Income and Poverty Developments in Connecticut and Massachusetts in the CAP Service Area

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July 2002

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Introduction

The economic well being of the population of an area is closely associated with the strength of the labor market in that area. The labor market determines the employment and earnings of the population. Although the overall income of a person is derived from earned as well as non-earned sources, the largest single source of income for most individuals consists of earnings from the labor market. Therefore, the economic well being of most persons is strongly associated with their earnings from the labor market.

In a previous paper, we analyzed the population, labor force and employment developments in the CAP service area.[1] The CAP area had an anemic population growth of 1.4 percent between 1990 and 2000. In contrast, the nation and the New England region respectively saw their population grow by 13.2 percent and 5.4 percent. Moreover, all of the population growth in the CAP region was attributable to immigration. While the total population of the region increased by 19,000, the number of immigrants increased by 45,000 or 2.3 times the increase in the region's population. In he absence of immigration, the population in the CAP area would have declined during the 1990s.

While we do not yet have data to analyze the characteristics of the immigrant population in the CAP area, analyses of the characteristics of the immigrant population in the U.S. has revealed that immigrants are generally younger, less educated, and have lower levels of literacy proficiencies and English language proficiencies than native-born persons. It is primarily these characteristics that reduce their labor market success in securing jobs and earning wages high enough to avoid poverty.

The working age population of the CAP region grew by only 0.5 percent while the labor force, which constitutes the supply side of its labor market, declined by 2.2 percent during the 1990s. Nationwide, the labor force grew by 11.5 percent over the same time period. The entire decline in the CAP region's labor force was attributable to a decline in the labor force attachment of the working age population. The labor force participation rate of the working age population declined by nearly 2-percentage points

[1] Paul Harrington and Neeta Fogg, "Population, Labor Force, and Employment Developments in Connecticut, Massachusetts, and the CAP Service Area, July 2002.

from 67 percent in 1990 to 65 percent in 2000, resulting in 16,500 fewer people in the CAP region's labor force.

The job creation performance of the CAP region in the post-1991 time period was also very poor. During the 1990s, total employment in the region grew by 4.3 percent compared to 11.7 percent in Connecticut and 20.5 percent in Massachusetts. Moreover, job losses in the CAP region's manufacturing and finance, insurance, and real estate industries were disproportionately large which also led to poor wage growth in the area.

Slow growth in the population, employment, and wages and a decline in the labor force of the CAP region are indicative of a weak labor market in the region. As noted above, the labor market performance of an area has a strong impact on the economic well being of the population of that area. The two most widely used measures of the economic well being of the population are income and poverty rates. Incomes measure the standard of living and the poverty rate measures the economic hardship of the population. This paper contains an analysis of the income and poverty developments in the communities located within the CAP service area. Also presented are trends in the incomes and poverty in New England states and the United States.

Trends in Real Median Household Incomes

One of the most widely cited measures of the economic well being of households and families is their median income. The median income represents the income of the family or household that lies at the center of the distribution of families or households by their income levels. The median income measure is not sensitive to extreme values in the distribution and does not measure the true distribution of income around the median. The mean income, which is simply an arithmetic average, is sensitive to extreme values in the distribution. Together, the mean and median income levels can be used to assess changes in the distribution of income. For example, if the mean income in a community rises faster than the median income, it means that the income increases in the community were concentrated at the higher end of the income distribution.

Because data on mean incomes from the 2000 decennial census are not yet available, we cannot make the mean-median income comparisons to determine the degree of inequality in the distribution of income in the CAP region. Employment declines in the manufacturing sector and increases in the services industry in the CAP region likely reduced the incomes of less educated workers while increasing the earnings of the highly educated and well-to-do workers. Moreover, the huge influx of immigrants in the region likely led to an increase in the workforce at the lower end of the labor market, further suppressing wages at the lower end as well as creating a larger group of low wage workers. These developments point to a worsening of the income distribution in the CAP region. The release of additional data from the 2000 decennial Census by the Census Bureau will enable us to test this assertion.

Findings from our analysis of trends in the real median household incomes in each of the New England states and the nation are presented in Table 1. Between 1989 and 1999, the real (inflation-adjusted) median income of the nation's households increased by a modest amount, $1,600 or 4 percent. Households in the New England states performed even more poorly compared to their national counterparts. The median income of households in three New England states declined while the remaining three states saw their real median household income increase by less than 2 percent over the past decade. Households in Connecticut lost ground with a median income loss of nearly 4 percent whereas households in Massachusetts saw their median incomes increase by only 1.7 percent between 1989 and 1999.

