, these companies now, they don't want to pay a decent wage. They use you as a temporary [worker] so they don't have to cover your insurance. I don't think its right, but that's what's going on now."

Connecticut has always been a state of haves and have-nots, but our economic challenges have helped widen the gap between them into a yawning chasm. A new report from Connecticut Voices for Children (CVC), a research and advocacy group for low-income families with offices in New Haven and Hartford, offers a stark analysis: Connecticut is the only state in the nation to see a significant decline in the real wages of the poorest 20 percent of state residents.

From the late 1980s until 2006, the poorest 20 percent of families on average lost \$4,437 of their income. The figure contrasts sharply with a gain of \$1,814 for such families across the country. It's time to toss out any notion that our progressive state has a social safety net, or that we offer a

welfare state even vaguely like Sweden's. It's not a long drive from the mansions of Greenwich to public housing in Bridgeport, New Haven and Hartford, but it's a whole other world.

Connecticut is a good place to be rich. Our state—which provides bedroom communities for many New York-based hedge fund millionaires—saw a dramatic income rise among its wealthiest residents. The lucky top fifth saw their incomes jump 45 percent, or a whopping \$52,439 (the second highest dollar increase in the nation). Connecticut's richest residents earn on average eight times as much as its poor. Twenty years ago, it was only 4.6 times as much.

One of the revelations of the report is that even the middle class is suffering. Their real income increased only 5.1 percent in the period studied, putting Connecticut near the bottom of all states.

The numbers look bad, but they're actually worse than they seem, since the study data ends in 2006, before the current recession started. The poor were dealt a further blow last week. In what State Rep. Zeke Zalaski (D-Southington) called a "sad day for Connecticut's lowest wage earners," Republican Gov. Jodi Rell vetoed a bill that would have raised the state's minimum wage to \$8.25 by 2010.

Connecticut soup kitchens and food pantries report dramatic increases in patronage in just the last year. "We're certainly seeing an increase in the people coming in for food," says Sister Theresa Fonti, co-director of the House of Bread Soup Kitchen in Hartford. "There's more working class and working poor families. Their money isn't lasting long enough to buy food after paying for gas and expensive utilities."

Jill Bruno, director of veterans affairs for the City of Bridgeport, operates a food pantry for local veterans. "When the food pantry started two and a half years ago, we served 12 families a month," she says. "Now it's around 65 to 75. The increase isn't because of returning Iraq veterans, it's the economy. The average working family is having a hard time paying rent and buying gas and food." Moved by the need, Bruno also volunteers for the Feel the Warmth program, which feeds up to 150 people on Thursday nights at United Congregational Church in Bridgeport.

Why is the income gap increasing? The answers are readily available. "We're a state of great wealth," Doug Hall, associate research director of CVC says. "On most average indicators we do pretty well—we have the highest per capita income in the country, for instance. But the high end of hedge fund managers masks the fact that we also have people on the low end who are really struggling. These folks have been losing ground since the late 1980s."

One important factor, Hall says, is the loss of unionized manufacturing jobs that paid wages that could support a family. "We have significant concentrations of poverty in the larger cities that once offered factory employment," he says. "That job base isn't there anymore, and as a result wages have declined across the board in Connecticut, particularly at the lower end.

We're all familiar with the high school graduate whose only option is minimum wage at McDonald's—and even there the competition is stiff."

The CVC report points out that income inequality leaves more children living in poverty, a background likely to lead to a lifetime of learning disabilities, poor school performance and a high likelihood of adult unemployment.

The group's wish list is largely wishful thinking in 2008. It includes reducing educational disparities in a state with high percentages of school segregation; restoring funding to state programs for lower-income families (the strapped legislature is actually moving in the opposite direction); a livable wage (real wages are declining); and progressive tax reform to give families a state earned income tax credit.

Jared Bernstein wrote the new book *Crunch: Why Do I Feel so Squeezed?* He's also senior economist at the Washington-based Economic Policy Institute, which co-authored a national study that accompanied CVC's work. "Connecticut is a microcosm—a lot of the underlying trends that drive inequality are right there in the Nutmeg State," Bernstein says. "Hedge fund managers can sit down at the table with all the chips leveraged by globalization to demand incomes inconceivable a decade ago. The top five hedge fund managers brought home \$12.6 billion. Meanwhile, the disadvantaged are truly stuck in a very immobile economy—the ladder out is harder to reach, and the rungs are further apart."

