BRIDGING TOUGH TIMES FOR CONNECTICUT'S FAMILIES

As 2010 ends, economists say the *Great Recession* is over, but it doesn't appear to be so in Connecticut.[1] Across the state, the classic signs of a recession—high unemployment and consumer belt-tightening—are still evident. Unemployment in Connecticut continues to hover at 9 percent, but Connecticut economic analysts believe this is a significant undercount, as it does not include people who would like to work but are no longer looking or those who are working part time but would like to work full time.[2] Job growth in the state is expected to be sluggish into 2011.[3] The state's working parents and their children are still not out of the woods.

Despite a brighter national forecast, 2,000 foreclosure filings were recorded in Connecticut during September.[4] In June 2010, the retail vacancy rate of towns in the Greater Hartford area topped out at almost 1 million square feet above the rate for May 2009—enough space to fill four large malls.[5] In September, AT&T announced that it would lay off 150 workers due to reductions in land-line usage, a reflection of the many ways families are trying to cut back on spending.[6] The Connecticut Department of Labor reports that the construction trade continues to bleed; between June 2007 and August 2010, the sector lost 27 percent of its jobs—500 in August 2010 alone.[7]

Helping Families Through Troubled Times

Families—caught in the economic downturn—are relying on the public safety net in record numbers. Over the past three years, food pantries, soup kitchens, and homeless shelters in Connecticut have seen an alarming increase in families and working individuals seeking assistance. But is Connecticut's safety net strong enough to catch and hold those who have little in reserve to carry them through the crisis?

State and federal programs such as Supplemental Nutrition Assistance Program (SNAP), formerly Food Stamps; the HUSKY health insurance program for children, families and pregnant women; Connecticut Energy Assistance Program; and others are also experiencing increased demand related to the economic downturn. As Connecticut policymakers confront the state's deficit, **safety net programs must not be the place where the budget is balanced**. Similarly, the federal government must continue to extend Unemployment Insurance in order to prevent further hardship among those who are still experiencing the reality of lost jobs and diminished family fortune.

The Great Recession and What the Numbers Tell Us

In the early days of the recession, information about its effects was hard to find. Now, two years after the first rumblings, surveys and data analyses are confirming the difficult times business, consumers, and families have had.

<u>Feeling the Effects, Changing Behavior</u>

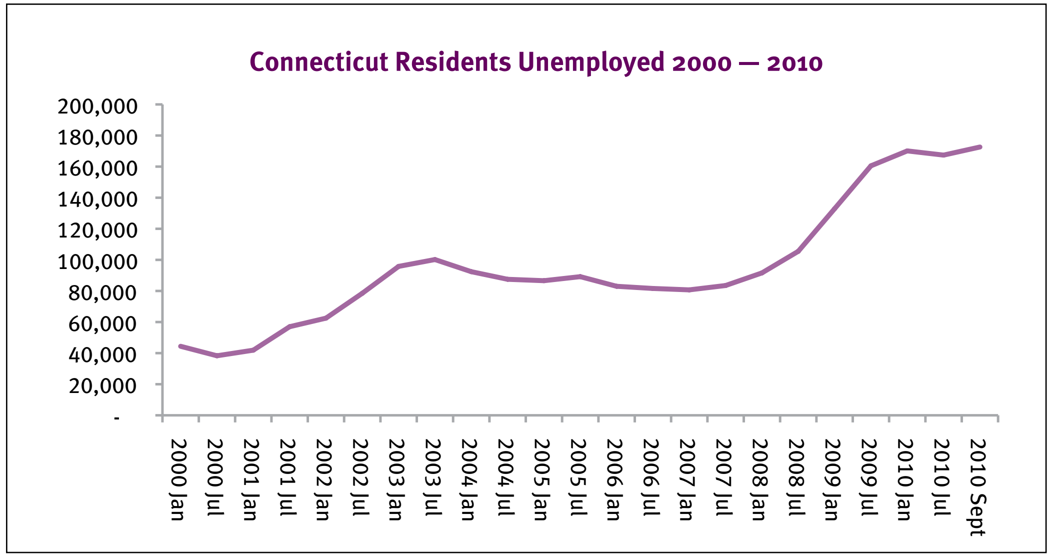
According to a U.S. poll released on June 30, 2010 by the Pew Research Center, 55 percent of all adults in the U.S. labor force (i.e., working or looking for employment) said they had experienced unemployment, a cut in pay, a reduction in work hours, or involuntary part-time employment since the start of the Great Recession at the end of 2007. The average length of time a worker was unemployed was almost six months, nearly double the time reported at the previous peak of unemployment in 1982-83.[8]