The recession of the early-1990s hit the New England region particularly hard. The region lost 650,000 jobs or nearly 10 percent of its employment base. The nation, on the other hand lost j 1.7 million jobs accounting for a job loss of 1.6 percent. Moreover, the economic recovery from this recession in the New England region was slow and it took the region more than five years before it recovered all the jobs that it lost during the recession. A reversal of the job and income losses from the recession did not start until the mid-to late-1990s when employment and incomes in the region began to grow more rapidly. However, three states in the New England region have yet to return to the pre-recession levels of median household income.

Table 1:
Trends in the Real Median Household Income in Each New England State and the U.S., 1989-1999

State	1989	1999	Absolute Change	Relative Change
Vermont	40,040	40,856	816	2.0%
Connecticut	56,073	53,935	-2,138	-3.8%
Maine	37,436	37,240	-196	-0.5%
Massachusetts	49,663	50,502	839	1.7%
Rhode Island	43,251	42,090	-1,161	-2.7%
New Hampshire	48,826	49,467	641	1.3%
U.S.	40,395	41,994	1,599	4.0%

Although data on median household incomes are unavailable for the entire CAP region, findings from our analysis in each of the four counties that comprise the CAP region reveal that the real median household income eroded in three out of four counties. On the measure of household income growth, the CAP region fared worse than the two states in which it is located. Massachusetts had wide geographic disparities in the economic performance of different areas within the state. While Eastern Massachusetts and particularly the Greater Boston area managed to recover from the recession in the late-1990s, the western part of the state did not fully participate in the recovery. The real median income of households in Franklin and Hampshire counties remained almost unchanged while households in Hampden County saw their median incomes decline by nearly $2,100 or 5 percent between 1989 and 1999. The median income of households in Hartford County declined from $54,600 in 1989 to $50,800 in 1999, a decline of $3,800 or 7 percent.

Table 2:
Trends in the Real Median Household Income in the Four Counties Within the CAP Region, 1989-1999

Counties	1989	1999	Absolute Change	Relative Change
Franklin, MA	40,790	40,768	-22	-0.1%
Hampden, MA	41,798	39,718	-2,080	-5.0%
Hampshire, MA	45,903	46,098	195	0.4%
Hartford, CT	54,578	50,756	-3,822	-7.0%

The household income performance of communities within the CAP region varied somewhat although most communities saw a decline in their household incomes. Out of a total of 103 communities in the region, median household incomes increased in only 43 communities. The 43 communities with an increase in the median household income were smaller communities and contained only 20 percent of all households in the entire CAP region. Twenty-eight communities out of these 43 communities were located in the Franklin-Hampshire area, 8 in the Hampden area, and 7 in the Greater Hartford segment of the CAP region. Over one half (56 percent) of all the communities in the Franklin-Hampshire area, 35 percent of the towns in the Hampden area and only 23 percent of the cities and towns in the Greater Hartford area saw an increase in the median household income between 1989 and 1999.

A ranking of the top and bottom 10 communities by relative change in their real median household incomes is presented in Table 3. The highest increases in the household income ranged from 25 percent in Heath to 11 percent in Amherst. Most of the top ten towns were located in Franklin-Hampshire region. The total number of households in these top 10 towns account for less than 4 percent of the total households in the CAP service area. At the other end of the distribution, the 10 towns with the largest relative decline in median household incomes (bottom 10) included three large cities within the CAP region—Springfield, East Hartford, and Hartford. The total number of households in the bottom ten communities accounted for 31 percent of the total households in the CAP region. Declines in the median household income ranged from 11-12 percent in Longmeadow and Springfield to nearly 17 percent in the towns of Hartford and Windsor Locks.

Table 3:
Top 10 and Bottom 10 Communities in the CAP Region Ranked by Relative Change in Real Median Household Income Between 1989 and 1999