Bernstein also sees "a hollowing out of middle-class opportunities," symbolized by the loss of jobs, often unionized, paying \$50 to \$80 an hour to employees who did not necessarily have a college degree. "Those jobs in manufacturing just aren't there anymore, or they're not paying what they used to," he says, adding that he sees opportunities in "green tech"—energy-efficiency projects to reduce fuel bills for public buildings, schools and businesses.

The Center on Budget and Policy Priorities was also a co-sponsor of the national study, and senior fellow Elizabeth McNichol agrees with Bernstein that the poor are stuck. "Even if people can find jobs, they lack a support structure—quality child care and transportation," she says. "The state cut assistance in these areas and has never restored that funding. Unfortunately, the poor are likely to be hit again with further cuts, and at the worst possible time."

—*Jim Motavalli*

Mike Sabel contributed reporting

Minimum Wage and The Income Gap

The National Low Income Housing Coalition released a report earlier this year, *Out of Reach 2007-08*, that created a side-by-side comparison of wages and rents in every county and metropolitan area across the nation. According to the report, in Bridgeport the Fair Market Rent (FMR) for a two-bedroom apartment is \$1,171. In order to afford this level of rent and utilities without paying more than 30 percent of income on housing, a household must earn \$46,840 annually under a 40-hour work week. In New Haven, the FMR for a two-bedroom apartment is \$1,142. A household needs to earn \$45,680 annually to afford it. In Hartford, the FMR for a two-bedroom apartment is \$985. In order to afford it, a household needs \$39,000 annually.

The minimum-wage worker in Connecticut earns an miserly hourly wage of \$7.65. In order to afford a two-bedroom apartment that worker must work 110 hours a week, 52 weeks a year, the

study shows.

Carla Miklos, executive director of the Fairfield-based anti-poverty organization Operation Hope points out the painfully obvious fact that “what is striking about these figures is that many people we depend on in our community are not making it. Day-care workers, school bus drivers, after-school providers, service workers like the person who makes your coffee in the morning, cares for your elderly parents, makes the appointments at the doctor’s office, or does your dry cleaning—these are all just some of the people who may be struggling to make ends meet.”

“When you look at it from another angle,” adds Miklos, “if [the] minimum wage is just over \$7 an hour, then a worker who earns minimum wage needs to hold three full time jobs to get by. That just doesn’t make sense.”

Earlier this month, low-wage workers were hopeful when a bill passed both houses of the legislature raising the hourly wage. But hope fell flat when Gov. Jodi M. Rell, on May 27, vetoed the bill. In a statement, Rell said, “There is no doubt that families, particularly low income families, have been hurt by our strained economy. We all feel the pinch when buying groceries, filling up the gas tank and heating our homes. Yet we must also realize that Connecticut employers face these same financial pressures and are having an extremely difficult time making ends meet.

“We cannot take a chance on hurting families or employers by signing another minimum wage increase into law at this time,” the governor said. “Businesses have told me that they would not be hiring if the wage hike went into effect. Employers that are now operating on the margin may be forced to close or leave Connecticut to more business-affordable states, resulting in job losses that will undermine the already fragile foundation of financial security for thousands of families.”

The last time Rell signed an increase to the state minimum wage was two years ago when the state’s wage was at \$5.85 an hour.

—*Erin Lynch*

Affordable Housing

Residents across the state are struggling with the heartbreaking choice of paying for rent this month or paying for food, paying the gas bill or paying for medicine. Operation Hope, in an effort to assist people who are either homeless or at-risk of homelessness, provides a variety of resources, services and programs in Fairfield County including an 18-bed shelter for men, a five-bed shelter for women, a two-unit shelter for families, a community kitchen and a food pantry. Additionally, the organization owns and operates 36 units of affordable, supportive housing throughout the county in an effort to create permanent housing for those in need of stable housing.