When asked how they have responded to the recession, almost two-thirds of respondents described themselves as more thrifty in spending (62 percent), having diminished expectations for their financial future and that of their children (26 percent—up from 15 percent in 2004), and concerned that a correction on their family finances and house values will take several years to occur (63 percent). Almost half (48 percent)

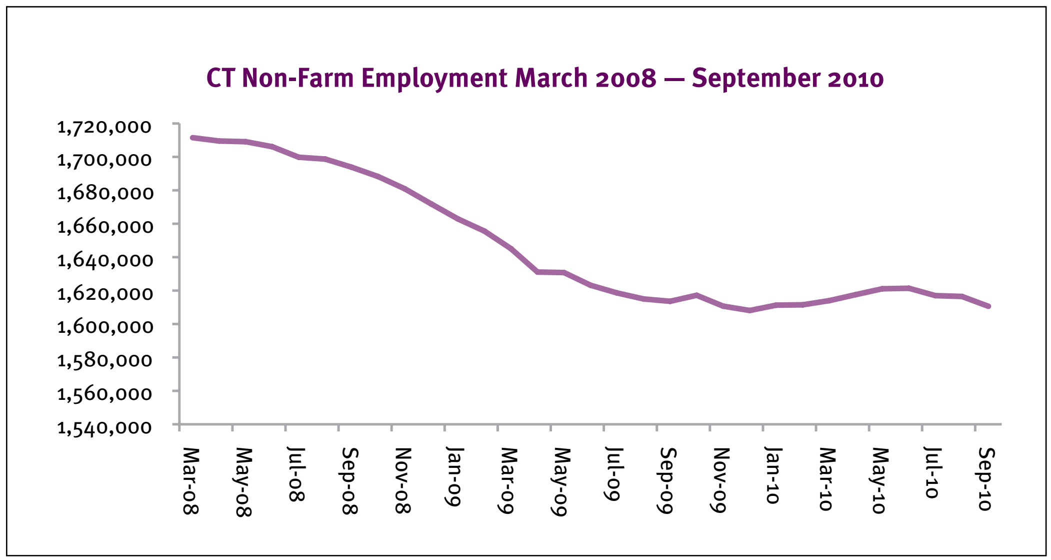
Nationally, Who Has Been Affected by the Downturn?

- Blacks, Hispanics, and young adults have experienced disproportionate job loss.
- Middle-aged adults have lost large sums in house values, household finances, and retirement savings.
- Men have lost more jobs than women.
- The household wealth of Blacks and Hispanics, already lower on average, experienced a greater decline than that of Whites.
- Those without a high school diploma have been hit harder across most indicators than those with a college degree or more.

Source: Pew Research Center. (2010). *A Balance Sheet at 30 Months: How the Great Recession Has Changed Life in America*. Washington, DC.



Source: Connecticut Department of Labor. (2010). *Connecticut Workforce Trends – Economic Scorecard*. Workforce Score Card, Indicator #5. Retrieved November 12, 2010 from http://www1.ctdol.state.ct.us/lmi/workforcetrends.asp



Source: Connecticut Department of Labor. (2010). *Connecticut Workforce Trends – Economic Scorecard*. Workforce Score Card, Indicator #1. Retrieved November 12, 2010 from http://www1.ctdol.state.ct.us/lmi/workforcetrends.asp

said they were in worse financial shape at the time of the survey than they were before the recession. Statistics confirm these perceptions as the wealth of the average American household shrank by approximately 20 percent, the deepest decline in the post-World War II era.[9]

Extensive Job Loss

On October 8, 2010, the U.S. Bureau of Labor Statistics released its jobs report, confirming that the economy was still stagnant. The national unemployment rate remained at 9.6 percent. There were 14.8 million unemployed people across the country.[10] Overall, 95,000 jobs were lost in September, primarily as school districts laid off teachers and other staff because of budget shortfalls. Only 64,000 jobs were created by the private sector, primarily in lower-paying, part-time, or short-term positions.[11] Job creation was happening but at a much slower pace than needed to get the country back on track. According to the Economic Policy Institute, if job creation remained as slow as it was in October 2010, it would take 20 years for the country to reach the pre-recession unemployment rate of 5 percent. To narrow that time frame to five years, the country would have to create 300,000 jobs each month.[12]