Region	City or Town	1989	1999	Absolute Change	Relative Change	Total Number of Households
Top 10						
Frank.-Hamp.	Heath town	40,561	50,536	9,975	24.6%	292
Frank.-Hamp.	Charlemont town	38,881	46,548	7,667	19.7%	524
Frank.-Hamp.	Ashfield town	44,852	52,875	8,023	17.9%	741
Frank.-Hamp.	Leyden town	43,546	50,385	6,839	15.7%	277
Frank.-Hamp.	Shelburne town	37,147	42,054	4,907	13.2%	834
Frank.-Hamp.	Wendell town	38,800	43,846	5,046	13.0%	378
Frank.-Hamp.	Shutesbury town	53,583	60,437	6,854	12.8%	662
Hampden	E. Longmeadow town	55,604	62,680	7,076	12.7%	5,248
Frank.-Hamp.	Northfield town	43,788	49,141	5,353	12.2%	1,158
Frank.-Hamp.	Amherst town	35,982	40,017	4,035	11.2%	9,174
Total, top 10						21,288
Percent of CAP						3.9%
Bottom 10						
Hampden	Longmeadow town	84,945	75,461	-9,484	-11.2%	5,734
Hampden	Springfield city	34,482	30,417	-4,065	-11.8%	57,130
Gr. Hartford	Enfield town	59,989	52,810	-7,179	-12.0%	16,418
Gr. Hartford	Vernon town	54,490	47,816	-6,674	-12.2%	12,269
Frank.-Hamp.	Williamsburg town	53,988	47,250	-6,738	-12.5%	1,027
Frank.-Hamp.	Rowe town	48,961	41,944	-7,017	-14.3%	154
Gr. Hartford	East Hartford town	49,169	41,424	-7,745	-15.8%	20,206
Gr. Hartford	Bloomfield town	64,314	53,812	-10,502	-16.3%	7,902
Gr. Hartford	Hartford town	29,756	24,820	-4,936	-16.6%	44,986
Gr. Hartford	Windsor Locks town	58,589	48,837	-9,752	-16.6%	4,935
Total, bottom 10						170,761
Percent of CAP						31.0%
Total CAP						550,923

Trends in Real Median Family Incomes

The economic well being of a community is also frequently measured by the income of family households. Family households are a subset of all households. Depending upon the number of persons and relationships of the persons residing in a household, a household can be classified as either a family household or a non-family household. Family households are defined as households that contain two or more persons who are related to each other by blood, marriage, or adoption. Non-family households consist of one person or two or more unrelated persons.

Analyzing trends in the incomes of households as well as of family households provides a more complete picture of the economic well being of the community. In some cases, non-family households consist of students or other young persons residing together or by themselves and their lower incomes do not represent true economic hardship since it is mostly a temporary condition until they graduate from school and secure full-time jobs. However, the economic hardship faced by non-family households consisting of an elderly persons residing alone is a cause for concern and should be representative of the economic well being of a community. The economic hardship faced by family households also is cause for concern to policymakers since in most cases it is likely to be rooted in the educational and labor market traits of the family householder and tends to be a longer-term problem. Moreover, economic hardship among families with children also represents the hardship suffered by children in these families.

The median income of non-family households (and therefore of all households) is lower than the median income of family households. This is true primarily because of the different characteristics of these two types of households. Family households are on average larger in size than non-family households and contain more potential adult earners. A majority of non-family households consist of single person households, many of whom are elderly persons living alone. In March of 2000, over 80 percent of all non-family households in the U.S. and Massachusetts were single-person households and over three out of ten single person households were headed by a householder who was 65 years or older. In contrast, family households are larger in size since by definition these households contain two or more persons who are related to each other by blood, marriage, or adoption. In addition, many married couple families have two full-time breadwinners leading to higher earnings and incomes.

The median real income of the nation’s families increased from $47,300 in 1989 to $50,000, representing an increase of $2,700 or 5.7 percent. With the exception of Connecticut, the real median income of families in all New England states increased, albeit at a lower rate of growth compared to that of families in the nation. The real median income of Connecticut's families declined by $600 or about 1 percent between 1989 and 1999, while families in Massachusetts saw their real median incomes increase by 3.4 percent. Although incomes of families increased at a much slower pace in the 1990s compared to the previous decade, the income of family households in each state in the New England region as well as the nation fared better than the income of all households indicating that family households performed better than non-family households during the 1990s.

Table 4:
Trends in the Real Median Family Income in Each New England State and the U.S., 1989-1999

State	1989	1999	Absolute Change	Relative Change
Vermont	46,744	48,625	1,881	4.0%
Connecticut	66,123	65,521	-602	-0.9%
Maine	43,575	45,179	1,604	3.7%
Massachusetts	59,629	61,664	2,035	3.4%
Rhode Island	52,647	52,781	134	0.3%
New Hampshire	55,948	57,575	1,627	2.9%
U.S.	47,342	50,046	2,704	5.7%

The median family income data for the entire CAP region are not yet available. However, analysis of trends in the median incomes of families in the four counties that comprise most of the CAP service area and in 103 communities within the CAP region indicate poor income performance among families across most of the CAP area. The real median income of families increased in Franklin and Hampshire counties and declined in Hampden and Hartford counties. The better labor market performance of the Franklin-Hampshire area is reflected in the family and household income trends in this area. Between 1991 and 2000, the job growth in the Greater Hartford and Hampden areas was 2 percent and 9 percent, respectively, while employment in the Franklin-Hampshire area grew by 18 percent. The Franklin-Hampshire area also saw a higher rate of growth in the population, labor force, and the labor force participation rate. Better labor market performance resulted in better income developments in this region.