The non-profit has expanded its services throughout the years to address root causes of homelessness with its Readiness Project, which helps people achieve stability and independence by gaining work and life skills, and the Star Program, which helps formerly homeless people stay

in their existing homes through goal planning, crisis intervention and counseling.

“We know that our interventions can help, but food pantries and community kitchens are not permanent solutions,” says Operation Hope director Carla Miklos. “Through our homeless prevention efforts we see that the choices people have to make often lead to placing their housing security in jeopardy. We can step in on a one-time basis, but larger changes need to occur to really create stability for so many we see who are at-risk.

In an effort to create larger changes across the state, Operation Hope supports a state “earned income tax credit for low-wage earners which would slightly decrease the income gap. The organization, Miklos says, also “encourage[s] policy makers to look at our state’s energy policies and begin to recognize that if Connecticut residents pay the third-highest price in the nation for energy, those on the lower end of the pay scale are struggling to heat and light their homes...and of course, we like to highlight affordable and supportive housing—housing that allows people to pay a fair rent based on 30 percent of their household income and provides support services to help individuals and families stay successfully housed.”

Operation Hope has teamed up with Central Connecticut Coast YMCA, Interfaith Housing Association of Westport and **St. Luke’s Lifeworks of Stamford** to create Fairfield ’08, an alliance geared toward eliminating chronic homelessness throughout the county.

The goal, says Miklos, is to create 1,750 affordable housing units in the county. The alliance is part of a statewide effort to expand the amount of affordable housing, with a focus on supportive services, called “Reaching Home.” Miklos says the state goal is to create about 10,000 affordable housing units.

—Erin Lynch

Zoning Practices

Municipalities are increasingly turning to inclusionary zoning practices (IZPs) to try and address the lack of affordable housing in Connecticut. IZPs are planning ordinances that require that a given share of new construction create housing for people with low to moderate incomes. “This is important because all types of housing are needed in the community and whether you are a young person, working family or senior, everyone is in need of housing they can afford,” says Miklos.

Mayor Bill Finch says he is currently “negotiating an inclusionary process in Bridgeport” and says the rest of the state should look to what Stamford has done with such an ordinance.

“We like the idea,” he says.

Stamford is a pioneer in the practice of inclusionary zoning. Mike Freimuth, director of the Office of Economic Development, says Stamford joins only Boston among municipalities in New England with such ordinances on the books.

Stamford, Freimuth says, created the zoning ordinance in 2002 after “there was an obvious conclusion that there was a growing gap in affordable housing.” At that time state programs

“were diminished” and “federal programs were drying up.”
The city had to do something.

Stamford placed an ordinance in the city’s master plan stating that developers looking to build housing complexes with ten or more units must mark ten percent of those units as affordable or pay a fee of \$168,000 for each unit.

As an example, Freimuth says, if a developer creates a 100-unit housing complex, it needs to include ten affordable housing units, or pay a fee to the city of \$1.6 million. That money goes into the city’s housing fund.

To date, Stamford has been able to build 100 units of affordable housing “with a few major projects in the pipeline.” \$5 to 10 million has been placed in the housing fund since 2002.

“It’s not an easy project, but it has been working for us...and it’s probably the only way you can get affordable housing these days,” says Freimuth.

Inclusionary housing can work anywhere, Freimuth adds; it’s not just a city thing. “It can definitely work in Fairfield. It can work in Westport. It can work in Greenwich. The market is strong in those communities. They just have to want to do it.”

—*Erin Lynch*

Income Disparity Writ Large

Connecticut Voices for Children’s April report, “Connecticut Economy: Current Trends in Employment, Unemployment, and Income,” says that Connecticut “is either headed toward, or is currently experiencing, an economic recession.

Employment levels have dipped sharply downward, unemployment has risen faster than the national rate, and incomes for many Connecticut residents have flat-lined or declined.”

By March 2008, the report says, the state had experienced three straight months of job loss, losing 3,400 jobs since February, and 7,200 since the state’s employment peak in December 2007. “The three-month decline in employment from December 2007 to March 2008 is the largest three-month employment decline in Connecticut since 2003.”