The current recession comes on the heels of Connecticut's very weak recovery from the 2001 recession. It was not until the second quarter 2007 that the state regained the level of jobs that existed in December 2000.[13] Between March 2008 and December 2009, more than 85,000 jobs were lost in the state.[14] Like the rest of the nation, Connecticut has experienced some rebound in employment since the end of 2009, but job creation has been overshadowed by job loss as 2010 comes to a close. During the first two quarters of 2010, Connecticut public and private employers added almost 9,000 jobs, but in the third quarter 2010 eliminated almost 11,000 jobs.[15]

During this recession, workers of all income levels were not hit with job loss to the same extent. According to *State of Working Connecticut, 2010* published by Connecticut Voices for Children, job reductions were significant among moderate- and low-paying occupations while the number of jobs paying the highest wages actually increased. Occupations that gained positions paid above $31.56 an hour. Approximately 13,450 jobs with this level of pay were added by Connecticut employers between May 2006 and May 2009. The greatest loss was seen among middle-income positions, those paying between $18.52 and $24.18 an hour, which includes workers such as carpenters, truck drivers, and bookkeepers.[16]

Similarly, workers of color were disproportionally hit by unemployment. What is considered a recession for White workers has been called a depression for Black and Hispanic workers.[17] Connecticut's unemployment rate in 2009 for Whites was 7 percent, for Hispanics 13 percent, and for Blacks 16 percent.[18]

Sustained Earnings Losses

Connecticut longitudinal data from 1993 through 2004 suggest that during mass layoffs, a worker can experience an earnings loss of over 30 percent. Six years post job loss, the estimated earnings reduction levels out to between 12 percent and 15 percent.[19] The size of the loss and the pattern of earnings recovery are greatly influenced by the general economy at the time of the layoffs. Those who lose their jobs during recessions appear to have a larger earnings loss than those who lose their jobs during other periods in an economic cycle.[20] Analyses of these data, conducted prior to the current downturn in the economy by University of Connecticut faculty and Connecticut Department of Labor researchers, suggests that job displacement between 2007 and 2009 could pose extreme financial hardship for those groups that experienced the greatest job losses—Blacks, Hispanics, males of all races, middle-age workers, and youth.

Measuring Economic Insecurity

One measure of the declining economy comes from a group of researchers headed by Yale Professor Jacob Hacker, best known for his development of *Health Care for America*, a plan to insure those with inadequate or no health insurance through employer plans or a public option which served as the basis for President Obama's original health care plan.

The Economic Security Index (ESI) measures the share of Americans who (1) have lost 25 percent of their inflation-adjusted available household income from one year to the next and who are unable to replace this lost income, (2) have experienced an increase in health care costs, or (3) a combination of the two. The ESI shows a marked increase in economic insecurity in the past 25 years and greater insecurity among those in the lowest-earning segment of the population.

The ESI authors estimate that when numbers for 2009 become available, approximately one in five or 20 percent of Americans will have experienced at least a 25 percent decline in household income. The authors also determined that on average it takes a worker six

Declining Income and One Strategy to Divert Layoffs

From the *Connecticut Economic Digest*, we learn that the average annual wage of Connecticut workers decreased from $58,334 in 2008 to $57,755 in 2009, a drop of $579. Data show that this is only the second time annual per employee pay has decreased since 1969. Since the start of this recession, many employers have taken advantage of the Shared Work Compensation Program, an alternative financial solution for employers facing a reduction in business. Participation is voluntary and allows employers to reduce hours and wages rather than lay off some or all of their employees. In 2009, 20,364 Shared Work Compensation claims were processed by the Connecticut Department of Labor, an increase of 1,030 percent from 2008. While this strategy allows workers to remain employed, it also means their families are making do with less income.

Source: Doukas, Jr., E.T. Connecticut Employment and Wages: A 2009 Review. *The Connecticut Economic Digest*. Connecticut Department of Labor and the Connecticut Department of Economic and Community Development. August 2010, Vol. 15, No. 8.