Table 5:

Trends in the Real Median Household Income in the Four Counties Within the CAP Region, 1989-1999

County	1989	1999	Absolute Change	Relative Change
Franklin, MA	49,161	50,915	1,754	3.6%
Hampden, MA	50,095	49,257	-838	-1.7%
Hampshire, MA	55,691	57,480	1,789	3.2%
Hartford, CT	64,523	62,144	-2,379	-3.7%

Families in 61 one out of 103 communities saw an increase in their real median income between 1989 and 1999. Over half of these communities (33) were located in the Franklin-Hampshire area, and 15 were located in Hampden County. The remaining 13 communities with an increase in median family income were located in the Greater Hartford area. A list of ten communities with the highest and lowest relative growth in the median family income is presented in Table 6. The rate of growth of median family income between 1989 and 1999 in communities within the CAP region ranged from an increase of $17,300 or 40 percent in Wendell to a decline of $6,200 or nearly 19 percent in Hartford. Nine out of the top 10 communities were located in the Franklin-Hampshire area. Communities among the top ten were small in size. Seven out of the 10 had fewer than 1,000 families. Although each of these ten towns had a double-digit increase in the median family income, families in these towns represented a small proportion of all families in the CAP region. In fact, the total number of families residing in these communities accounted for only 3.5 percent of all families residing in the CAP region.

All ten communities at the bottom of the distribution by family income growth rates had sizable declines in family incomes ranging from 9 percent in Montague, Somers, and Erving to nearly 19 percent in Hartford. The median family income in these ten communities declined by $4,000 or more. The three large cities in the CAP area—Springfield, Hartford, and East Hartford—were among the towns with the largest decline in family incomes. In 2000, 1 out of 4 families in the CAP region lived in these ten towns.

Table 6:
Top 10 and Bottom 10 Communities in the CAP Region Ranked by Relative Change in Real Median Family Income Between 1989 and 1999

Area	Town or City	1989	1999	Absolute Change	Relative Change	Total Families
Frank.-Hamp.	Wendell town	42,840	60,147	17,307	40.4%	225
Frank.-Hamp.	Heath town	43,034	55,938	12,904	30.0%	213
Frank.-Hamp.	Sunderland town	44,740	53,021	8,281	18.5%	766
Frank.-Hamp.	Ashfield town	48,240	56,739	8,499	17.6%	501
Frank.-Hamp.	Charlemont town	43,500	50,962	7,462	17.2%	353
Frank.-Hamp.	Shutesbury town	56,448	65,521	9,073	16.1%	480
Hampden	Tolland town	56,701	65,417	8,716	15.4%	3,787
Frank.-Hamp.	Deerfield town	56,859	64,909	8,050	14.2%	1,310
Frank.-Hamp.	Amherst town	53,936	61,237	7,301	13.5%	4,547
Frank.-Hamp.	Chesterfield town	50,529	57,361	6,832	13.5%	325
Total, top 10						12,508
Percent of CAP						3.5%
Frank.-Hamp.	Montague town	47,191	43,194	-3,997	-8.5%	2,170
Gr. Hartford	Somers town	78,550	71,757	-6,793	-8.6%	2,337
Frank.-Hamp.	Erving town	51,822	47,212	-4,610	-8.9%	400
Gr. Hartford	Windsor Locks town	64,982	59,054	-5,928	-9.1%	3,306
Frank.-Hamp.	Rowe town	59,868	53,750	-6,118	-10.2%	105
Hampden	Russell town	54,600	48,641	-5,959	-10.9%	482
Gr. Hartford	East Hartford town	57,594	50,540	-7,054	-12.2%	12,828
Hampden	Springfield city	41,427	36,285	-5,142	-12.4%	36,394
Gr. Hartford	Bloomfield town	75,991	64,892	-11,099	-14.6%	5,156
Gr. Hartford	Hartford town	33,296	27,051	-6,245	-18.8%	27,189
Total, bottom 10						90,367
Percent of CAP						25.0%
Total CAP Region						361,913

Although most communities in the CAP region saw a decline in the median family income, the trends in family incomes were more favorable than the trends in household incomes in the region. As a result between 1989 and 1999, the gap between the median household income and the median family income grew in most communities in the CAP region. Two factors underlie this trend of widening gaps between the incomes of family households and all households. First, the non-family component of all households has increased in each of the three areas within the CAP region as well as in the entire CAP region. The share of family households declined by nearly 3-percentage points in the CAP region. In each of the three areas within the CAP region, the share of family households declined by 3- to 4-percentage points (Table 7, column A). An increase in the share of non-family households, who frequently have lower incomes, will exert downward pressure on the median household income independently of any change in the real incomes of individuals.

