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**State of Maine
117th Legislature
Second Regular Session**

**Report of the Commission to Study Poverty
Among Working Parents**

November 15, 1996

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Executive Summary

Public Law 1995, Chapter 418, Part B established the Commission to Study Poverty Among Working Parents to investigate the extent to which poverty exists among working families, how poverty among working or underemployed parents contributes to the need for greater public assistance expenditure, and how economic development efforts and other public and private sector initiatives could reduce poverty. The Commission was charged with making comprehensive recommendations.

The Commission addressed four broad topic areas: the economy and low-wage job market, tax laws and other incentives, education and training, and federal and state programs and policies that support families. Maine families need assistance in moving out of poverty and into fulfilling and economically productive lives. The Commission makes the following recommendations to address the factors that place and keep families in poverty.

Remove Barriers to Work

- 1) Implement the law prohibiting discrimination in pay based on gender.
- 2) Increase access to health care for low wage working families.
- 3) Allow working families on the AFDC and TANF programs to retain more of their earnings.
- 4) Ensure adult access to education and training options.
- 5) Extend public schooling in Maine by 2 years.
- 6) Exempt taxpayers from state income tax filing requirements if they are below the federal income tax filing requirement (\$10,000).
- 7) Establish a state earned income tax credit and explore automatic identification of eligible families.
- 8) Expand the state's current mix of child care services.

Provide Economic Security for Working Parents

- 9) Eliminate tracking and general studies in Maine schools.
- 10) Examine ways in which the unemployment compensation program could provide better assistance to unemployed workers.

- 11) Ensure minimum income standards for working people.
 - A) Ensure a minimum wage for working citizens that is initially \$.25 above the federal minimum wage and that is adjusted annually by the same percentage as the annual increase in average worker income.
 - B) Set living wage levels for any State sub-contracted work.
 - C) Extend to all other business assistance subsidies the livable wage standards that apply to the ETIF program.
- 12) Coordinate the property tax circuit breaker program with state income tax filing.

Provide Economic Development Opportunities for Individuals and Communities

- 13) Assess the need for a Maine enterprise initiative to encourage low-income entrepreneurs to generate income through small business activity.

Ensure Governmental Accountability for Ongoing Efforts to Address Poverty

- 14) Establish an annual report card on the status of poverty in Maine.

I. Introduction

During the welfare reform discussion in the First Regular Session of the 117th Legislature, legislators, members of the public, state, local and community agencies, and advocates expressed concern over the growing number of families in poverty. Studies have shown a relationship between poverty and lower IQ scores, delayed cognitive development, and adverse health effects¹. Children from poor families are more likely to suffer from low birth weight, delayed immunizations, bacterial meningitis, lead poisoning, abuse, neglect, physical impairment, delinquency, and premature death.² Poor working families have insufficient parental time, are less likely than unemployed families receiving assistance to have health insurance, and often lack quality day care for their children. Frequently working poor families are caught in the middle: they cannot afford the services they need and their work income disqualifies them from receiving assistance.

In response to these concerns and to the state and federal push for welfare reform, the Commission to Study Poverty Among Working Parents was established by Public Law 1995, Chapter 418, Part B, to investigate the extent to which poverty exists among working families, how poverty among working or underemployed parents contributes to the need for greater public assistance expenditure, and how economic development efforts and other public and private sector initiatives could reduce poverty. The Commission was charged with making comprehensive recommendations. A copy of the enabling legislation is attached as Appendix A.

The 21 members of the Commission to Study Poverty Among Working Parents were appointed by the Governor, the President of the Senate and the Speaker of the House of Representatives during the winter of 1996 and were convened in their first meeting on April 25, 1996, by the Chair of the Legislative Council, Senator Jane A. Amero. A copy of the membership of the Commission is attached as Appendix B.

The full Commission met on April 25, May 9, May 23, June 6, September 12, and October 24. At the June 6 meeting the Commission agreed to divide into subcommittees to work on the following areas of concentration: the economy and the low wage job market, tax laws and other incentives, education and job training, and federal and state programs and policies that support families. The Commission members divided themselves into the four subject matter subcommittees, all of which met at least four times between June 20 and August 31. The subject matter division used by the subcommittees carried through in the later work of the Commission and served to organize the recommendations and this report. Copies of the reports of the subcommittees are attached as Appendix E. Public hearings were held in Portland on October 1 and in Ellsworth on October 3.

The Commission received staff assistance from the legislative Office of Policy and Legal Analysis. The legislative Office of Fiscal and Program Review, the State Planning Office, the

¹ Edward B. Lazere, *Maine Families: Poverty Despite Work*, Center on Budget and Policy Priorities, Washington D.C., 1996, p. 1; The Annie E. Casey Foundation, *Kids Count Data Book*, Baltimore, MD, 1996, p. 7.

²*Health Policy and Child Health, Special Report*, Center for Health Policy Research, George Washington University Medical Center, Washington, D.C., spring, 1996, p. 1.

Bureau of Taxation and the Department of Human Services were helpful to the Commission and provided information when requested. The Maine Economic Growth Council invited all Commission members to its series of meetings in June on setting performance measures to achieve Maine's long-term economic goals.

At the commencement of their work Commission members agreed that adopting a vision statement would assist them in carrying out their work. The vision statement adopted reads as follows. (See Appendix C)

We envision a State of Maine that offers its citizens lives of opportunity, responsibility, challenge and self-sufficiency. Conditions supporting the vision include: a) employment and business opportunities are available and adequate to support all Maine families; b) relevant education, job training and job counseling are available and accessible statewide; c) a fair tax structure fosters growth and independence; and d) public, private and corporate citizens work together for a dynamic, healthy community that supports families.

Commission members decided that having a common foundation of information would be helpful to the work of the Commission. To this end, members reviewed materials and distributed readings to each other. The information collected as a result of this effort provided a common core of information. A copy of the bibliography is attached as Appendix D.

The Commission defined the terms "poor," "working poor," and "living in poverty" at the beginning of its work by defining a working poor family as a family with an income below 185% of the federal poverty level. The Commission recognized that circumstances count in these calculations and acknowledged that some families below 185% of the federal poverty level are economically stable and self-sufficient while for others 250% may be insufficient for economic security. Extended family, friends, community, good health and health insurance, child care, and employment help support the family and keep it self-sufficient. With that acknowledged, agreement on a definition enabled the Commission to study circumstances common to many poor working families, so that barriers to moving out of poverty could be identified.

The federal poverty level is set each year by the Office of Management and Budget (OMB).³ (Figure 1 contains information from the OMB chart for families from one to five members.) In 1996 the federal poverty level for a family of three is \$12,980 and 185% of that is \$24,013. By Commission definition, a working poor family with three members has an annual income below \$24,013.

³ The federal poverty guideline is widely acknowledged to be far below the level required for a family to live independent of assistance and to be in need of revision. Stephanie Seguino, *Living on the Edge: Women Working and Providing for Families in the Maine Economy, 1979-1993*, Margaret Chase Smith Center for Public Policy, University of Maine, Orono, ME, 1995, pp. 11 and 38. A special panel from the National Academy of Sciences has recommended a new method for defining poverty to more accurately apply across demographic groups, geographic regions, and time periods and to better reflect the economic difficulties faced by poor families. Center for Health Policy Research, op. cit., p.1.

Figure 1

Poverty Levels by Family Size, 1996 (as defined by the Federal government and the Commission to Study Poverty Among Working Parents)		
Family Size	Federal Poverty Level	Commission's Level of Working Poor (185% of FPL)
1	\$7,740	\$14,319
2	10,360	19,166
3	12,980	24,013
4	15,600	28,860
5	18,220	33,707

Source: The HHS Poverty Guidelines: One Version of the (U.S.) Federal Poverty Measure, <http://aspe.os.dhhs.gov/poverty/poverty.htm>, 1996, p. 1.

A number of recent studies have used an expenditure approach to defining poverty, starting with basic need expenditures required for self-sufficiency.⁴ The Commission looked at this approach, particularly the “basic needs budget” used by Stephanie Seguino in *Living on the Edge: Women Working and Providing for Families in the Maine Economy, 1979-93*. The figures for the basic budget approach are very close to the poverty guideline approach, placing the basic household budget needs of a three person family in 1993 and 1994 at \$22,836⁵ and \$23,693.⁶

Working from “poverty income” or from the basic household budget to the wages needed to support the family on that budget is a simple mathematical calculation. Assuming that gross wages and net wages are the same, one wage earner providing for the family of three at the Commission family income level of \$24,013 would need to work 40 hours a week, 52 weeks a year and earn \$11.54 per hour. Two wage earners could share the responsibility for the three person household and each earn \$5.77 per hour. These wages would bring the family just above the Commission’s definition of poor, to a point at which self-sufficiency may be achievable.

The bleak reality is that one in five children growing up in Maine in the early 1990’s lived in poverty. Like the majority of Maine residents, most of these poor children were Caucasian. Their families lived in rural and urban areas, and most of the families included an adult age 25 or older with at least a high school education. 60% of poor families were headed by a married couple, 37% by a single woman and 6% by a single man. 28% of the adults in these families had completed some post-secondary education.⁷

⁴ Minnesota JOBS NOW Coalition, *Minnesota Job Gap Study, Phase Two*, Minneapolis, MN, October, 1995, pp. 3 - 6 and Seguino, op. cit., pp. 38-48.

⁵ Ibid., p. 5.

⁶ Seguino, op. cit., p. 42.

⁷ Lazere, op. cit., pp. 9 -12.

In 1989, the last year for which figures are available from the Census Bureau, 19,000 Maine families with children and in which the parent or parents were not elderly or disabled lived below 100% of the federal poverty level. 13,300 of these families included an adult who worked all or part of the year, and still the family was poor.⁸ According to the Maine Department of Human Services 16% of families receiving Aid to Families with Dependent Children in 1995 included a working parent. Edward B. Lazere, in the publication *Maine's Families: Poverty Despite Work*, estimated that in 1989 46,000 Maine residents lived in a working poor family that included children.⁹

The following charts, taken from *Maine's Families: Poverty Despite Work* and *Living on the Edge: Women Working and Providing for Families in the Maine Economy, 1979-93*, show the employment and income characteristics and gender of the head of household of these poor families.¹⁰ (Figures 2 and 3) The number of Maine children living in poverty grew by 20.7% between 1985 and 1992, from 15.3% to 19.3%. This was the second largest increase in the country during this period, surpassed only by Louisiana.¹¹ (Figure 4) For a look at family type, rural/urban residence, education of parents, age of head of family, home rental or ownership, and industry in which the parents work see also the charts from *Maine's Families: Poverty Despite Work* included as Appendix F.

⁸ In the 13,300 working families in poverty, more than half of the workers worked in retail trade or services, while 32% worked in construction or manufacturing. Among working and nonworking poor families with children in 1989, 18% had a worker who worked full-time year-round, 20% had a worker who worked less than 13 weeks, 32% had a worker who worked more than 13 weeks but less than full-time, and 30% had no employment. Lazere, op. cit., pp. 4 and 10.

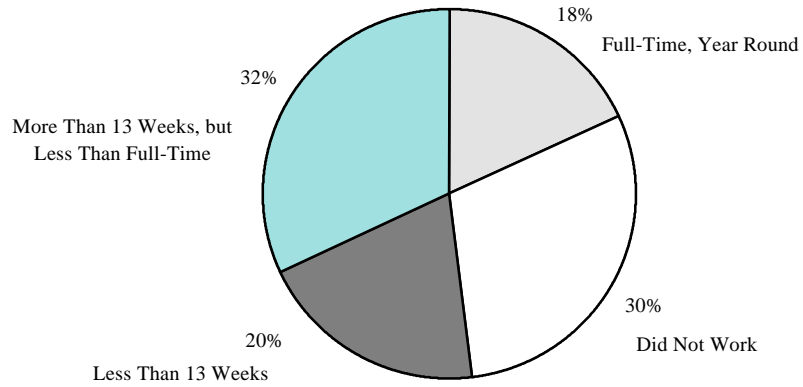
⁹ Lazere, op. cit., p. viii.