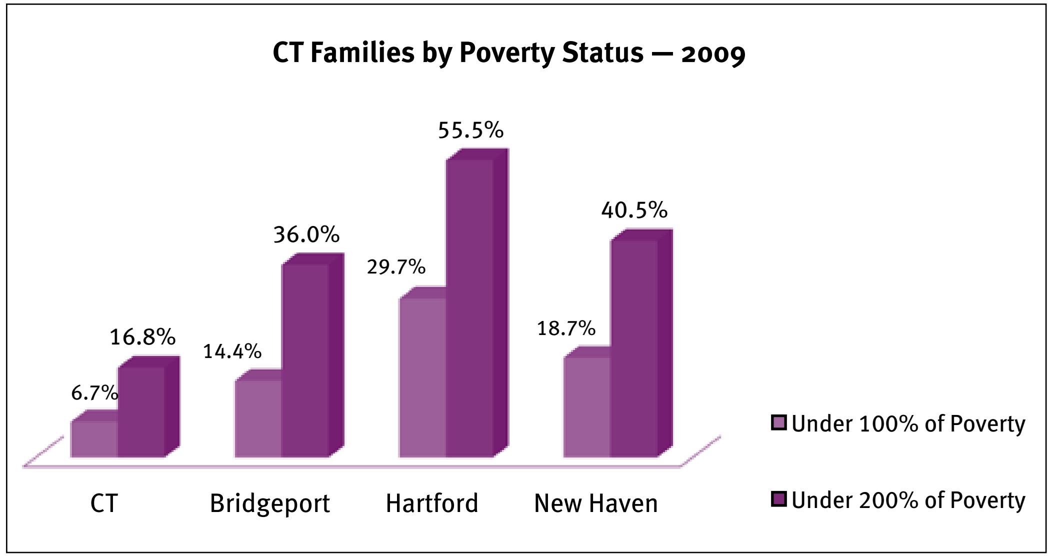
to eight years to replace income which has declined by that extent.[21] Hacker and his colleagues have not yet developed state-level calculations using the ESI.

Foreclosures Continue

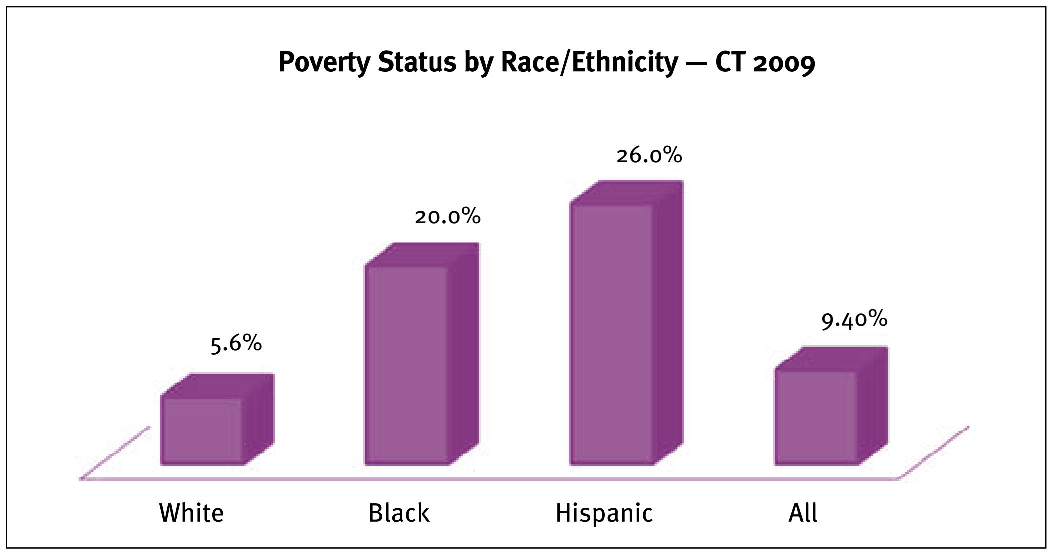
The interconnection between the Great Recession and the housing bubble is common knowledge. Causes of the bubble and the housing market collapse are still being debated—from mortgage-backed securities and the subprime mortgage boom to related low interest rates, nearly non-existent down payment requirements, and quick credit approval. While Connecticut homeowners have experienced their share of foreclosures, the problem has not hit our state as hard as it has others such as Arizona, Florida, and California.