Table 7:
Trends in Household Composition in the CAP Region, 1990-2000

Area	(A) Change in the Share of Family Households	(B) Relative Change 1990-00: Family Households	(C) Relative Change 1990-00: Non-Family Households	(D) Percent of change households from non-family households
Franklin-Hampshire	-4.0	+2.8	+22.6	81%
Hampden	-3.9	-2.5	+16.3	155%
Hartford	-2.7	+0.3	+13.5	95%
CAP, Total	-3.3	-0.2	+16.0	103%

Non-family household growth was key the to growth in households in the CAP region. All of the growth in households in this region occurred among non-family households (Table 7, column D). In fact, there were 900 fewer family households in the CAP region in 2000 while non-family households in the region grew by more than 16 percent. Had it not been for the growth in non-family households, the total number of households in the CAP area would have declined. In each of the components of the CAP region, non-family households grew at a double-digit growth rate, while the number of family households either declined or remained unchanged (Table 7, columns B and C).

A second key factor underlying the increase in the gap between household and family incomes in the nation and in Massachusetts has been the increase in labor supply among family households, particularly among wives in married couple families. Although the data to analyze the work effort of married couple families due to increased labor market efforts of wives in the CAP region are not yet available, previous research by the authors in Massachusetts, New England, and the nation has clearly revealed that most of the income gains of married couple families are attributable to the increased work efforts of wives. This is another reason that family incomes are higher than the incomes of non-family households. Even though the proportion of families that consist of married couple families has declined overtime in the CAP region, the New England region and the nation, the existing married couple families have increased or maintained their standard of living over the past two decades due to the sharp increase in the labor supply of wives in these families.

Poverty in the CAP Area

The median income measures the economic well being of the population of a community. The poverty rate on the other hand is an indicator of the degree of economic hardship among residents of a community. The poverty rate measures the proportion of the population that is poor. The poverty status of the population in the decennial census data is based on the official federal poverty income thresholds. For example, in 1999, a family of four with an annual income below $17---- was classified as being poor. All poverty rates presented in this report are based on the official federal poverty thresholds.

Poverty problems have been found to be cyclically sensitive, rising during periods of economic recession and slow job growth, such as that occurring in the early 1990s, and declining during periods of strong job and real income growth. Rising real family incomes and declining aggregate unemployment rates have typically led to a reduction in the incidence of poverty problems as more members of lower income groups become employed, work more hours during the year, and earn higher real hourly wages.

Between 1989 and 1999, the incidence of poverty in the population of the CAP region rose from 9.9 percent to 10.9 percent, representing an increase of 1-percentage point or a relative increase in the poverty rate of 10 percent. While the total population of the CAP region grew by slightly more than 1 percent during the 1990s, the poverty population grew by more than 11 percent. The economic recovery in the CAP region was anemic at best. With employment growth of only 4 percent and a reduction in the labor force and the labor force attachment of the working-age population, the CAP region did not fully participate in the economic recovery that occurred in the nation and the New England region between 1991 and 2000. Poor job creation, and poor wage growth has resulted in an absence of income growth and increased poverty in the CAP region.

Table 8:
Trends in the Person Poverty Rates, 1989-1999

Area	1989	1999	Change
CAP, Total	9.9	10.9	1.0
Franklin-Hampshire	10.4	9.4	-1.0
Hampden	13.0	14.7	1.8
Greater Hartford	7.8	8.9	1.1
Connecticut	6.8	7.9	1.0
Massachusetts	8.9	9.3	0.4

The poverty rate increased in two out of three regions within the CAP service area. The Hampden and Greater Hartford area had higher poverty rates in 1999 relative to 1989, while the poverty rate in the Franklin-Hampshire area declined over the same time period. The latter area participated much more fully in the economic recovery with an 18 percent job growth between 1991 and 2000 accompanied by an increase in the labor force as well as the labor force participation rate of the working-age population. Moreover the Franklin Hampshire area was the only area to see an increase in manufacturing employment during the 1990s. In the remaining areas, manufacturing employment declined resulting in the dislocation of former manufacturing workers, who most likely remained unemployed, withdrew from the labor force or were reemployed in lower wage jobs—all three resulting in lower earnings and incomes and a greater likelihood of poverty.