¹⁰ Ibid, p. 11.

¹¹ The Annie E. Casey Foundation, op. cit., pp. 142 and 147.

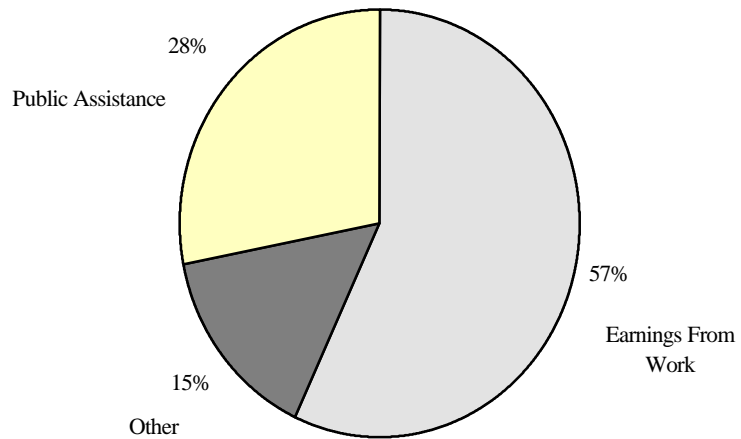
Figure 2

**Work Effort Among Poor Families With Children in
Maine, 1989**



Source: Edward b. Lazere, *Maine's Families: Poverty Despite Work*, Center on Budget and Policy Priorities, Washington, DC, 1996, Figure 1, p.4

**Sources of Income for Poor Families With
Children in Maine, 1989**



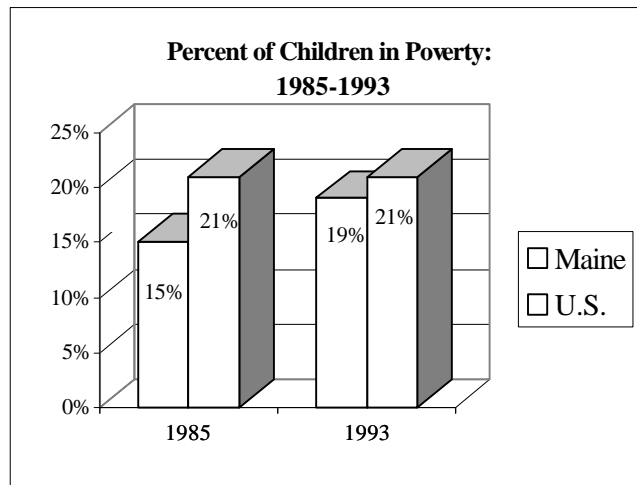
Source: Edward b. Lazere, *Maine's Families: Poverty Despite Work*, Center on Budget and Policy Priorities, Washington, DC, 1996, Figure 2, pp.5

Figure 3

Maine Poverty Rates for Individuals by Household Type			
	1979	1989	1993
Percent of persons in poverty	13.0%	10.8%	15.4%
Percent of all families in poverty	9.8%	8.0%	NA
Percent of all families in poverty that are female headed	37.4%	48.4%	NA
Percent of female headed households in poverty	30.8%	29.9%	NA
Percent of female headed households in poverty with children under 6	58.2%	63.0%	NA

Source: Stephanie Seguino, *Living on the Edge: Women Working and Providing for Families in the Maine Economy, 1979-1993*, Margaret Chase Smith Center for Public Policy, University of Maine, Orono, ME, 1995, Table 5, p. 12.

Figure 4



Source: The Annie E. Casey Foundation, *Kids Count Data Book*, 1996, Baltimore, MD, p. 73.

II. FINDINGS OF THE COMMISSION

The economy and the low wage job market

In 1989, the Maine economy entered a severe recession that resulted in the loss of thousands of jobs. These jobs have been regained in number but not in wage level or benefits. From 1989 to 1995 Maine lost 15,900 jobs in the manufacturing industry and 11,100 in the construction industry. (Figure 5) Many of these jobs provided health insurance and retirement benefits and paid wages that supported the family. Nearly offsetting these 27,000 lost livable wage jobs are the 24,600 jobs created in the service industry. The trade is not even though, as frequently service industry jobs require a low level of skill, pay low wages and are part-time only. The end result is fewer high paying and full-time jobs and more low-paying and part-time jobs. This is borne out by Department of Labor statistics that show from 1989 to 1993 the number of Maine residents working part-time increased by 10,000 while the number of those working full-time decreased by 20,000.¹²

Figure 5

Selected Labor Market Information Concerning the Changing Structure of Employment in Maine			
Job Type	June 1989	March 1995	Change in the number of jobs
	Number of Jobs		
Construction	33,100	22,000	-11,100
Manufacturing	106,000	90,100	-15,900
Transportation and Public Utilities	22,500	22,100	-400
Wholesale & Retail Trade	137,800	141,500	3,700
Finance, Insurance and Real Estate	25,600	26,000	400
Services	125,700	150,300	24,600
Government	94,300	92,400	-1,900

Source: Maine Department of Labor, Division of Labor Market Information Services, 1996.

¹² Maine Department of Labor, Division of Economic Analysis and Research, *Structural Changes in Maine's Labor Market*, November, 1995.

An analysis by the Maine Department of Labor shows that in 1993-94 there were almost three job seekers for every new job opening and ten job seekers for every net livable wage job opening. Only 27% of the net openings filled paid a wage sufficient for a single parent to support the basic needs of the family. Of those, 63% required two or more years of training or experience.¹³ There are simply not enough good quality jobs to go around.

The value of the minimum wage has declined dramatically over time in spite of periodic adjustments. Its purchasing power is at its lowest point in 40 years.¹⁴ In 1979, a full-time minimum wage job would bring a family of three above the poverty level. This stands in sharp contrast to the 1990's, when families with full time workers earning minimum wage earn \$8,840, which is \$4,140 below the federal poverty level.

The deterioration of minimum wage buying power stands in contrast to general economic prosperity. Between 1979 and 1989, the upper 20% of wage earners in Maine experienced 18% growth in their income, the middle 20% saw their income grow 9.61% and the income of the lowest 20% of wage earners grew only 3.7%.¹⁵ This reflects a national trend. One economist estimates that this trend has resulted in a shift of \$250 billion in income from the middle class to the very rich.¹⁶

In the report, *Living on the Edge: Women Working and Providing for Families in the Maine Economy, 1979-93*, Stephanie Seguino studied the average annual earning of women, compared to men in similar job classifications, evaluated on the basis of such factors as education or training, skill level, responsibility, and working conditions. Seguino determined that women's average income was 53.6% of men's average income across all occupations. When the earnings of women and men who are similarly qualified by education and who work full-time in Maine are compared, women earn about two-thirds (63%) of the amount that men earn. (Figure 6) In fact, the mean annual earning of a woman with a college degree working full time is less than a man with a high school diploma.¹⁷ The report noted that such pay disparities represent a disincentive for women to contribute to the labor force, and, as result, impede economic growth. Maine law, at 26 MRSA §628, prohibits discrimination in pay based on gender. Regulations to implement the law are long overdue. The Department of Labor should be directed to adopt rules to implement the law.

The concentration of women, minorities, and persons with disabilities in low-pay job categories provides a reason to look at the issue of wage equity. The low-pay job categories of sales, administrative support, and services, in which 65% of all workers are women, pay average weekly wages below the average for all Maine workers, placing a family of three at 76.4% of the

¹³ Maine Department of Labor, *Liveable Wage Job Openings, Maine, 1993-94*, Preliminary Study Results, May 1996.

¹⁴ Lazere, op. cit., p. ix.

¹⁵ Maine Economic Growth Council, op. cit., p. 51.

¹⁶ Maine Center for Economic Policy, *News from the Maine Center for Economic Policy*, October 25, 1995, Vol. I, #5, p.1.

¹⁷ Seguino, op. cit., pp. 14-28.

poverty level.¹⁸ As single parent households are most likely to be headed by women, the earnings of those women become the key to raising the families from poverty and dependency. The outlook is not good. Female headed families with children under 6 have an astounding 63% rate of poverty. (Figure 3)

Figure 6

Maine Hourly Earnings by Occupation by Gender, 1990 (in constant 1992 dollars)					
	<u>Hourly Earnings</u>		Ratio F/M Hourly Earnings	<u>Distribution in Occupations</u>	
	Women	Men		Women	Men
Professional and Managerial Specialties	\$10.85	\$17.87	61%	26.5%	21.6%
Exec, Admin, & Managerial	\$10.78	\$17.57	61%	10.1%	10.8%
Professional Specialties	\$10.89	\$18.17	60%	16.4%	10.8%
Technical, Sales and Administrative	\$7.61	\$12.97	59%	39.8%	18.2%
Technicians	\$9.61	\$13.21	73%	3.6%	2.9%
Sales Occupations	\$6.69	\$13.72	49%	11.8%	9.8%
Admin. Support Occupations	\$7.74	\$11.42	68%	24.5%	5.6%
Services	\$5.33	\$8.07	66%	19.4%	9.3%
Private Household	\$3.80	NA	NA	0.8%	0.1%
Protective Services	\$6.20	\$10.25	60%	0.3%	2.2%
All Other Service Occupations	\$5.33	\$7.28	73%	18.2%	7.0%
Farming, Forestry and Fishing	NA	NA	NA	1.0%	4.5%
Precision Production, Craft and Repair	\$8.04	\$11.63	69%	2.8%	23.1%
Operators, Fabricators and Laborers	\$6.15	\$9.93	62%	10.6%	23.3%
Machine Operators, Assemblers, Inspectors	\$7.42	\$10.64	70%	7.3%	9.0%
Transportation and Material Moving Handlers, Equipment Cleaners, Helpers, Laborers	\$7.03	\$10.46	67%	0.9%	7.7%
Laborers	\$5.49	\$7.90	69%	2.4%	6.6%
All Occupations¹	\$7.87	\$12.54	63%	100.0%	100.0%

¹ The average hourly wage is for non-agricultural occupations.

Source: Stephanie Seguino, *Living on the Edge: Women Working and Providing for Families in the Maine Economy, 1979-1993*, Margaret Chase Smith Center for Public Policy, University of Maine, Orono, ME, 1995, Table 9, p. 18.

¹⁸ Maine Economic Growth Council, op. cit., pp. 62-63.

The Maine Economic Growth Council, in its report *Measures of Growth*, determined that traditional approaches to economic development, such as industrial parks, mall development, and smokestack chasing, which brought us the economic wars between the states, were not working well, particularly when undertaken to the exclusion of other strategies. The Council determined that new, bold approaches including the encouragement of entrepreneurs and development of new lines of products and services are needed to overcome the high cost of doing business, the unskilled labor pool, the shift from higher paying jobs to lower paying jobs, and the poor condition of Maine research and development infrastructure.¹⁹

Exacerbating these problems is the state's regional diversity. In Maine's 30 rural areas in 1990 the poverty rate was 12.7%, while in the 6 urban areas it was only 9%. The poverty rate varied in rural areas geographically, from only 7.4% in Sanford to 23.2% in the Jonesport area.²⁰ (Figure 7) Average income in the state's poorest counties, which are primarily rural, is 70% of that in the richest counties. Maine needs regional economic development strategies that acknowledge the differences among regions and capitalize on the unique assets of each.

Figure 7

**Rate of Poverty in Maine
1989**

Source: Maine Rural Development Council, *Economic and Social Trends and Conditions in Rural Maine*. 1995, p. 31. (Poverty rates were not available in unshaded areas and areas shaded solid light gray.)

¹⁹ Maine Economic Growth Council, *Measures of Growth*, Augusta, ME, 1996, pp. 25-28.

²⁰ Maine Rural Development Council, *Economic and Social Trends and Conditions in Rural Maine*, Augusta, ME, 1995, pp. 31-35.