While no neighborhood was immune to the foreclosure crisis, those with large numbers of minority homeowners seem to be hardest hit—the neighborhoods where subprime mortgages were most frequent. National foreclosure rates for Black and Hispanic populations were three times as high as the rate for Whites.[22] According to a report released by the Center for Responsible Lending, almost 8 percent of homeowners of color were likely to lose their homes compared to less than 5 percent of White homeowners.[23]

By mid 2010, Connecticut numbers showed that homeowners were still in distress. After a decline during the spring and early summer, the number of filings rose in July. In September, 2,000 filings were reported, constituting a 16 percent increase over August numbers. In October, Connecticut ranked 26th among the states on filings per household, or one in every 695 Connecticut homes had filed for foreclosure, much lower than the national rate of one in every 371 homes.[24]



Source: U.S. Census Bureau. 2009 *American Community Survey*. Table B17026. Ratio of Income to Poverty Level of Families in the Past 12 Months.



Source: U.S. Census Bureau. 2009 *American Community Survey*. Tables B17001, B17001A, B17001B, B17001I. Poverty Status in the Past 12 Months by Sex by Age for Whom Poverty Status is Determined.

Poverty and the Gap between Rich and Poor

According to the American Community Survey of the U.S. Census Bureau, in 2009, 6.7 percent of Connecticut families had income less than the Federal Poverty Level (FPL); 16.8 percent had income less than 200 percent ($44,100 in annual income for a family of four). The numbers are far more startling when we look at family income in our three largest cities. In Bridgeport, 14.4 percent of families had income below 100 percent FPL; 36.0 percent had income below 200 percent FPL. In Hartford, 29.7 percent of families had income below the poverty level, while 55.5 percent had income under 200 percent of poverty. Similarly, 18.7 percent of New Haven families had income below the poverty level, while 40.5 percent had income less than 200 percent of poverty.[25]

Connecticut residents experience poverty disproportionately by race. Connecticut's overall poverty rate in 2009 was 9.4 percent, according to the American Community Survey of the U.S. Census Bureau. While White, non-Hispanic residents had a poverty rate of 6.7 percent, the poverty rate among Blacks was 19.8 percent and among Hispanics was 26.0 percent.[26]

Census data also illustrate the disparities between families at the upper income levels and those at the bottom. In 2009, Connecticut along with New York, Texas, and the District of Columbia had the largest gaps between rich and poor in the country.[27]

The Effect of Poverty and Job Loss on Children

Many in Connecticut have been lucky in terms of the Great Recession—job loss has been avoided, a financial cushion spared a fall into poverty, or the family safety net caught them before the public one was needed. A significant share of Connecticut families, however, continues to face the turmoil of unemployment and foreclosure. Children are by far the most vulnerable during times of economic downturn.

Shocks to family income can adversely affect children by reducing the quality of food a family can afford (which can in turn affect cognitive and physical development); access to timely medical care if insurance coverage is lost; or access to quality child care or preschool when the cost becomes too much for a one- or no-paycheck family to afford. Children are also affected by the family's general anxiety level, increases in domestic violence, or the trauma of losing one's home. An economic downturn, for children and their parents, is not only a point-in-time difficulty. Recessions and lost family income negatively affect the life chances of all family members far into the future.[28]

Even before the national economic crisis, studies showed the negative impact of poverty on children. National experts examined longitudinal data on family income over the course of children's lives—from birth to age 30, measuring the relationship of childhood poverty to adult outcomes. What they found has major implications for the long-term outcomes of children and families caught in the downslide of the Great Recession.

Findings include the following:

- Children who are born into poverty and spend many years in poor families have worse adult outcomes than those in high-income families.
- Being poor at birth is a predictor of later family income; 31 percent of White children and 69 percent of Black children who are born poor spend at least half of their childhoods in poverty.
- Over one-third of children are poor at some point in their childhood.
- Few children who are poor for multiple years experience a single extended period of poverty;

Connecticut Task Force on Children in the Recession

On June 16, 2009, Speaker of the House Christopher Donovan announced the formation of the Speaker's Task Force on Children in the Recession. The purpose of the Task Force was to identify ways to meet the immediate needs of Connecticut's youngest and most vulnerable people in this unprecedented economic downturn. Speaker Donovan named State Representatives Diana Urban and Karen Jarmoc to co-chair the Task Force; members represented experts and nonprofit children's advocates.