The incidence of poverty in the CAP region was higher than the poverty rate in Connecticut and Massachusetts. However, both states saw an increase in the poverty rate over the past decade. Unlike most of the CAP region, the two states saw an increase in household and family incomes during the past decade as well as a healthy rate of growth in employment. Despite the economic recovery and income increase in these two states, the poverty rates rose because most of the income increases accrued to the affluent segments of the population.[2]

[2] For a discussion of the trend in the income and earnings distribution inequality and its effect on the poverty rates in Massachusetts and the New England region, see: Andrew Sum, Paul Harrington, et al, “The

Analysis of the poverty rate within the 103 communities within the CAP region reveals that only 40 communities saw a decline in the individual poverty rate. These communities were home to only 18 percent of the total population and 10 percent of the poor population. Changes in the poverty rates in these communities ranged from a decline of 6-percentage points in Wales, Amherst and Shutesbury to an increase of nearly 5-percentage points in East Hartford.

A ranking of the top and bottom ten communities by absolute change in the poverty rate is presented in Table 9. The top ten towns with the highest increase in the poverty rate were residence to 60 percent of the poverty population and 34 percent of the total population of the CAP service area. The three large cities in the CAP region that ranked among ten towns with the greatest drop in family and household incomes—Springfield, Hartford, and East Hartford—also were among the towns with the highest increase in the individual poverty rate. Communities at the bottom of the list—communities with the largest decline in the poverty rate between 1989 and 1999—were small communities that accounted for only 4 percent of the total as well as the poor population of the entire CAP region. The combined poverty rate of these 10 towns declined by 5.4-percentage points.

State of the American Dream in Massachusetts, 2002," The Massachusetts Institute for a New Commonwealth.

Table 9:
Top and Bottom 10 Communities in the CAP Region Ranked by
Absolute Change in Individual Poverty Rates, 1989-1999

Area	Town or City	1989	1999	Absolute Change
Top 10				
Greater Hartford	East Hartford town	5.4	10.3	+4.9
Hampden	Russell town	4.5	9.0	+4.5
Greater Hartford	Manchester town	3.9	8.0	+4.1
Franklin-Hampshire	Easthampton town	5.0	8.9	+3.9
Franklin-Hampshire	Goshen town	4.0	7.9	+3.9
Hampden	West Springfield town	8.3	11.9	+3.6
Greater Hartford	Bloomfield town	4.1	7.6	+3.5
Hampden	Westfield city	8.0	11.3	+3.3
Greater Hartford	Hartford town	27.5	30.6	+3.1
Franklin-Hampshire	Chesterfield town	2.7	5.7	+3.0
Hampden	Springfield city	20.1	23.1	+3.0
Total, top 10		16.1	19.1	+3.0
Percent of poor population of CAP area that live in these towns: 60.2%				
Percent of total population of CAP area that live in these towns: 34.3%				
Bottom 10				
Franklin-Hampshire	Worthington town	5.9	3.5	-2.5
Franklin-Hampshire	Cummington town	9.3	6.6	-2.6
Greater Hartford	Hebron town	4.3	1.4	-2.9
Franklin-Hampshire	Bernardston town	7.7	4.4	-3.4
Franklin-Hampshire	Belchertown town	9.3	5.9	-3.4
Franklin-Hampshire	Colrain town	10.8	6.8	-4.0
Franklin-Hampshire	Orange town	13.1	7.8	-5.3
Franklin-Hampshire	Shutesbury town	9.4	3.8	-5.6
Franklin-Hampshire	Amherst town	26.5	20.2	-6.3
Hampden	Wales town	9.8	3.5	-6.3
Total, bottom 10		15.9	10.6	-5.4
Percent of poor population of CAP area that live in these towns: 4.5%				
Percent of total population of CAP area that live in these towns: 4.3%				

In 1989, the gap between the poverty rate of the top and the bottom ten towns was small—0.2-percentage points (16.1 percent versus 15.9 percent). The gap between the poverty rates in these two groups of towns was larger in 1999. The incidence of poverty in the top 10 towns grew to 19.1 percent while it dropped to 10.6 percent in the bottom 10 towns, resulting in a gap of nearly 9-percentage points.

Similar to the analysis of household and family incomes, the economic hardship in a community cannot be fully assessed through analysis of individual poverty rates. Individual poverty rates in many cases may include temporary poverty problems among younger persons and students which is not a serious problem and does not warrant as much attention as the problem of poverty and economic hardship in a family that is headed by a poorly educated adult householder with limited literacy proficiencies. The poverty problem of that family is more permanent in nature and is rooted in structural factors that will not go away in time. Also problematic are poverty problems that persist even as the economy recovers from a recession. Persons who remain poor in a strong labor market are most likely detached from the labor market or do not work as intensively in a full-time year-round job. Previous research by the authors has found that the poverty is almost non-existent among persons who are employed in full-time year-round jobs. If poverty persists despite employment in a full-time and year-round job, the problem is clearly one of low wages.