Economic development efforts in Maine need to be targeted to regions and industries where the greatest benefits can be secured for those most in need. These efforts need to be thoughtfully planned, comprehensive, and interconnected with human resource development efforts so that new business development can progress in concert with the workforce. Income targeting and accountability need to be built in to ensure that state efforts at development produce the intended results, true progress for the individuals and regions most in need.

Finding ways to upgrade jobs currently available in Maine as well as ways to attract high wage jobs would provide opportunities for individuals to progress through their own initiative. A high performance work organization certification program would assist people in crafting quality jobs and enhancing business opportunities. High performance work organization principles include practices that enable businesses to upgrade their business performance, incorporate technological innovations, and enhance job opportunities.

Tax laws and other incentives

Tax policy is related to the plight of Maine's working poor families in a number of ways. The manner in which Maine supports its government, its programs, and its people reflects the State's vision of itself in relation to its people and its businesses. Where do we place the burden of supporting government and each other? What is the State's role vis-à-vis business and who pays for that role? How much is the Maine family paying in federal, state and local taxes? The Commission suggests that these tax policy questions be examined every year by the Legislature and the people of the state. Tax credits, specifically a state earned income tax credit for working families, have the potential to supplement the income of poor families, acting as vehicles for income redistribution. It is time to engage in full public debate of tax policy, particularly in light of anticipated deficits in the state budget, welfare reform in Congress, and the shift of burden to the state and local level.

Tax burden is most often measured in terms of all taxes paid to state, local and federal governments. In *Measures of Growth*, the Maine Economic Growth Council measured state and local tax burden in two ways, placing Maine 5th and 14th in the nation in tax burden on the family.²¹ Tax burden can also be measured by comparing the burden on families with incomes at the lower and higher ends of the income scale. The Commission learned that working families

²¹ The Maine Economic Growth Council, in its publication *Measures of Growth* measured tax burden by adding income, sales, property and corporate taxes and dividing by the total amount of income earned by individuals. Using this method, the report awarded first place for state and local tax burden in New England to Vermont, and second place to Maine. The report noted that in 1992 \$164.50 was paid in taxes to state and local governments for every \$1000 earned in Maine. The New England average was \$146. Maine's tax burden, measured in this way was 14th highest in the nation. The report noted that the degree of tax burden arises from tax policy decisions, as reflected in rate per unit of income and progressivity, and from other factors not so easy to control, such climate, low density of population and rural characteristics.

Tax burden can be measured by adding income, property, sales and automobile taxes paid by a hypothetical family of a certain number of persons at certain income levels. The Maine Economic Growth Council calculated tax burden in this manner for a family of 4 and Maine placed 5th highest in the nation in 1993. The family of 4, with gross earnings of \$25,000 paid an estimated \$3085 in income, property, sales and automobile taxes in 1993. Maine Economic Growth Council, op. cit., p. 73.

earning less than \$25,000 pay 11.6% of their annual income in state and local taxes, while families with incomes of \$25,000 to \$62,000 pay 10.3% and families with incomes over that pay 10%. Federal tax deductions lower the taxes of these highest 1% of income tax filers in Maine to 7.2%.²² The Commission was impressed by the differences in tax burden and is concerned that those with the least to spare, perhaps in fact with none to spare, pay no more than their fair share.

Figure 8

Federal EITC (and potential State EITC at different percentages of Federal) Amount for Families of three at Different Incomes, 1996				
Families with one adult and two children				
	100% of FPL	133% of FPL	150% of FPL	185% of FPL
Income	\$12,980	\$17,263	\$19,470	\$24,013
Amount over \$11,610	\$1,370	\$5,653	\$7,860	\$12,403
Phaseout Amount	\$289	\$1,191	\$1,655	\$2,612
Net Federal EITC	\$3,267	\$2,365	\$1,901	\$944
State EIC				
15% of Federal	\$490	\$355	\$285	\$142
25% of Federal	\$817	\$591	\$475	\$236
Families with two adults and one child				
	100% of FPL	133% of FPL	150% of FPL	185% of FPL
Income	\$12,980	\$17,263	\$19,470	\$24,013
Amount over \$11,610	\$1,370	\$5,653	\$7,860	\$12,403
Phaseout Amount	\$219	\$903	\$1,256	\$1,982
Net Federal EITC	\$1,933	\$1,249	\$896	\$170
State EIC				
15% of Federal	\$290	\$187	\$134	\$26
25% of Federal	\$483	\$312	\$224	\$43

Source: Center on Budget and Policy Priorities, August 1996.

²² Maine Center for Economic Policy, *News from the Maine Center for Economic Policy*, August 23, 1996, Vol. II, No. 7, pg 1.

The federal earned income tax credit is available to low and moderate income workers. This refundable credit, used by 82,000 low-income filers in Maine in 1994, helps to offset social security taxes and assists families in supporting themselves. As it is available to families on the edge of self-sufficiency and trying to work their way off welfare, the credit is a central element in federal efforts to “make work pay.” The credit lifts a minimum wage worker from \$4.25 per hour to \$6. Although this raise helps the family, it does not lift it out of poverty. For a family of three in 1996, annual income with the \$3556 federal credit will still be \$829 below the federal poverty level and substantially below the Commission definition of poverty.²³ If Maine were to enact a state earned income tax credit at 10 to 20 percent of the federal credit, low-income Maine families could qualify for an additional \$533.40 in state credits, bringing the family almost to the federal poverty level.²⁴ (Figure 8)

Education and training

The need for education and training cannot be overstated. Lack of education is a barrier to employment, economic independence, and security. Of the net new jobs paying livable wages filled in 1993-94, 63% required 2 years of training or experience.²⁵ 40% of parents in working poor families are high school drop-outs. Another 35% have no education or specialized training beyond high school.²⁶ A high school education used to be sufficient to support a family. In the 1950’s and 1960’s high school graduates with a dedication to work could find steady jobs in the manufacturing industry in many communities. Their positions provided health insurance and retirement plans and income to support their families. Fundamental shifts have occurred in the American job market. Changing economic realities have drastically changed the possibilities for high school educated workers. Since the 1970’s the median real earnings of men with high school education dropped 30%. For women, who started at lower incomes, the drop was 20%.²⁷ The generation entering the job market with a high school education in the 1990’s found fewer jobs available, often with no benefits, and wages at only 70% of the federal poverty level.

The Commission is convinced that education and training are key to families bringing themselves out of poverty. How can the parents and children in these families acquire the education, training, and skills needed to work and earn income above the poverty level? The Commission identified personal, institutional, cultural, and financial barriers to obtaining education and training. Individuals, schools, communities, and employers in Maine must strive to overcome these barriers so that Maine workers receive the training they need to compete successfully in the employment marketplace.

Cultural barriers are partly responsible for the gender gap among Maine’s workers, a gap that robs the workers and the state of valuable potential. Both sexes should be encouraged to maximize their potentials, regardless of cultural norms, and should be encouraged to study and

²³ Lazere, op. cit., p. 24.

²⁴ Ibid.

²⁵ Maine Department of Labor, op. cit., p. 1.

²⁶ The Annie E. Casey Foundation, op. cit., p. 7.

²⁷ Ibid.

excel in new areas. High quality career counseling should be available to students in high school, right through job placement and re-placement.

Maine must prepare students for future employment opportunities. In our schools support must be shown for reforms that stress outcome measures, certificates of initial mastery, experiential learning, mentoring, school-to-work, and transition programs. The Commission heard favorable testimony about block scheduling, behavioral competencies, ethical standards, team building, problem solving and negotiation, compromise, and leadership skills. Experimentation is already taking place in Maine that extends public schooling by 2 years, using the available resources at the local high school and vocational secondary schools to prepare students for work or further study. These and other programs are needed to decrease drop-out rates, increase the number of individuals pursuing secondary education or vocation training, and better match training programs with job skills. School bus service should accommodate family needs for after school, summer and adult education opportunities.

Adults in the workforce are finding that education and training are necessary to keep up with job demands, ensure promotion, and provide for their families. Maine should encourage higher education programs to provide flexible evening, weekend, part-time and year-round programs for adult students at a full range of institutions. High schools, technical schools and colleges, universities, and employers must work together to provide training and education to traditional and non-traditional students. More apprenticeships and business-tailored programs similar to the Quality Centers must provide training and opportunities for students and workers. Life long learning and job upgrade training are vital to survival, particularly among low-income workers.

Financial barriers that hinder participation in job training and education must be removed. Funding is needed for living expenses and work or school related child care, on-site child care, and developing child care resources. The Commission recommends that the State maximize federal dollars for child care under the new block grant structures. Health insurance offered through the educational institution would be a best buy for workers and students.

Programs and policies that support families

Federal and state programs and policies are required to move working poor families out of poverty and into self-sufficiency. The most effective programs and policies include long-term solutions aimed at ending the cycling of families into and out of poverty. These programs and policies are not special programs for the working poor but are part of the continuum of services in the community to which the upper and middle classes have access through their own resources and for which public support is required for low-income families. They include education and training, health care, child care for work, and assistance with rental units and home purchases.

Affordable, safe housing is not available for many low-income families. Many families have a hard time paying their major expense, the monthly rent, especially in urban areas.²⁸

²⁸ Fair market rent, determined by the federal Department of Housing and Urban Development, in non-urban counties in Maine for a two bedroom apartment is \$488 per month. Seguino, op. cit., p. 39.

Maine's low-income families need more quality, reasonably priced rental property and opportunities for home purchase. Home ownership can be encouraged through wider distribution of information about and expansion of existing programs.

Strategies that can help include the following: support for rehabilitation programs for existing homes, strengthening non-profit housing production and rehabilitation capacity in order to make better use of the Community Reinvestment Act, and expansion of the Family Self-Sufficiency Program to enable families to build escrow accounts for home improvement. Successful partnerships with the Maine State Housing Authority, lenders, municipalities, federal agencies such as HUD, and nonprofits provide opportunities for homeownership for low-income families. The FIX-ME program operated by the Kennebec Valley Community Action Program is an example of an effective home repair and renovation initiative.

Many families do not have access to health insurance or health care. In terms of equity, low-income families are again on the wrong end of the equation: low-income families paying for their own health care spend one fifth of their income on health care costs while the highest income families spend only one twelfth. Low wage jobs often do not include health insurance benefits. The low-income family may face three options: insurance through the private market, Medicaid, or no insurance. The premium for basic health insurance for a family of one adult and two children is \$240.95 per month. Add to this the cost of meeting the deductible and other uninsured costs, and the low-income family may have health care costs each month of \$325.²⁹ This cost poses a dilemma that tempts the family to decide to delay preventive care and put members at risk. For families using the Medicaid program, different income levels determine eligibility for family members of different ages. In Maine infants are eligible up to 185% of the federal poverty level. Children ages 1 to 5 are eligible up to 133%. Children ages 6 to 18 are eligible up to 125%. Older children and adults may be ineligible while younger children are eligible. The subcommittee finds these distinctions to be cumbersome and detrimental to family health. Medicaid eligibility should be expanded to cover children to 185% and working parents to 150% of the federal poverty level. Solving the problem of access to health care would enable many families to provide for themselves.

Poverty among single-parent households runs higher than poverty among two-parent households. Education is needed on the responsibilities and skills of parenting. Initiatives must be undertaken to strengthen the functioning of both parents and to support the needs of families so that their workplaces, schools, and communities are family-friendly. Strengthening domestic and child abuse prevention programs will help. Affordable, accessible family counseling and planning and teen parent programs are needed. When parents plan for the future they should place the needs of their children high on the list. Child support collection initiatives may increase the voluntary payment of child support. When payments are not forthcoming, strong child support enforcement measures are required. New ideas to increase collections must be developed.

Going to work is expensive. Transportation, clothing, meals and child care all are expensive. Quality, affordable child care is in short supply, costing from \$65 to \$90 per week for

²⁹ Seguino, op cit., p. 40.

a pre-school child.³⁰ Low-income wage earners need assistance with these expenses. The State participates in child care programs in a number of ways, including subsidy programs and contracted services. Resource development centers across the state provide information referrals to area providers, assist in the establishment of new child care sites, and provide training to child care workers.