At public hearings held across the state, the Task Force heard from youth and their parents about how the recession has impacted their lives and how they struggle to make ends meet and keep their families together. From information gathered at the hearings and from child advocates and experts, the Task Force crafted and succeeded in passing House Bill 5360, which was ultimately signed by the Governor.

The bill requires that whenever the state unemployment rate reaches 8 percent, a leadership team from across state agencies come together to collaboratively seek solutions to address the immediate needs of children and families. The bill also requires improved delivery of services, such as the Care 4 Kids program, SNAP/Food Stamps, unemployment, and health care. The Task Force, the first of its kind in the country, has received national recognition.

Source: Connecticut Commission on Children. (2010). Commission web site. *Children in the Recession Legislative Task Force*. Information Page. Retrieved November 17, 2010 from http://www.cga.ct.gov/coc/taskforce.htm rather families cycle into and out of poverty over the period of a child's life.

- Children who are poor at birth are three times less likely to complete high school than their non-poor peers.
- Similarly, girls who are born poor are three times more likely to have a child as a teen than those who are not.
- Only a third of persistently poor boys go on to have consistent employment as adults; only half of persistently poor girls are consistently employed as adults.[29]

Other studies have shown that children who spend more than half of their childhoods in poverty earn on average 39 percent less than median income, experience diminished life-time health quality, and are more inclined toward criminal behavior as adults.[30]

Safety Net Programs

For many families who have lost income and earnings, making it through the current recession means patching together a number of supports from state and federal governments. Participation in most of these programs is dependent on income eligibility and can be time-limited.

Among the most prominent safety net programs available for Connecticut residents are:

- Temporary Family Assistance (TFA), a federal program which Connecticut administers, provides income supports for parents with children (see page 16 for TFA data and changes to program participation that reflect the effect of the recession on children and families);

Additional State and Federal Safety Net Programs

- Unemployment Insurance (UI). Under the American Recovery and Reinvestment Act (ARRA) of 2009, a number of improvements were made to the federal, state, and employer-funded program. All told, a Connecticut UI recipient is eligible to receive a payment for the basic 26 weeks along with two federal extensions—an Emergency Unemployment Compensation payment for an additional 33 weeks and a second Extended Benefits for another 13 weeks, for a total of 79 weeks. Both extensions had expired at the time of this writing and were awaiting a vote by Congress. Under ARRA, UI recipients collecting the standard benefit and those who qualified for extensions received an additional $25 per week. Connecticut's seasonally adjusted unemployment rate in September 2010 was 9.1 percent, slightly less than the U.S. rate of 9.6 percent. In September, there were 5,565 average weekly initial claims.[33]
- The Connecticut Energy Assistance Program (CEAP) offers benefits for eligible homeowners or renters to help pay for primary heating bills. CEAP recipients are eligible based on their income and vulnerability classification.

  CEAP offers additional programs to help low-income families pay their winter heating expenses. These include: Contingency Heating Assistance, Crisis Assistance, Safety Net Services, Weatherization Assistance, Refugee Assistance, and CEAP Furnace Repair or Replacement. If a household is not eligible for CEAP or has used up CEAP benefits, they may be eligible for Operation Fuel, a private nonprofit program which provides emergency energy assistance.[34]

  CEAP, which is funded in part by the federal Low-Income Home Energy Assistance Program, helped 82,956 households pay their heating and other energy bills last winter, according to the Connecticut Department of Social Services. Record numbers of households are enrolled in CEAP. At the time of this writing, the program was projected to run out of funds by mid-December due to a drop in federal funding; state policymakers had not yet determined whether to continue the program or close enrollment to families.[35]
- Emergency Homeless Shelters. On January 27, 2010 the fourth annual Point in Time Count (PIT) was conducted of homeless individuals living in shelters on one night across Connecticut. PIT 2010 revealed that a total of about 3,818 individuals were living in homeless shelters. Half of the nearly 4,000 homeless individuals were located in Connecticut's three largest cities, Hartford, Bridgeport, and New Haven. Seventy-four percent of families were homeless as a result of being unable to pay rent or were evicted. Children in families accounted for about 20 percent of homeless individuals.