The family poverty rate in the CAP region increased from 7.6 percent in 1989 to 8.1 percent in 1999. In 1999, the family poverty rate in the CAP service area was 45 percent higher than the rate of poverty in the entire state of Connecticut and 21 percent higher than that in Massachusetts. The highest poverty rate within the CAP region was in the Hampden County area where in 1999 one in nine families were poor. Two out of the three regions within the CAP service area (Hampden and Greater Hartford) saw an increase in the incidence of family poverty while the family poverty rate in the Franklin-Hampshire area declined (Table 10). The family poverty rate also rose in the entire state of Connecticut and remained almost unchanged in Massachusetts.

Although the poverty rate is sensitive to the business cycle and falls during an economic expansion, this did not occur in the two states. One of the likely underlying causes of the inability of these states to lower the poverty rate is the change in the composition of families with an increase in families that are more prone to poverty such as single parent families and families headed by recent immigrants. Another likely reason is the lopsided distribution of income gains from the economic recovery to affluent families, particularly in Massachusetts.

Table 10:
Trend in the Family Poverty Rate, 1989-1999

Area	1989	1999	Absolute Change
CAP Total	7.6	8.1	+0.5
Franklin-Hampshire	6.5	5.7	-0.8
Greater Hartford	5.9	6.8	+0.7
Hampden	10.9	11.4	+0.5
Connecticut	5.0	5.6	+0.6
Massachusetts	6.7	6.7	0.0

Higher rates of poverty in the CAP area appear to be related to the anemic economic recovery in most of the region in addition to a sharp change in the composition of households and families with an increase in the share of poverty-prone families. There were 20 percent more female-headed families and 4 percent fewer married couple families in the CAP region in 2000 compared to 1990. Although data on the nativity of the family householder in the CAP region are not yet available, one can conclude from a sharp rise in the foreign-born population that occurred in the CAP region that there also was a sizable increase in families headed by recently arrived foreign-born persons—another group of families more likely to be poor. Householders of these families—headed by single females and recent immigrants—tend to have lower levels of education and literacy proficiencies resulting in lower rates of employment, lower earnings, lower incomes, and higher poverty rates.

The level and trends in the family poverty rate in the CAP region varied by type of family. The poverty rate of families with children was higher than that of their childless counterparts. Female-headed families had higher poverty rates than other types of families and the incidence of poverty among female-headed families with children was even higher. Trends in the family poverty rate varied by family type. The poverty rate among families with children declined by 0.3-percentage point while the incidence of poverty among all female headed families and their counterparts with children under 18 also declined by 2.9-percentage points and 8.1-percentage points, respectively.

Table 11:
Trend in the Family Poverty Rate in the CAP Region,

By Type of Family, 1989-1999

Type of Family	1989	1999	Absolute Change
All families	7.6	8.1	0.5
With related children <18	13.2	12.9	-0.3
Female-headed families	29.0	26.1	-2.9
Female-headed with children<18	42.3	34.1	-8.2

The decline in the poverty rates of female-headed families was not unique to the CAP area. The rate of poverty among these families declined in Massachusetts as well as in Connecticut. The passage of the 1996 welfare reform law and the resulting increase in the labor force participation and employment among former welfare recipients likely resulted in sizable reductions in poverty among these families. Unfortunately, many of these families hover on the brink of poverty and could easily slip back into poverty with a small downturn in the economy. Despite the decline in their poverty rates, over one-quarter of all female-headed families in the CAP region were poor and over one-third of female headed families with children continued to remain poor at the end of the 1990s. In 1999, 64 percent of all poor families in the CAP region were families headed by single females, down from 70 percent in 1989.

Analysis of the family poverty within 103 communities located in the CAP service area reveals that between 1989 and 1999, one-half of the communities (52) saw an increase in the incidence of family poverty. But these communities contained most of the region's families. Nearly 74 percent of all families in the CAP region and 80 percent of all poor families lived in communities with a rising family poverty rate. A list of the top and bottom 10 communities with the highest and the lowest absolute change in the family poverty rate is presented in Table 12. The increase in family poverty rates in these communities ranged from 4.1-percentage points in East Hartford to 2.6-percentage points in Hartford and Gill. The bottom 10 towns together had a sizable reduction in the family poverty rate from 10.2 percent in 1989 to 5.6 percent in 1999. These towns however were much smaller in size accounting for only 3 percent of all families and 2 percent of all poor families in the region.