The private sector must become more involved in child care. The State needs employers with family-friendly employment policies, that provide assistance with their employees' needs for child care, as well as work flexibility so that parents may care for sick family members and participate in their children's school activities. Companies that offer child care have reduced turnover (65%), increased recruitment (85%), increased quality of work (42%), reduced absenteeism (53%) and increased productivity (49%).³¹ Employers need information and assistance in becoming family-friendly workplaces so that low-income families are able to maintain their employment and meet their family obligations. Public-private partnerships must be expanded and model programs promoted.

Provisions for child care services are needed for teen parents who are ineligible for or who are not participating in AFDC or Temporary Assistance to Needy Families (TANF) and who, therefore, are unable to receive benefits under the ASPIRE program. The needs of teen parents should be examined to ensure that they are able to finish their education.

Unemployment compensation pays for the transition of unemployed workers back into the job market but it does not assist workers who work in seasonal employment. Changes in the unemployment compensation program that allow seasonally employed workers to qualify for benefits when they become unemployed could mitigate the effects of unemployment on working poor families. If the seasonality exclusion were repealed, persons laid off by a seasonal employer would be eligible for unemployment benefits only if they were able, available and actively seeking work in the off season.³² The Commission requests an examination of the unemployment compensation program focusing on seasonality, loss of work for good cause, extension of benefits, and the needs of the labor force and the business community. To better address the needs of displaced workers, the Maine Technical College System should reexamine its programs and policies so that they better match the needs of Maine's citizens.

Changes should be made in the AFDC and TANF programs to increase the amount of money available to low-income families. Currently a family of one adult and two children qualifies for an AFDC cash assistance benefit of \$418 per month. Earned income and child support totaling \$135 per month is allowed without a loss in cash assistance. Above \$553 total income, every dollar of income causes a loss of a dollar in cash assistance. Above 61% of the federal poverty level (\$7,918 for a family of three), the family is disqualified for cash assistance

³⁰ Seguino, op cit., p. 41.

³¹ Department of Human Services, *Day Care Task Force Report*, 1995.

³² 20 states have abandoned their seasonality statutes, because of the inequities and administrative problems that they caused. Only 13 states continue to treat seasonal workers differently from all other unemployed workers. Saul J. Blaustein, Wilbur J. Cohen and William Haber, *Unemployment Insurance in the United States, The First Half Century*, Kalamazoo, MI, 1993, pp. 307-398.

and Medicaid. Changes are needed so that families that receive earnings or retroactive child support payments may retain more of that money without any decrease in their AFDC or TANF cash assistance.

III. Recommendations

The role of federal and state programs and policies is a vital one. With the passage of the new federal welfare initiative, the responsibility for supporting and lifting working poor families to self-sufficiency rests primarily with the states. The Commission recommendations are designed to address inter-related issues confronting the working poor. For long-term solutions, no single recommendation by itself is adequate. A comprehensive approach is needed to address the issues facing working poor families.

The Commission concludes that strong public sector and private sector leadership are needed in a new family self-sufficiency campaign so that all Maine families may lead lives of opportunity, responsibility, challenge, and self-sufficiency. The Commission challenges the people of the state and Governor Angus King to adopt a legislative package that addresses the issues of the working poor and to work together to assist families in their efforts to attain and maintain independence.

Remove Barriers to Work

1) **Implement the law prohibiting discrimination in pay based on gender**

26 MRSA §628 states that no employer in Maine may “discriminate between employees in the same establishment on the basis of sex, by paying wages to any employee in any occupation in this State at a rate less than the rate at which he pays any employee of the opposite sex for comparable work on jobs which have comparable requirements relating to skill, effort, and responsibility.” Rules have not been adopted to implement the law. The Commission recommends that the Department of Labor adopt the necessary rules to implement the law. This would help to address the wage gap between men and women identified by the Maine Economic Growth Council, thus assisting female-headed households in meeting the financial needs of their families.

2) **Increase access to health care for low wage working families**

The Commission recommends that the Medicaid program be extended to cover children in families with incomes up to 185% of the federal poverty level and working parents in families with incomes up to 150% of the federal poverty level. To date, 11 states have received waivers from the federal Department of Health and Human Services to expand their Medicaid programs, and applications for waivers are pending from 10 states. Minnesota has recently released the results of an economic survey showing that the MinnesotaCare Program was responsible for 4,300 fewer families relying on welfare at a saving to taxpayers of \$2.1 million a month. MinnesotaCare concluded that it reduced the

chance that the low-income family may need to resort to welfare when faced with a medical crisis.

3) **Allow working families to retain more of their earnings**

The Commission recommends that the Department of Human Services work with the Health and Human Services Committee regarding the AFDC and TANF programs so that families moving off the programs retain more of their earnings. In addition, AFDC and TANF asset limits, transitional assistance, and potential consequences should be examined. Thirty-five other states have implemented similar provisions to help “make work pay” in their welfare programs. Early results in Iowa and Illinois show that such programs increase the numbers of AFDC families working and reduce the average grant levels, resulting in significant benefit savings in those states. In Illinois, the number of working AFDC families went from about 5% just prior to implementation in 1993 to 19.7% in 1996.

4) **Ensure adult access to education and training options**

The Commission recommends that education and training opportunities be targeted to adults most in need of upgrading their skills and that Maine focus resources on programs, including technical and non-traditional job training, to assist them to overcome the barriers to adequate employment. The Department of Human Services will preserve post-secondary education and training as it implements the TANF block grant.

5) **Extend public schooling in the State of Maine by 2 years**

The Commission supports the goal of extending public schooling by 2 years, the goal to be achieved within 5 years. Additional schooling would be optional for residents who have completed their high school education, and would be offered in secondary schools and vocational secondary schools. Education is essential in breaking the cycle of poverty. The K through 12 system is no longer adequate to prepare many of Maine’s students for the demands of the work place.

6) **Exempt taxpayers from state income tax filing requirements if they are below the federal income tax filing requirement (\$10,000)**

The Commission recommends raising the state income tax filing threshold to the federal level, \$10,000, as suggested by the Bureau of Taxation. This would eliminate state tax filing for 125,000 current filers.

7) **Establish a state earned income tax credit and explore automatic identification of eligible families**

The Commission recommends that Maine provide a state earned income tax credit based on the federal income tax credit, ranging from 10% of the federal credit for the families with incomes at the highest level qualifying for the federal program to 20% of the federal credit for very low income families. With a state credit of 20% of the federal credit, a

family of four with a full-time minimum wage worker earning \$8,840 would receive a federal credit of \$3,536 and a state earned income tax credit of \$707, bringing their income to \$13,083. This is below the poverty line of \$15,600.

The earned income tax credit has been found to be one of the most effective means of raising the income of working poor families. Statistics from the Bureau of Taxation show that only 80% of families eligible for the federal credit file for the benefit. The Commission recommends that the Bureau of Taxation explore automatic identification of families that are eligible for the federal and state, if passed, earned income tax credit.

8) **Expand the state's current mix of child care services**

The Commission recommends that \$1 million be used for developing and implementing after-school, non-traditional child care through the Bureau of Family Independence. Particular attention should be given to creating and supporting flexible child care options, such as night, weekend and after-school care, which match the shift and contingent work patterns of many working parents. The University System, the Technical College System, and other educational institutions should be encouraged to develop on-site child care facilities.

Provide Economic Security for Working Parents

9) **Eliminate tracking and general studies in Maine schools**

The Commission recommends that the Department of Education act to ensure that tracking and general studies are eliminated in the middle and high schools, giving all students opportunities for learning technical and other skills that will be needed in the diverse economy of the future.

10) **Examine ways in which the unemployment compensation program could provide better assistance to unemployed workers**

The unemployment compensation program currently provides assistance to only four out of ten unemployed Maine workers. The Commission requests that the Commissioner of Labor examine the needs of the changing labor force and the business community. The Commissioner should examine in particular the following issues: seasonality, disqualification for persons losing work because of child care or transportation, the timeliness of the extended benefit trigger, and the adequacy of benefit duration in the dislocated worker benefit program. A report should be submitted to the Joint Standing Committee on Labor by December 1, 1997.

11) **Ensure minimum income standards for working people**

The Commission proposes a three-pronged approach to "making work pay."

- A) Ensure a minimum wage for working citizens that is initially \$.25 above the federal minimum wage and that is adjusted annually by the same percentage as the annual increase in average worker income.
- B) Set living wage levels for any State sub-contracted work.

- C) Extend to all other business assistance subsidies the livable wage standards that apply to the ETIF program.
- 12) **Coordinate the property tax circuit breaker program with state income tax filing**
The Commission believes that the property tax circuit breaker program is underutilized and recommends coordination with income tax filing to increase its use.

Provide Economic Development Opportunities for Individuals and Communities

- 13) **Assess the need for a Maine enterprise initiative to encourage low-income entrepreneurs to generate income through small business activity**
The Commission recommends that the Maine Department of Economic and Community Development assess the following: the needs of entrepreneurship in Maine, the demand for microloans, the services offered by microenterprise programs statewide, and the types of initiatives available to enhance small business activity. A report should be submitted by April 1, 1997 to the Joint Standing Committee on Business and Economic Development.³³

Ensure Governmental Accountability for Ongoing Efforts to Address Poverty

- 14) **Establish an annual report card on the status of poverty in Maine**
The Commission recommends that the State Planning Office be directed to report annually on the extent to which poverty, including poverty among children, has increased or decreased in the previous year. This report would identify the conditions responsible for the changes in poverty and would serve as a report card on the economic condition of Maine families, much as the Maine State Educational Assessment scores indicate the progress of Maine students.

³³ Commission member Senator Georgette Berube opposes this recommendation, noting reservations regarding need, effectiveness, accountability, the risk of delinquency in repayment, and duplication of services.

Appendix A

**Authorizing Legislation for the Study
Public Law 1995, Chapter 418, Part B**

Commission to Study Poverty Among Working Parents

Public Law 1995, Chapter 418, Part B:

Sec. B-1. Commission to Study Poverty Among Working Parents

1. Commission established. There is established the Commission to Study Poverty Among Working Parents, referred to in this Part as the "commission." The purpose of the commission is to investigate the extent to which poverty exists among working families, investigate how poverty among working or underemployed parents with children contributes to the need for greater public assistance expenditure, investigate economic development efforts and other public and private sector initiatives that could reduce poverty and make comprehensive recommendations that address the commission's findings to the 118th Legislature.

2. Commission members. The commission consists of 21 members, all of whom must have knowledge of and experience with the economic challenges facing low-income working people. An equal number of members must be appointed by the Governor, the President of the Senate and the Speaker of the House of Representatives. They are appointed as follows:

A. The following members must be appointed by the Governor:

- (1) A Maine employer;
- (2) A representative of the Department of Human Services;
- (3) A representative from an organization whose purpose it is to advance the position of women;
- (4) A representative from an organization that advocates for low-income people; and
- (5) A representative from an agency providing community economic development services;

B. The following members must be appointed by the President of the Senate:

- (1) A member of the religious community;
- (2) A representative from a community action agency;
- (3) A professional child care provider;

(4) A representative of the Aid to Families with Dependent Children Advisory Committee; and

(5) A representative from a community agency providing education or training services to low-income people;

C. The following members must be appointed by the Speaker of the House of Representatives:

(1) A representative of organized labor;

(2) A recipient of Aid to Families with Dependent Children benefits who is a current or former participant in an education or training program;

(3) A working single parent who has minor children and who earns less than 150% of the federal poverty level;

(4) A representative of a postsecondary institution providing education and training services to low-income people; and

(5) A representative of a community agency providing nontraditional education or training services to low-income people;

D. The President of the Senate shall appoint 2 Senators, one from each major political party, and the Speaker of the House of Representatives shall appoint 2 Representatives, one from each major political party; and

E. The cochairs of the Maine Economic Growth Council or their designees shall serve as members.

3. Responsibilities of the commission. The commission shall:

A. Determine the extent to which current labor market participation enables individuals and families to earn the amount of income necessary to meet the basic needs of their families;

B. Examine current labor laws and practices, to determine their impact, both positive and negative, on the ability of families to meet their needs;

C. Consider and determine the respective responsibilities of the public and private sectors in ensuring that working families have income adequate to meet their basic needs;

- D. Evaluate the effectiveness of the Unemployment Insurance Program in meeting the needs of low wage part-time and seasonal workers when they become unemployed;
- E. Examine the efficacy of a state earned income tax credit that would enable working families to meet the requirements of the basic needs budget;
- F. Examine the wages, benefits and protection available to part-time and temporary workers, leased employees, independent contractors and other contingent workers as compared to regular full-time workers;
- G. Solicit, receive and accept grants or other funds from any person or entity and enter into agreements with respect to these grants or other funds regarding the undertaking of studies or plans necessary to carry out the purposes of the commission; and
- H. Request any necessary data from either public or private entities that relate to the needs of the commission.