  The recession was claimed by many to be the cause of their first homeless experience. PIT 2010 found that 46 percent of adults with children and 40 percent of adults without children were experiencing homelessness for the first time. Connecticut's Emergency Shelter system has been working at overcapacity since March 2009, according to the Connecticut Coalition to End Homelessness. By July 2010, emergency shelter utilization in Connecticut was at 104 percent.[36]

- SNAP, also a federal program formerly known as Food Stamps, helps put food on the table (see page 18 for SNAP data and a description of how the recession and eligibility guidelines have impacted growth in SNAP usage);
- School Lunch and School Breakfast Programs, both federal programs which provide food through public schools and support the nutritional foundation for learning (see page 20 for School Meals data);
- HUSKY insurance, a combination of state and federal programs, can replace health benefits lost along with a job (see page 42 for HUSKY data and a description of recent state and federal changes to the program);
- Care 4 Kids, the state's child care subsidy program, makes it possible for low-wage families to work (see page 12 for Care 4 Kids data and a history of funding and eligibility changes that have occurred over the past few years).

Connecticut's Fiscal Crisis

In November 2010, after the gubernatorial, legislative, and Congressional elections, Connecticut's Office of Fiscal Analysis (OFA)—a nonpartisan office of the state legislature—published its statutorily required annual budget analysis. OFA projected the current-year (SFY11) budget deficit at $83 million, over twice as much as that projected by Governor Rell's administration.[37]

Connecticut's new governor and legislative policymakers will soon face the daunting task of balancing the state budget. Decisions made during the 2009 and 2010 legislative sessions have left them with few options at their disposal. OFA projects significant deficits in SFY12 – SFY14 ranging from $3.32 billion to $3.67 billion or 15.4 percent to 18.3 percent of the state budget. The deficits increase significantly in these out-years as the one-time infusions (about $2.4 billion in SFY11) of federal stimulus funds, rainy day funds, economic recovery revenue bonds, surplus funds, and transfers are no longer available.[38]

A Fair Way to Balance Connecticut's Budget

Connecticut families are still feeling the impact of the economic downturn. Economists are predicting that unemployment nationally could remain high for the next 12 months or longer. Children of parents who have lost employment or have filed for foreclosure are the most vulnerable to sustained income declines, susceptible to a number of negative outcomes that may result from poverty and reduced income. The state's future economy will be dependent on how our children fare now.

Connecticut's safety net programs have been straining to function because of budget reductions for several years, even before increases in demand due to the recession. **In order to help families through the anticipated jobless recovery, Connecticut policymakers must remember promises made during the 2010 elections—a balanced state budget must not come at the expense of those who can least afford to lose the state's safety net.**

The state's fiscal crisis also presents policymakers with the opportunity to change the way Connecticut does business. Revenue increases are needed along with smart budget cuts that will benefit Connecticut in the long run. Policymakers need to look for those cuts beyond the safety net.

A recent report from the University of Connecticut, titled *A Very Deep Hole Indeed* by Peter E. Gunther and Fred V. Carstensen, calls for a number of fiscal reforms. Included among them are efficiency-based cuts rather than across-the-board spending reductions, restructuring a dysfunctional revenue base, providing stimulus with bonding capital projects, and spurring private-sector investment and job creation. The November 2010 *Connecticut Economic Outlook* states that cutting the state budget by $2 billion, without offsetting policies and actions, would stifle job growth, significantly increase the unemployment rate, and reduce state revenue. Further effects could include increased public-sector costs and ultimately outmigration of working adults.[39]

A host of wise leaders inside and outside of state government can help the new administration and legislature think about how to put the state's fiscal house in order. Ultimately, we must invest in children and families, put people to work, and prepare Connecticut for the difficult economic reality that we must face over the next several years.

Endnotes

1 According to the Business Cycle Dating Committee of the National Bureau of Economic Research (NBER), which met on September 20, 2010, the U.S. recession that started in December 2007 ended in June 2010. The Committee only noted the end of the downturn; it did not state that economic conditions were favorable or that an uptick had occurred. According to the Pew Research Center, there can be a lag time of a year or more between when the NBER declares a recession over and the official date when a recession is retrospectively declared over.

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CONNECTICUT TOWN POPULATION ESTIMATES 2009