Table 12:
Trend in the Family Poverty Rate in the Top and Bottom 10 Communities in the CAP Region Ranked in Descending Order by Change in the Family Poverty Rate Between 1989 and 1999

Area	City or Town	1990	2000	Change
Top 10				
Greater Hartford	East Hartford town	4.0	8.1	4.1
Greater Hartford	Manchester town	2.2	6.0	3.8
Franklin-Hampshire	Goshen town	1.0	4.3	3.3
Hampden	Holland town	3.2	6.5	3.3
Hampden	Russell town	4.0	7.1	3.1
Greater Hartford	Somers town	0.8	3.7	2.9
Franklin-Hampshire	Hadley town	2.0	4.8	2.8
Franklin-Hampshire	Easthampton town	3.1	5.9	2.8
Greater Hartford	Hartford town	25.7	28.2	2.6
Franklin-Hampshire	Gill town	1.6	3.9	2.4
Total. Top 10		13.5	15.8	2.4
Percent of total CAP families residing in the top 10 towns: 17.6%				
Percent of poor CAP families residing in the top 10 towns: 34.5%				
Bottom 10				
Franklin-Hampshire	Colrain town	7.2	4.6	-2.6
Franklin-Hampshire	Cummington town	7.1	4.2	-2.9
Franklin-Hampshire	Worthington town	4.5	1.5	-3.0
Franklin-Hampshire	Phillipston town	6.9	3.8	-3.1
Franklin-Hampshire	Amherst town	11.6	7.2	-4.3
FranklinHampshire	Plainfield town	9.4	4.8	-4.6
FranklinHampshire	Orange town	10.7	5.8	-4.9
Hampden	Wales town	7.1	1.8	-5.3
FranklinHampshire	Shutesbury town	6.7	1.0	-5.7
FranklinHampshire	Sunderland town	11.4	4.2	-7.3
Total, Bottom 10		10.2	5.6	-4.6
Percent of total CAP families residing in the bottom 10 towns: 2.7%				
Percent of poor CAP families residing in the bottom 10 towns: 1.9%				

Summary and Conclusions

The CAP region performed quite poorly on the measures of income and poverty. Most communities in the region suffered a decline in median household and family incomes. Although data on mean incomes are not yet available, we suspect that a comparison of mean and median incomes will indicate an increase in income inequality in these communities. Within the CAP service area, the Franklin-Hampshire region was the only region to see a reduction in the individual and family poverty rates and an increase in family incomes. These developments closely coincide with the labor market developments in this region.

The CAP region has seen an anemic job growth during the 1991 to 2000 time period. The economic recovery of the 1990s largely bypassed the CAP region. The 4 percent growth in jobs was concentrated in the services sector while the manufacturing sector continued to decline. These employment developments insulated college graduates from the unemployment and job loss suffered by the rest of the workforce and likely resulted in an increase in the income inequality in the region.

The population in the region grew by less than 2 percent over the past decade and it was accompanied by a sizable swell in the immigrant population and most likely a large out migration of the native born population. These developments likely led to an increase in the labor queue at the bottom of the labor market. The region’s labor force had fewer members in 2000 compared to 1990. The labor force attachment of the region’s working-age population declined.

The underlying reasons for these negative population and labor market developments in the region will be explored after additional data become available from the Census Bureau. A weak labor market is expected to translate in a decline in the economic well-being and an increase in the economic hardship of the population. This is exactly what happened in the CAP region. The region’s economic woes have more of a structural and less of a cyclical component. In other words, an improvement in the labor market and the economic well being of the population in the region will require more than just an increase in the demand for goods and services. It will require strategies targeted to improve the literacy proficiencies and labor market attachment of the population, particularly among recent immigrants.

Domestic out migration has plagued New England and the entire Northeast region. These areas have become more dependent on foreign immigrants for labor supply. In fact, the entire nation has become more dependent on immigration to increase the labor supply. Nearly one-half of the nation’s net labor force growth during the 1990s was derived from new immigrants. Unfortunately many of the recent immigrants are not equipped with the skills and literacy proficiencies required to work in jobs in the growing sectors of the economy. But immigration was the only source of population growth in the CAP service area. In the absence of immigration, the region's population would have declined. Without a reversal in domestic out migration and a healthy population growth, any increase in the quantity and especially quality of the labor supply will have to come from the existing population through an upgrading of their skills. This will also boost the economic well-being of the population and reduce their economic hardship.