The report also says that “Sector-by-sector analysis shows that virtually every major employment sector in Connecticut has been experiencing either decline or stagnation.” Only the education and health care professions experienced “significant job gains” during that period, according to the report.

In March 2008 the state’s unemployment rate was 5.3 percent; the rate has also increased since a year ago. “For the first time since 1997, unemployment in Connecticut has been higher than the national rate for two consecutive months,” the report says.

The state’s low- and middle-income families are far more vulnerable today than they were in the

2000 recession, according to the report. Unemployment is twice as high as it was eight years ago and “incomes, hurt by persistent real-wage erosion in spite of general economic growth, are now lower for the poorest Connecticut residents than they were at the end of the 1980s.”

Part of the disparity across the state, says Carla Miklos of Operation Hope, is the result of a process of deindustrialization. When many of the factories and manufacturing plants closed across the state, unemployment rose, crime skyrocketed and many of those sites became eyesores and environmental damages. Who’d want to live around that? Except for people who can’t afford to live elsewhere—nobody.

“We were a small state with thriving cities during the heyday of manufacturing. Connecticut was filled with amazing hubs of activity but as times changed the jobs left and the money and interest kind of went with them,” Miklos says.

Chris Cooper, spokesman for Gov. M. Jodi Rell, acknowledged that there is a disparity between the rich and the poor across the state but says, “Connecticut is a very wealthy state, and so in some respects that’s not surprising. [Connecticut] has twice as many millionaires as any other state, and the number of Fortune 500 companies has grown substantially—and overall, these are good for our state.”

“Some of the gap is fueled by the extraordinary salaries paid to a very tiny number of people who are CEOs or work for hedge funds,” explains Cooper. “That doesn’t mean that [Connecticut] turns a blind eye to those who are not as well off and Connecticut does an outstanding job of providing support services.”

Rell, he says, “believes the only real way to make a difference in the lives of children and families is through education. That is why she has focused so intently on early childhood education and making unprecedented investments in education from kindergarten through college.”

—Erin Lynch

Solutions

Asked about the class disparity in the state, Bridgeport mayor Bill Finch is characteristically frank: “I don’t think it’s going to change until we have a progressive income tax. In order to solve the problem with poverty you need money. Connecticut is blessed with tremendous wealth but we have a flat income tax and a regressive property tax, it’s the worst of both worlds,” Finch said.

Finch says that having people with higher disposable incomes pay more in taxes will create additional services and address the disparity in education, the need for universal health care and affordable housing across the state. If those things are not addressed, Finch says, “The gap will grow.”

Finch adds, “Shame on us for not solving the problem...but what we lack is the will to change the system.”

Connecticut Voices for Children issued a study, “Income Gaps are Harming Connecticut’s Children,” last month that touched on the exact points that Finch is discussing.

According to the report, although Connecticut is a wealthy state, one in four or 25 percent of the state’s children live in families with an annual income under 200 percent of the federal poverty level, which is \$33,200 or less for a family of three.

It’s no question that children in low-income families fared worse than their peers in higher-income families but what is shocking is that poor children are “at least twice as likely” as children of higher incomes to:

- Have health problems
- Be overweight
- Have emotional or behavioral difficulties
- Exhibit problem behaviors
- At risk for developmental delay (speech comprehension or motor skills)
- Have a learning disability
- Lack of participation in after school activities
- Have a parent in poor health
- Lack of trustworthy/supportive neighbors

The report also states that the disparity across the state “threatens Connecticut’s economic strength and quality of life. It is in the best interest of everyone in the state for Connecticut to better support all of its children’s potential to succeed in life.”

Finch says, “Most families will be better off if we start children all in pre-K and offer an equal education for life. Right now in our state we do not have a universal pre-K system or universal health care and we need those things.

“I think by offering programs to our kids based on their race and the amount of money their parents make is an un-American value. We have harmed and under-served these kids because of the wealth of their parents,” Finch says.

Bridgeport, Finch says, is trying to address the need for more pre-K slots and affordable housing by working with the city’s Board of Education to take recently decommissioned schools and turn them into affordable housing, with pre-K schools on the first floor.

—*Erin Lynch*