4. Appointments; meetings; chair. Appointing authorities shall make all appointments to the commission by October 1, 1995 and report those appointments to the Chair of the Legislative Council, who shall call the first meeting. The commission shall elect a chair from among its members. The commission may not hold meetings during the Second Regular Session of the 117th Legislature.

5. Staff Assistance. The commission may request staffing assistance from the Legislative Council, except staff may not be assigned when the Legislature is in regular session.

6. Funding. The commission may seek outside sources of funding.

7. Reimbursement; mileage and other costs associated with participation on the commission. The members of the commission are not entitled to compensation or reimbursement for expenses or legislative per diem except that, to the extent that funds are available, legislative members may request reimbursement for mileage from the Executive Director of the Legislative Council.

8. Report. The commission shall prepare and submit a report, including any legislation necessary to implement its recommendations, to the First Regular Session of the 118th Legislature by November 15th, 1996.

Appendix B

Members of the Commission to Study Poverty Among Working Parents

**COMMISSION TO STUDY POVERTY AMONG WORKING PARENTS
(Public Law 1995, Chapter 418, Part B)**

MEMBERSHIP

Appointments by the President

Representing

Senator Charles Begley
94 Depot Street
Waldoboro, Maine 04572

Senator Georgette Berube
195 Webster Street
Lewiston, Maine 04240

Marc R. Muttu, Director
Office of Public Affairs
Roman Catholic Diocese of Portland
P.O. Box 11559
Portland, Maine 04104-7559

Religious community

Raymond Richard, Director
Kennebec Valley Community Action Agency
P.O. Box 1529
Waterville, Maine 04903-1529

Community action agency

Jessica Dwyer
Town House Condominiums #3
Winthrop Street
Hallowell, Maine 04347

Child care provider

Sonja Christianson
22 Colonial Way
Auburn, Maine 04210

AFDC Advisory Committee

Wendy Rose
Maine Centers for Women, Work & Community
Stoddard House, UMA
46 University Drive
Augusta, Maine 04330

Community agency/education & training
(Maine Centers for Women, Work &
Community)

Appointments by the Speaker

Representative Edward J. Povich
26 South Street
Ellsworth, Maine 04605

Representative Robert Winglass
520 Lake Street
Auburn, Maine 04210

Wayne Hollingworth
42 Durham Road
Freeport, Maine 04032

Organized labor

Shelly Ingalls
19 Oak Street
Oakland, Maine 04963

AFDC recipient

Lisa Winfrey
444 Washington St., Apt. #3
Bath, Maine 04530

Working single parent

Kathleen Moore, Ph.D.
Student Services Director
Kennebec Valley Technical College
92 Western Avenue
Fairfield, Maine 04937

Post-secondary institution

Sharon H. Abrams
P.O. Box 1311
Waterville, Maine 04903-1311

Nontraditional training
(Maine Children's Home)

Appointments by the Governor

Peter Walsh, Deputy Commissioner
Department of Human Services
11 State House Station
Augusta, Maine 04333-0011

DHS representative

Laura A. Fortman
10 Oyster Creek Lane
Nobleboro, Maine 04555

Women's organization

Stephen P. Simonds
18 Brentwood Road
Cape Elizabeth, Maine 04107

Advocate for low income

Thomas M. Forst
5 Jordan Farm Road
Cape Elizabeth, Maine 04107

Maine employer

Robert Ho
Maine Rural Dev. Council
5741 Libby Hall
Orono, Maine 04473

Economic development agency

Ex Officio

Senator Chellie Pingree
P.O. Box 243
North Haven, Maine 04853

Co-Chair Maine Economic Growth Council

Kevin Gildart
Bath Iron Works
700 Washington St.
Bath, Maine 04530

Co-Chair Maine Economic Growth Council

Appendix C

Commission to Study Poverty Among Working Parents Vision Statement

Vision Statement

Commission to Study Poverty Among Working Parents

Vision of Maine

We envision a State of Maine that offers its citizens lives of opportunity, responsibility, challenge and self-sufficiency.

Conditions Supporting the Vision

Employment and business opportunities are available and adequate to support all Maine families.

Relevant education, job training and job counseling are available and accessible statewide.

A fair tax structure fosters growth and independence.

Public, private and corporate citizens work together for a dynamic, healthy community that supports families.

What is Working in Poverty

Livable wages are sufficient to support the family without subsidy -- 185% of the federal poverty level.

Appendix D
Commission to Study Poverty Among Working Parents
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COMMISSION TO STUDY POVERTY AMONG WORKING PARENTS
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Appendix E

Commission to Study Poverty Among Working Parents Subcommittee Reports

The Economy and Low Wage Market, Group 1

Introduction

Poverty in Maine needs to be acknowledged and responded to in all its dimensions, with particular attention given to the rate at which child poverty is growing.¹ The subcommittee on the Economy and Low Wage Job Market determined that the eradication of poverty is absolutely conditioned on the availability of employment and business opportunities that are adequate to support all Maine families. The subcommittee envisions a State of Maine that offers its citizens lives of opportunity, responsibility, challenge, and self-sufficiency.

What are the best ways to create quality jobs that pay a livable wage? Diverse, innovative job creation strategies will be needed, including industry attraction, small business development and expansion, and nurturing home-based businesses, so that wealth is created and retained locally.

How do we provide for regional differences in developing these job creation strategies? The subcommittee members recognized the state's diversity and wish to respect and nurture it. Great disparities exist between urban and rural communities, high and low amenity communities, resource rich and resource poor regions, and the I-95 corridor and more distant locations. These disparities are disturbing when they indicate that prosperity will reign in some communities and poverty in others despite the diligent efforts of both communities and their citizens.

Finally, there is the dual issue of wage level and wage equity. A primary cause of poverty among working parents is the fact that minimum wage jobs no longer provide earnings that are sufficient to support a family. Subcommittee members noted the erosion of buying power in minimum wage earnings. For a family of three supported by a minimum wage worker, wages from work provided income at 71% of the federal poverty level in 1996.² The subcommittee also noted the finding of the Maine Economic Growth Council that women earn 53% of the average annual wage of men in similar job classifications.³

The subcommittee wishes to thank the many people who contributed generously of their time and knowledge and whose work enriched the work of the subcommittee. Individuals who contributed include Laurie LaChance of the State Planning Office, Charles Colgan of the Muskie Institute of Public Affairs, Christopher St. John of the Maine Center for Economic Policy, and Christine Hastedt of the Maine Equal Justice Project.

¹ The number of Maine children living in poverty grew from 15.3% in 1985 to 19.3% in 1992. This was the second greatest increase in the country, surpassed only by Louisiana., running counter to the national trend of a slight decrease. The Annie E. Casey Foundation, *Kids Count Data Book*, Baltimore, MD, 1996, p. 73.

² Edward B. Lazere, *Maine Families: Poverty Despite Work*, Center on Budget and Policy Priorities, Washington D.C., 1996, p. 20.

³ Maine Economic Growth Council, *Measures of Growth*, 1996, pp. 62-63.

Economic Development for Quality Jobs and Livable Wages

The trend toward economic globalization is affecting Maine's economy and its labor market in fundamental ways. Capital, technology, and raw materials can go anywhere in the world where a competitive edge can be found. Maine Department of Labor data show that in 1993-94 there were 65,000 new job seekers for 6,500 net new jobs filled in Maine that paid a livable wage, making the ratio of new job seekers to net livable wage job openings 10 to 1.⁴

Traditional approaches to economic development, such as industrial parks, mall development and smokestack chasing, are not working well, particularly when undertaken to the exclusion of other strategies. New, bold approaches are needed to overcome such barriers as the high cost of doing business in Maine,⁵ an unskilled labor pool, the demise of the high paying manufacturing sector and emergence of lower paying service jobs, and the poor condition of Maine's research and development infrastructure.

Exacerbating these problems is the state's regional diversity. Strategies that work in one region may not work well in another. Maine lacks effective statewide economic development strategies for its regions that take advantage of the differences among communities and regions. The efforts of existing regional economic development entities are more driven by the nature of their categorical funding sources than by coherent long range, regional plans. The state needs comprehensive development programs which address in integrated ways education, workforce training, public assistance, child care, research and development, technology transfer and use, and access to venture capital.

Economic development needs to be defined broadly to include improving the business climate, strengthening the state's telecommunication capacity to attract businesses and build a research and development infrastructure, supporting opportunities for home-based business development, building an expanded entrepreneurial economy to encourage self employment, and improving the adaptive capacity of existing small businesses. The development of quality jobs requires strategic allocation of public resources. Maine needs to commit itself to funding "high

⁴ *Maine Department of Labor, Liveable Wage Job Openings, Maine, 1993-94, Preliminary Study Results, May 1996.*

⁵ By the following indicators for major manufacturing operations, Maine is a high cost state. The cost of worker's compensation in Maine is \$3.43 per \$100 of payroll, compared with Mississippi's \$1.46, Virginia's \$0.85, and Louisiana's \$1.58. Maine's corporate income tax rate is 8.43%, compared with Mississippi's 5%, Virginia's 6%, and Louisiana's 8%. Maine's sales and use tax is 7%, compared with Mississippi's 8%, Virginia's 5%, and Louisiana's 5%. Maine's average local property tax rate per thousand dollars of value is \$20.80, compared with Mississippi's \$22.00, Virginia's \$12, and Louisiana's \$16.13/. Maine's electricity costs 9.32¢ per KWH, compared with Mississippi's \$5.63, Virginia's \$6.29, and Louisiana's \$7.02. (Data provided by Commission member Kevin Gildart.

road” approaches to economic development and accountability for identification of development priorities and targeting resources. “High road” strategies are those that target the creation of quality jobs connected with the service industry (including financial and insurance), biotechnology, telecommunications, and the high value-adding sector in the natural resource field, eco-tourism, health care and research and development. “Low road” strategies are usually associated with efforts to attract low-skilled, labor intensive manufacturing firms that move to rural areas in search of low-cost production sites.

Unemployment is chronically high in rural areas, where there have been greater shifts in the economy and higher loss of manufacturing jobs. Many rural communities are dependent on a single resource-based industry (i.e., fishery or paper) and reliance on seasonal employment or self-employment is the norm. Maine needs to support and strengthen the state's seasonal and informal economies. Rural areas would benefit greatly from investments of public resources in education, telecommunication, transportation, or workforce training.

A Livable Minimum Wage and Pay Equity as Pathways from Poverty

The value of the minimum wage has declined dramatically over time in spite of periodic adjustments to its lowest point in 40 years.⁶ In the 1970’s many families with heads-of-household working full time at minimum wage jobs had above-poverty incomes. A minimum wage job in 1996 earns just \$8,840, which is \$4,140 below the federal poverty level for a family of three.

We must also view the deterioration of minimum wage buying power against the backdrop of general economic prosperity. Between 1979 and 1989, the income of the upper 20% of wage earners in Maine grew 18%, the income of the middle 20% grew 9.61%, and the income of the lowest 20% of wage earners grew only 3.7%.⁷ This reflects a national trend that has resulted in shifting \$250 billion in income from the middle class to the very rich.⁸

Deeply ingrained in the structure of Maine's labor market is the problem of pay or wage equity. Even when jobs are of equal or comparable value, as evaluated on the basis of education or training requirement, skill level, responsibility and working conditions, those jobs with a higher percentage of women pay less. In 1990 the average annual earnings of women, compared to the average annual earnings of men in similar job classifications, was 53.6%.⁹ When the earnings of women and men who work full-time with the same educational attainment are compared, women earn 63% of the amount that men earn. In fact, the mean annual earnings of a woman with a college degree working full-time are less than the earnings of a man with a high school diploma.¹⁰ Such pay disparities are a disincentive for women to contribute to the labor force, and impede economic growth.¹¹

⁶ Spriggs, William & Bruce Klein., *Raising the Floor: The Effects of the Minimum Wage on Low-Wage Workers*, Economic Policy Institute, Washington DC, 1994.

⁷ Maine Economic Growth Council, op. cit., p. 51.

⁸ Maine Center for Economic Policy, *News from the Maine Center for Economic Policy*, Vol. I, #5, p. 1.

⁹ Maine Economic Growth Council, op. cit., p. 63.

¹⁰ Stephanie Seguino, *Living on the Edge: Women Working and Providing for Families in the Maine Economy, 1979-1993*, 1995, Margaret Chase Smith Center for Public Policy, Orono, Maine, pg ix.

¹¹ Maine Economic Growth Council, op. cit., p. 62.

The concentration of women in low-pay job categories provides another perspective on wage equity. Fifty-four and a half percent of women workers are concentrated in just three occupations, all with relatively low wages: sales, administrative support and services. Their earnings in all three categories are below the average weekly earnings of all workers in Maine, placing them at about 76.4% of the poverty level for a family of three.¹²

There is another aspect to the issue of women earning a living wage in Maine. According to *Maine's Families: Poverty Despite Work*, 57% of the working poor families in the state were headed by a married couple. Six percent were headed by a single man and 37% were headed by a single woman.¹³ When these single women encounter barriers to earning a living wage, the whole family suffers.

Recommendations

The recommendations presented in this paper address three sets of inter-related issues confronting the working poor, the availability of jobs that pay a livable wage, the need to provide for regional differences in efforts to create such jobs, and minimum wage level and pay equity.

Like the issues they address, the recommendations are interrelated. For the long term, no single recommendation is adequate. The subcommittee strongly recommends a comprehensive approach to ending poverty that includes targeted economic development, workforce training efforts, a safety net that is empowering but not debilitating, high performance work places, and initiatives that build communities' own capacities to ensure social and economic vitality.

Policy Recommendations

1. Establish by Executive Order a Maine Inter-Agency Working Group To End Poverty Among Working Families to oversee and coordinate statewide efforts in the following areas:

Target public resources for economic development to regions and industries where the greatest benefits can be accrued for those most in need;¹⁴

Develop and implement comprehensive approaches to economic development that target the creation of high wage/high skill jobs and the simultaneous investment of public and private resources in workforce development for those jobs;

Ensure that low-income targeting and accountability are built into the state's job development and workforce training programs; and

¹² Seguino, op. cit., p. 17.

¹³ Lazere, op. cit., p. 9.

¹⁴ Examples of such public resources include the Employment Tax Increment Financing (ETIF) Program (PL 1995, chapter. 669) and Governor King's Job Training Initiative (PL 1995, Chapter 665, Part DD).

Promote the use of telecommunications and technology as tools for economic development, particularly in rural areas.

Discussion: Study commissions come and go, dusty shelves or file drawers housing their findings and recommendations. Maine cannot afford to shelve this report. The State needs to fully acknowledge its responsibility for ending poverty among its working poor by establishing a standing inter-agency working group of senior level agency personnel to oversee and coordinate the recommended policies and practices and hold the agencies accountable.¹⁵

2. Promulgate regulations to implement the law prohibiting discrimination in pay based on gender.

Discussion: Stephanie Sequino's study of women in Maine's labor force documented major discrepancies between the wages of women and men. The Maine Economic Growth Council has chosen to address this inequity through their Performance Measure #29.¹⁶ Maine already has a major tool to help redress such inequities in 26 MRSA 628, the law prohibiting discrimination in pay based on gender. The working group urges the Maine Department of Labor to adopt the rules required to implement this statute.

Legislative Recommendations

3. Develop and fund a statewide strategy for micro-enterprise development, particularly in rural areas, that provides for training, technical assistance and financing support.

(a) Establish a Maine Micro Enterprise Initiative in cooperation with Maine Department of Economic and Community Development and MicroNet. This initiative will make available \$1 million in state funds over a two-year period for grants to community based organizations that have the capacity to deliver training, technical assistance, and loans to micro-enterprises, either alone or in partnership with other organizations, and that will be

¹⁵ Member agencies of this working group shall include: Maine Department of Economic and Community Development, Maine Department of Labor, the Maine Department of Human Services, the State Planning Office, the Finance Authority of Maine, Small Business Administration, USDA-Rural Development, and Economic Development Administration.

¹⁶ *Measures of Growth*, Performance Measure #29, "Women's Annual Earnings as a Percent of Men's Annuals, by Occupation," calls for the following benchmark: The average annual earnings of women, by occupation, will be at least 65% of the average annual earnings of men, by occupation, by the year 2000. Maine Economic Growth Council, op. cit., pp. 62-63.

*Commission member Senator Georgette Berube opposes this recommendation, noting reservations regarding need, effectiveness, accountability, the risk of delinquency in repayment and duplication of services.

responsible for leveraging at least 25% of the loan portion of their grants from private sector lending institutions.

(b) Increase Maine's contribution to the Community Development Block Grant revolving loan fund program by \$200,000 for communities wishing to support and encourage micro-enterprise development, particularly among those most in need.

Discussion: For many people living in poverty, particularly those in Maine's rural communities, starting a small business is a potential means of working their way out of poverty. Whether supplementing other income sources or eventually providing the major source of family support, homebred small businesses enable people to accumulate assets, contribute to their community's economic and social vitality, and achieve self-sufficiency.

Potential entrepreneurs are found across the entire economic spectrum. Low-income individuals, women and minorities, however, are often unable to access financing and technical assistance to pursue their self-employment strategies. One approach to help create and sustain very small businesses is micro-enterprise funds, which can provide small amounts of financing, combined with training and technical assistance. This development concept originated in developing countries. It has been adapted successfully in both rural and urban areas to promote economic self-sufficiency for low-income and disadvantaged individuals. While a variety of strategies have been tried over the years in Maine to encourage micro-enterprise development, there is no comprehensive, statewide program in place to address the need and support the diverse community-based organizations which can deliver the needed services.

4. Provide \$500,000 in seed money, to be matched with foundation and private sector support, for a statewide program of locally based "community builders" to help develop and sustain local problem solving capacity, addressing social and economic vitality issues on the community level.

Discussion: Low income rural and urban communities generally lack institutional capacity and social capital. The flow of information about best practices and technologies is slow and cumbersome. Maine must aid communities in developing and sustaining their own responses to their circumstances. Nebraska and North Carolina have state-funded "community builder" programs to assist communities in developing their own solutions to local social and economic problems. Maine Initiatives and the Maine Community Foundation, assisted by the Ford Foundation, are supporting community building efforts in the state. Public sector support, particularly in terms of long term program and staff resources, is lacking.

5. Establish a Maine minimum wage that is initially \$0.25 above the new federal minimum wage and is adjusted annually by the same percentage as the annual increase in the state's average weekly wage for covered employment.

Discussion: Full time, year-round work at the minimum wage, even when it increases to \$5.15 in September, 1997, will still fall short of the current poverty level by 17% for a family of three and 31% for a family of four. It will reflect only 47% of the state's average weekly wage.

The real dollar value of the minimum wage needs to be maintained by increasing it automatically. Annual adjustments are used to protect the real dollar value of income and benefits in the unemployment compensation program, Social Security and SSI, the food stamp program and the Medicaid program.

6. Amend Maine's unemployment law to eliminate the exception for seasonality and provide coverage to persons leaving employment for good cause, including problems with child care and transportation.

Discussion: The unemployment insurance system is financed through an experience-rated tax that imposes the highest tax rates on those employers who generate the most cost to the system. There are some circumstances in which benefits are not charged to the account of any individual employer, but are shared among all employer taxpayers, for example in circumstances that are beyond an employer's control or when unemployed workers are engaged in activities that are considered socially desirable. Common forms of noncharged benefits include leaving the job market for good cause or benefits to workers enrolled in approved training. It is important to note that if the seasonality exclusion were repealed, persons laid off by a seasonal employer would be eligible for unemployment benefits only if they were able, available and actively seeking work in the off season.¹⁷

One way to provide benefits to seasonal workers while minimizing the burden on seasonal, small business employers is to raise the wage base to share the burden, as many other states have done. Another, more targeted, approach would be to revise, or differentiate, the wage base so that small employers with fewer than a certain number of employees, or less than a certain level of gross annual sales, would pay unemployment tax on a smaller wage base than larger employers.

7. Establish a Maine earned income tax credit, based on a percentage of the federal credit, in order to target families with the lowest earned income. Specifically, the state credit would be determined as follows:

Families at or below 100% of FPL	30% of federal EITC
Families at 100-133% of FPL	20% of federal EITC
Families at 133%+ of FPL	10% of federal EITC

Discussion: A state earned income tax credit is the most efficient way, particularly in terms of administrative costs, to increase income to families with children and earned income. Seven states, including Vermont and New York, have an earned income tax credit based on a percentage of the federal credit.

8. Establish a Maine all-fuels tax as a revenue source to fund a state energy assistance program, targeting those households with the highest energy costs in relation to their low income.

¹⁷ Twenty states have abandoned their laws prohibiting benefits to seasonal workers. Only 13 states continue to treat seasonal workers differently from all other unemployed workers. Saul J. Blaustein, Wilbur J. Cohen, William Haber, *Unemployment Insurance in the United States, The First Half Century*, Kalamazoo, MI, 1993, pp. 307-398.

Discussion: Assistance with energy costs has been an essential source of support for low-income families. The mainstay of this support in Maine, the federally funded Low-Income Home Energy Assistance Program (LI-HEAP), has been drastically downsized from \$27.9 million in the 1984-85 heating season to \$14.9 million last winter. Another source of support has been the low-income electricity program run by the electric utilities and the community action agencies, and funded by all ratepayers. As the utility industry moves toward a more competitive market, it has been suggested that low-income assistance be funded through an assessment on all major fuel sources to fund the electric energy assistance and to make up for the federal cuts in LI-HEAP.

New Initiatives

9. Promote the principles of High Performance Work Organization (HPWO) as a way to create quality jobs and enhance business productivity, particularly in rural areas; disseminate information about HPWO practices and work places in the state; establish a state HPWO Certification Program working in conjunction with Maine Science and Technology Foundation Manufacturing Extension Program, the Maine Quality Center program of University of Maine Margaret Chase Smith Center, and the Maine Chamber and Business Alliance.

Discussion: David Vail and Michael Hillard have determined that policy makers need to look at human resources and organizational climate in making economic development decisions.¹⁸ They have identified a core of organizational or corporate characteristics that are key to high performance workplaces and business productivity and to creating and sustaining high wage employment opportunities.

10. Disseminate information about pay equity policies and practices throughout both the private and public sectors. This information should include ways in which pay equity practices have been implemented. The Maine Department of Labor should take primary responsibility for this initiative, working with the Maine Chamber and Business Alliance, the Maine Economic Growth Council, public/private sector partner groups and the media.

Discussion: Connecticut, New York, Iowa, Minnesota, Oregon, Wisconsin, Washington, and Ontario have undertaken comparable worth studies and implemented comparable worth salary structures. Computer software programs are available to help municipalities and institutions study and implement pay equity throughout their job classifications.

¹⁸ David Vail and Michael Hillard, *Human Resources and Sustainable Rural Development*, draft copy, Maine Center on Economic Policy, 1996.

Report of the Tax Laws and Incentives Subcommittee, Group 2

Recommendations

The subcommittee was charged with the task of investigating tax laws and other incentives as vehicles for assisting low wage working parents. Specific issues included:

1. How do we make work pay for people?
2. How do we encourage businesses to make long term investments in employees?
3. How do we foster economic growth state-wide?
4. How do we offer business incentives that will help businesses and the state?

To carry out the charge, the subcommittee met four times and invited speakers with expertise in tax policy. Members agreed that the problem statement for the subcommittee was best stated, "How can the state reduce the burden of taxation on the poorest families?" Procedurally it was agreed that only recommendations that obtained consensus support would be referred to the full committee. Therefore, the full scope of issues considered is not contained in this brief report. The following recommendations are made to address the problem statement and meet the consensus criteria.

Making Work Pay

- Implement a state earned income tax credit for working families modeled on the federal program. Credits would range from 5% to 10% of the federal earned income tax credit.
- Increase access to child care for working poor families through increased investment in child care vouchers.

Encouraging Businesses to Make Long-Term Investments in Employees and Providing Business Incentives

- Offer training vouchers to all low wage workers in Maine. These vouchers could be used for any job training program the workers would choose. In order for an employee to use the voucher there would be a requirement that the employer, existing or potential, pay 20% of the training cost.

Fostering Economic Growth Statewide

- Exempt taxpayers earning incomes below \$10,000 from Maine income tax filing requirements. This would make Maine's requirements the same as federal requirements.

Education and Job Training Group Recommendations, Group 3

Support for all group recommendations was unanimous

INTRODUCTION:

The following recommendations of the subcommittee address the barriers faced by working poor parents when trying to access education or training: individual and personal, financial, institutional, and cultural barriers. The most difficult of the barriers is the cultural barrier, societal bias against poorer members of society. Strategies to effectively confront this bias are unclear. The subcommittee concluded that the following recommendations will further equality in access and opportunities in education and job training.

INDIVIDUAL/ PERSONAL BARRIERS

LOW SELF-ESTEEM, LOW ASPIRATIONS, LACK OF SUPPORT SYSTEM

Recommendation:

- Provide experiential learning, mentoring and broad exposure for all students, regardless of age or gender, based on models developed by the Maine Aspirations Foundation and the Maine Centers for Women, Work and Community.

INADEQUATE PREPARATION FOR EDUCATION

Recommendations:

- Support school reforms.
- Support outcome measures.
- Support certificates of initial mastery.

INSTITUTIONAL BARRIERS

INADEQUATE OR MISDIRECTED PREPARATION, GUIDANCE AND TRANSITION TO POSTSECONDARY EDUCATION AND TRAINING

Recommendations:

- Monitor each student from the 9th grade on through work placement or postsecondary enrollment.
- Eliminate all tracking and general studies in public schools.
- Provide a full array of school-to-work and transition programs in all school districts.

LACK OF PROPER PLANNING FOR THE FUTURE JOB NEEDS OF THE STATE; INADEQUATE OR MISDIRECTED TRAINING

Recommendation:

- Regional economic development strategies should integrate education and training plans and programs to meet work force requirements.

LIMITED ACCESS TO LIFE-LONG LEARNING OPPORTUNITIES; INADEQUATE PREPARATION FOR THE MODERN WORKSITE

Recommendations:

- Educators and trainers at all levels must give more attention to behavioral competencies, ethical standards, team and individual problem solving and leadership skills, negotiation and compromise skills, and information use.
- Recognize new models for work environment and related training.
- Publicly supported schooling should be extended by 2 years for young adults and adults desiring further education.

POSTSECONDARY EDUCATION AND TRAINING ARE INACCESSIBLE FOR MANY, ESPECIALLY FOR WOMEN.

Recommendations:

- Technical colleges and vocational schools should admit part-time students.
- Two-year community and technical colleges and vocational schools should make programs available evenings, weekends and year round.
- The Maine EdNet delivery system and curriculum should be expanded to include technical courses for traditional and nontraditional students.
- Higher education institutions should develop a postsecondary expansion strategy that will meet the needs of Maine's workforce in the next century.
- The number of available slots and programs for training and education should be increased.

LIMITED OPPORTUNITIES FOR APPRENTICESHIPS AND OTHER BUSINESS-SPONSORED PROGRAMS FOR EMPLOYEE RETENTION, TRAINING AND UPGRADING ON THE JOB.

Recommendations:

- Create small-employer pools to help finance more apprenticeship opportunities.
- Tailor training programs to the employment needs of small and medium size businesses.
- Businesses should dedicate 1-3% of revenues for employee skill maintenance or individual development accounts.

FINANCIAL BARRIERS

POSTSECONDARY EDUCATION AND TRAINING IS UNAFFORDABLE

Recommendations:

- Initiate set asides for education and training programs for women. This set-aside currently occurs with Carl Perkins funds. However, the repeal of these funds within the year will leave a gap. State initiated set-asides should be aimed at removing barriers to workplace access and providing more training opportunities for women in high-tech, high skilled labor and non-traditional jobs. Programs targeted at increasing women's basic math and science literacy will be needed.
- Provide more financial support for living expenses, child care and tuition for adult students, especially those studying and working part-time. Combining work and school may disqualify them from grants and loans.
- Extend unemployment compensation, AFDC and similar benefits for individuals enrolled in training programs. Expand the ASPIRE program and maintain the post-secondary education currently available under ASPIRE.

HEALTH INSURANCE AND CHILDCARE

Recommendations:

- Given the number of non-traditional students, post-secondary institutions should offer health insurance for the entire family.
- High schools should explore the development of on-site child care, perhaps in public-private partnerships, to make it easier and more affordable for parents to complete their education. Sliding scale fees should be used to ensure accessibility.
- Licensed day care and preschool programs should be available in every community to all families.

CULTURAL BARRIERS

GENDER INEQUITY

Recommendations:

- Women and girls should be encouraged to take math, science and other technical subjects.
- Career counseling should include non-traditional occupations.
- Adopt rules to implement the law prohibiting discrimination in pay based on gender.

Final Subcommittee Report and Recommendations

Federal and State Programs and Policies that Support Families, Group 4

Introduction

The subcommittee on Federal and State Programs and Policies that Support Families recognizes that many factors contribute to poverty among working families. Many of these are structural factors that exist in the workplace while others arise from inadequate societal and personal resources. The subcommittee identified three subject areas that should be addressed by the Commission: basic needs, work related expenses, and economic policies. Research continues to show the gap between rich and poor widening and an increasing concentration of wealth in the hands of a few.¹ The subcommittee found that some public policies and programs contribute to or worsen this situation. This finding influenced the subcommittee in the selection of issues and recommendations. Guided by the principle that society should support families in their efforts to achieve economic stability, the subcommittee has chosen to make 24 action recommendations. The final recommendation calls for a major initiative on the part of Governor King.

Following the presentation of expert testimony and review of written materials, and drawing upon the experiences of the members of the subcommittee, the group concluded that countries, states and localities will be successful in lifting people out of poverty only with the assistance of fundamental support programs. The recommendations being made by the subcommittee address fundamental support programs and include long-term solutions aimed at ending the cycling of families into and out of poverty. These recommendations are not special programs for the working poor but are part of the continuum of services in the community to which the upper and middle classes have access through their own resources and for which public support is required to ensure access for low-income families.

Findings of the Subcommittee

Basic needs: housing, health care, parenting support

Basic needs such as housing, food, clothing, health care and transportation are beyond the economic reach of many low-income wage earners. “How could people work and be unable to support their families?” some members of the subcommittee asked. “How much income is needed?” In her study of working women in poverty, Stephanie Seguino concluded that in 1993 the cost of meeting the basic expenses of a family of one adult and two children under the age of 6 was \$23,693.² Using different calculations, the Maine Economic Growth Council set a livable wage for a family of three persons at \$21,299 in 1993 which was 185% of the federal poverty level.³ The Minnesota Job Gap Study, done by

¹ See testimony of Stephanie Seguino before the Maine Commission to Study Time-Limited Welfare Benefits, July 17, 1996.

² Stephanie Seguino, *Living on the Edge: Women Working and Providing for Families in the Maine Economy, 1979-1993*, 1995, Margaret Chase Smith Center for Public Policy, Orono, Maine, p. 42.

³ The Maine Economic Growth Council, *Measures of Growth, Setting Performance Measures to Achieve Maine's Long Term Economic Goals*, 1996, pp. 57-58.

the Minnesota JOBS NOW Coalition, arrived at very similar figures, setting a livable wage for a family of three at \$22,806 gross earnings.⁴

Affordable, safe housing is not available for many low-income families. Fair market rent values determined by the Department of Housing and Urban Development place rents in non-urban counties in Maine for a 2 bedroom apartment at \$488 per month.⁵ The subcommittee concluded that more quality, reasonably priced rental property is needed for Maine's families and that opportunities for home purchase for low-income families need to be expanded.

Successful partnerships with the Maine State Housing Authority, lenders, municipalities, federal agencies, and nonprofit organizations have been developed to provide opportunities for homeownership for low-income families. These partnerships have expanded opportunities for low-income families to own their own homes. Home ownership can be encouraged through wider distribution of information about and expansion of existing programs. The FIX-ME program operated by the Kennebec Valley Community Action Program is an effective example of a home repair and renovation initiative making decent housing available to low-income wage earners.

Many families do not have access to health care. In terms of equity, low-income families are again on the wrong end of the equation: low-income families paying for their own health care spend one fifth of their income on health care costs while the highest income families spend only one twelfth. Low wage jobs often do not include health insurance benefits. The low-income family may face three options: private insurance, Medicaid or no insurance. The premium for basic health insurance for a family of one adult and two children is \$240.95 per month. Add to this the cost of meeting the deductible and other uninsured costs, and the low-income family may have health care costs each month of \$325, almost half the monthly income.⁶ The cost of this necessity poses a dilemma for low-income families that tempts the family to decide to delay preventive care and put members at risk.

For families using the Medicaid program, different income levels determine eligibility for family members of different ages. Younger members are eligible at higher income levels. In Maine infants are eligible up to 185% of the federal poverty level. Children ages 1 to 5 are eligible up to 133%. Children ages 6 to 18 are eligible up to 125%. Older children and adults may be ineligible while younger children in the same family are eligible. The subcommittee finds these distinctions to be cumbersome and detrimental to family health. Medicaid eligibility should be expanded and universal coverage provided. Solving the problem of access to health care would enable many families to provide for themselves.

Poverty among single-parent households runs higher than poverty among two-parent households. The subcommittee believes that education is needed on the responsibilities and skills of parenting. Initiatives must be undertaken to strengthen the functioning of both parents and to support the needs of families so that their workplaces, schools and communities are family-friendly. Strengthening domestic and child abuse prevention programs will help. Affordable, accessible family counseling and planning and teen parent programs are needed. When parents plan for the future they should place the needs of their children high on the list. Child support collection initiatives may increase the voluntary payment of child support. When payments are not forthcoming, strong child support enforcement measures are required and new ideas must be developed.

⁴ Minnesota Jobs Now Coalition, *Minnesota JOB GAP Study Phase Two*, 1995, p. 5.

⁵ Seguino, *op cit.*, p. 39.

⁶ Seguino, *op cit.*, p. 40.

Work related expenses: child care

Going to work is expensive. Transportation, clothing, meals, and child care are all expensive. Quality, affordable child care is in short supply, costing from \$65 to \$90 per week for a pre-school child.⁷ Low-income wage earners need assistance with these expenses. The State participates in child care programs in a number of ways, including subsidy programs and contracted services. Resource development centers across the state provide information referrals to area providers, assist in the establishment of new child care sites, and provide training to child care workers.

The private sector must become more involved in child care. The State needs employers with family-friendly employment policies that provide assistance with their employees' needs for child care, as well as work flexibility so that parents may care for sick family members and participate in their children's school activities. Companies that offer child care have reduced turnover (65%), increased recruitment (85%), increased quality of work (42%), reduced absenteeism (53%) and increased productivity (49%).⁸ Employers need information and assistance in becoming family-friendly workplaces so that low-income families are able to maintain their employment and meet their family obligations. Public-private partnerships must be expanded and model programs promoted.

Economic policies: unemployment compensation, earned income tax credits, welfare reform

Unemployment compensation should pay for the transition of unemployed workers back into the job market. Eligibility must be expanded to workers who are now disqualified because they work in seasonal employment. Unemployment benefits should be extended so that unemployed workers enrolled in approved job training programs have up to 26 additional weeks to finish their training programs. The subcommittee recommends that the Maine Technical College System redesign its programs and adopt flexible enrollment times to better address the needs of displaced workers.

The subcommittee studied the federal earned income tax credit. In 1994 82,000 Maine households filed for this refundable credit. The value of the credit can be seen in the following example. A family of one adult and two children in 1995 with earnings of \$15,000 had \$263 withheld during the year in federal income tax withholding. This family qualified for a federal earned income tax credit of \$2,360. They would have gotten back their withheld taxes of \$263 and received an additional payment of \$2,097. A state earned income tax credit would provide even more income to the family, but even at 10% to 30% of the federal credit the family would still be at or below the federal poverty level. The subcommittee supports the establishment of a state earned income tax credit. A refundable credit calculated at 15% of the federal credit, based on estimates from *Maine's Families: Poverty Despite Work*, could cost between \$10-12 million per year.

The subcommittee notes that the federal credit is underutilized in Maine and suggests that the State explore ways to increase its use.

Changes should be made in the AFDC and Temporary Assistance to Needy Families (TANF) programs to increase the amount of money available to low-income families. Currently a family of one adult and two children qualifies for an AFDC cash assistance benefit of \$418 per month. Earned income and child support totaling \$135 per month is allowed without a loss in cash assistance. Above \$553 total

⁷ Seguino, op cit., p. 41.

⁸ Department of Human Services, *Day Care Task Force Report*, 1995.

income, every dollar of income causes a loss of a dollar in cash assistance although the family still qualifies for Medicaid. Above 61% of the federal poverty level (\$7,918 for a family of three), the family is disqualified for cash assistance and Medicaid. Changes are needed so that families with earnings or receive retroactive child support payments may retain more of that money without any decrease in their AFDC or TANF cash assistance.

The subcommittee makes the following suggestions to the Commission to Study Poverty Among Working Parents:

Basic Needs

- 1) Recommend labor standards requiring employers who receive public funds through subsidies, grants or contracts to adopt employment policies that are sensitive to and meet the needs of working families, including sick leave to care for family members, child care benefits, and health insurance.
- 2) Recommend expanding access for low-wage families to the Medicaid program. Grant eligibility to children up to 185% of the federal poverty level and to adults up to 150% of the federal poverty level.
- 3) Recommend continued support for housing rehabilitation programs for existing homes.
- 4) Recommend strengthening non-profit housing production and rehabilitation capacity in order to make better use of the Community Reinvestment Act. Recommend that 100% of the real estate transfer tax be dedicated to the Home Fund, as it was when originally enacted.
- 5) Encourage housing authorities and other non-profit housing developers to expand their use of the Family Self-sufficiency Program to enable families to build escrow accounts for home downpayments.
- 6) Recommend that the AFDC work participation requirement not apply to parents with children under age 1.
- 7) Encourage the Department of Education to initiate the development of local parenting education programs that stress the importance of responsible fatherhood.
- 8) Recommend that the Department of Human Services convene a task force on child support enforcement to increase the levels of voluntary and state collected payments.

Work Related Expenses

- 9) Recommend that the Department of Education encourage school districts to provide school bus service and programs that accommodate family needs and offer, in conjunction with private providers, after school and summer programs.
- 10) Recommend committing more resources to the current blend of child care services and payment methods. Maximize dollars for child care by maximizing the federal match for state dollars.
- 11) Increase the reimbursement rate for child care at least at 85% of the market rate for provider payments.
- 12) Develop more child care options for parents with evening, shift and weekend work schedules. Improve state data collection regarding child care resources and needs.
- 13) Recommend a simplified child care licensing system, with no registration category.

Economic Policies

- 14) Recommend that the Children's Cabinet focus on the needs of teens, young adults and adults for family and parenting education services.

- 15) Recommend increasing the standard of need and the earned income disregard so that families may retain more earned income and child support without any impact on the amount of their AFDC cash assistance benefit.
- 16) Recommend that reunited families whose income is below 200% of the federal poverty level be exempt from DHS debt collection efforts.
- 17) Recommend that the Department of Human Services submit welfare reform legislation to accomplish recommendations 15 and 16.
- 18) Recommend establishment of a state earned income tax credit.
- 19) Recommend that the Bureau of Taxation work with other state departments to increase the use of the federal earned income tax credit, perhaps identifying and contacting eligible persons.
- 20) Recommend making seasonal workers eligible for the unemployment insurance program.
- 21) Recommend extending by a maximum of 26 weeks the number of weeks a dislocated worker can collect benefits when participating in an approved TRA/TAA retraining program.
- 22) Recommend that the Maine Technical College System develop programs and policies that match the needs of unemployed workers who are sponsored by various job training programs.
- 23) Recommend expanding use of the property tax circuit breaker program through administrative improvements and coordination with state income tax filing.
- 24) Recommend the promotion of tax incentives to businesses that sponsor or subsidize child care for the children of employees.

Leadership Recommendation

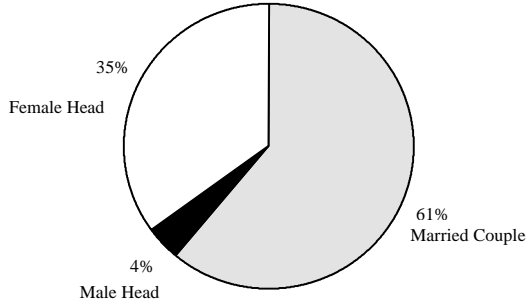
The subcommittee recommends that Governor King lead the State of Maine in a family self-sufficiency initiative so that all Maine families may lead lives of opportunity, responsibility, challenge and self-sufficiency. Through the initiative the following goals will be met. Employment and business opportunities will be available and adequate to support all Maine families. Relevant education, job training and job counseling will be available and accessible statewide. A fair tax structure will foster growth and independence. Public, private and corporate citizens will work together for a dynamic, healthy community that supports families.

Appendix F

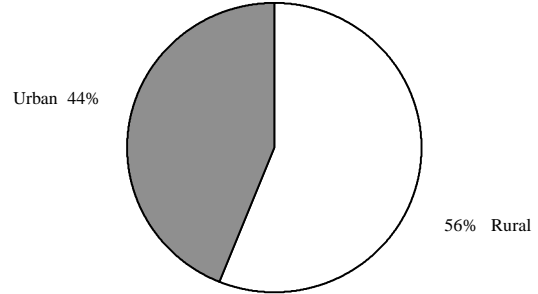
Characteristics of Maine's Working Poor Families

The Faces of Working Poor Families With Children in Maine, 1990

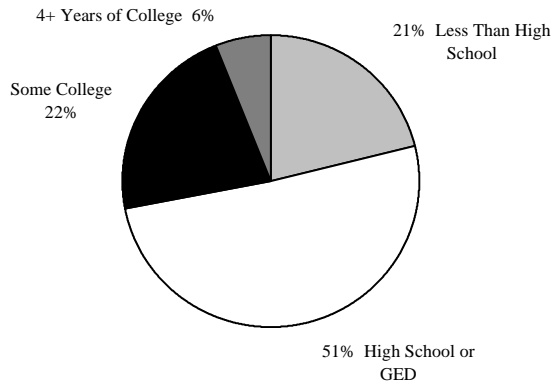
Family Type



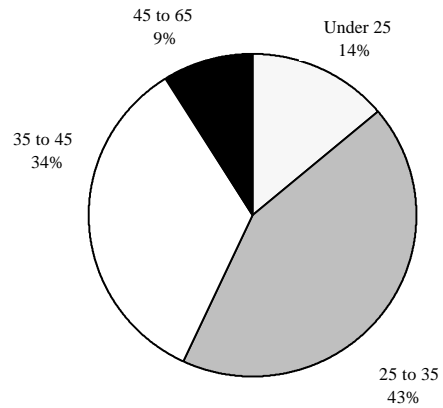
Rural/Urban Residence



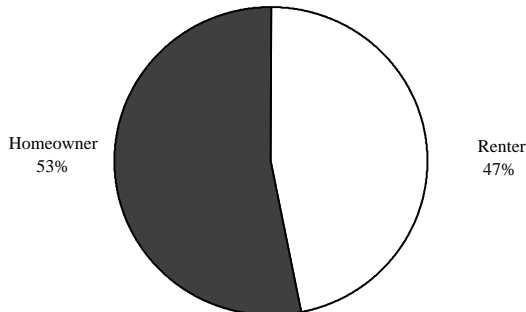
Education of Parents*



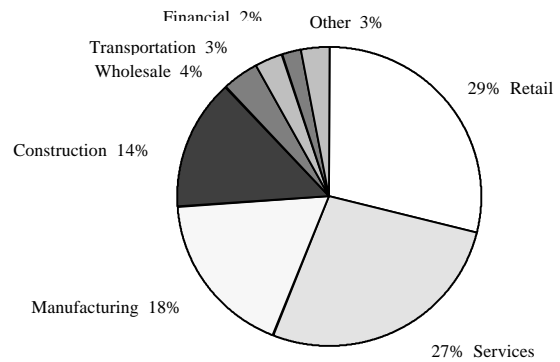
Age of Family Head



Home Rental or Ownership



Industry in Which Parents Work*



* In two-parent families, the educational attainment and the industry of both parents are included.

Source: Edward B. Lazere, *Maine Families: Poverty Despite Work*, Center on Budget and Policy Priorities, Washington D.C., 1996, Figure 3, p. 11.

Appendix G

Commission to Study Poverty Among Working Parents Record of Votes on Potential Recommendations

Record of Commission Member Votes on Potential Recommendations

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| 1) Implement the law prohibiting discrimination in pay based on gender | Vote: 20-0 |
| 2) Increase access to health care for low-income working families. | Vote: 17-1 |
| 3) Allow working families on AFDC or TANF to retain more of their earnings. | Vote: 20-0 |
| 4) Ensure adult access to education and training options. | Vote: 20-0 |
| 5) Extend public schooling in Maine by 2 years. | Vote: 18-1 |
| 6) Exempt taxpayers from state income tax filing requirements if they are below the federal income tax filing requirement (\$10,000). | Vote: 19-1 |
| 7) Establish a state earned income tax credit. | Vote: 17-3 |
| 8) Expand the state's current mix of child care services. | Vote: 17-2 |
| 9) Eliminate tracking and general studies in Maine schools. | Vote: 17-2 |
| 10) Examine ways in which the unemployment compensation program could provide more adequate assistance to unemployed workers. | Vote: 15-4 |
| 11) Ensure minimum income standards for working people. | |
| a) Ensure a minimum wage for working citizens that is \$.25 above the federal minimum wage and then is adjusted annually by the same percentage as the annual increase in average worker income. | Vote: 13-6 |
| b) Set living wage levels for any state sub-contracted work. | Vote: 14-5 |
| c) Extend the livable wage standards that apply to the ETIF program to all other business assistance subsidies. | Vote: 19-0 |

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|---|------------|
| 12) Explore automatic identification of eligible families for earned income tax credit benefits. | Vote: 16-4 |
| 13) Initiate a statewide program of “local community builders” to help develop and sustain local problem-solving capacity. | Vote: 8-12 |
| 14) Coordinate the property tax circuit breaker program with state income tax filing. | Vote: 19-0 |
| 15) Assess the need for a Maine enterprise initiative to encourage low income entrepreneurs to generate income through small business activity. | Vote: 16-3 |
| 16) Establish an annual report card on the status of poverty in Maine. | Vote: 19-0 |