

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from electronic originals
(may include minor formatting differences from printed original)

2007 REPORT ON POVERTY

2007 REPORT ON POVERTY

Prepared by:
Maine State Planning Office
38 State House Station
Augusta, Maine 04333
207-287-6077
www.maine.gov/spo

February 2007

This report is available online: <http://www.state.me.us/spo/economics/>

Table of Contents

| | | |
|-------------------|--|-----------|
| SECTION 1: | Executive Summary | 4 |
| SECTION 2: | Introduction to the New Format..... | 5 |
| SECTION 3: | Measuring Poverty | |
| | Federal Poverty Measures | 6 |
| | Income | 7 |
| | Poverty Rate | 8 |
| | Ratio of Income to Poverty: At-Risk Populations..... | 9 |
| | Earned Income Tax Credit: Working Poor..... | 10 |
| | Food Insecurity | 11 |
| | Food Stamp Program | 12 |
| | National School Lunch Program | 13 |
| | Homeless Population | 14 |
| SECTION 4: | Contributing Conditions | |
| | Employment..... | 15 |
| | Earnings..... | 19 |
| | Educational Attainment | 21 |
| SECTION 5: | Contributing Costs | |
| | Housing..... | 23 |
| | Cost of Heating Fuel and Gasoline | 24 |
| | Medical Care Costs..... | 25 |
| SECTION 6: | Footnotes and Sources | 27 |

Executive Summary

For some Mainers, meeting the needs of daily life is a struggle. According to the U.S. Census Bureau, more than one in ten Maine residents live below the poverty line. Nearly one in three Mainers has a household income that classifies them as poor or near-poor. These households feel the pinch of rising costs for shelter, fuel, and medical care.

Poverty is not just a problem for the people who experience it; it is a problem for everyone. Those in poverty are often isolated from community life, are unable to participate fully in the economy, and can't support local businesses. Hungry children aren't able to focus on learning in school and face the likelihood of continuing the cycle of poverty to the next generation.

In this 2007 Report of Poverty, the trends we see are mixed – some positive and some negative.

- Median income in Maine rose slightly for the three-year average of 2003-2005, even adjusting for inflation. This constituted the second consecutive gain in real median income since 1998-2000. Average earnings per job, however, did not keep pace with inflation, and actually lost buying power from 2004 to 2005.
- Using the Census Bureau's preferred two-year averages, Maine's official poverty rate was 12.1% in 2004-2005. That is statistically unchanged from the previous year.
- There is great disparity in poverty levels across Maine's regions. In easternmost Washington County, poverty is almost twice as prevalent as in southern Cumberland, York, and Sagadahoc counties.
- For the 2003 tax year, Maine saw an increase of Earned Income Tax Credit filings at the federal level. Counties with higher poverty rates also saw higher rates of EITC filings.
- Food insecurity rates in Maine for the three year period 2003-2005 were higher than for the preceding 3-year average. Maine's food insecurity rate of 12.3% represented a statistically significant change from 9.0% in 2000-2002.
- Both the Food Stamp Program and the National School Lunch Program saw slight increases in use in 2005 and 2006. However, this may be due to increased awareness of the program.
- As Maine evolves from a manufacturing-based economy to one more involved in services and information, there continue to be regional disparities in job growth and average earnings. Maine also has higher rates of people holding multiple jobs than in the nation as a whole.
- Maine's minimum wage has held pace with inflation since the 1980s, but has not regained the real value it had in the 1970s. However, Maine's minimum wage increased in October 2006, and will rise again in October 2007.
- Maine continues to lag behind the nation in the number of residents with postsecondary education. This has important implications for the earning power of Maine's citizens.
- The cost of housing continues to outpace increases in median income. Over the last five years, the median home price in Maine rose more than four times as much as median income; median rent rose more than twice as much.
- The cost of heating oil and gasoline rose sharply in 2005. This corresponded to increased use of the Low-Income Home Energy Assistance Program. Fortunately, costs receded somewhat in 2006.
- For the last five years, increases in healthcare costs have outpaced income growth.

Overall, Mainers saw modest increases in wages and income in 2006, but the cost of housing, fuel, and medical care continue to rise. Recent large increases in costs have caused some Maine families to struggle.

Introduction to the New Format

Background

Each year since 1998, the Maine State Planning Office has reported on the subject of poverty in Maine. The format of the publication has changed little in that time. This year, as we approach our tenth reporting year, we updated and refreshed the content and format of the report. Readers will notice several changes.

First, we added narrative throughout the report to aid understanding of the data presented. Where appropriate, the narrative offers guidance on interpreting the information and discusses the limitations of some data and their sources.

Second, we increased the uniformity with which data is presented, both technically and visually. We employed more consistency on chart titles, data ranges, citations, etc. We introduced new charts that make certain kinds of data easier to understand.

Third, we included new information that helps paint a more comprehensive picture of poverty in Maine, especially as it relates to households with incomes above but very near to the official poverty level.

New Data

This year's report includes much new information. We added alternative poverty measures based on indicators such as the Earned Income Tax Credit and the National School Lunch Program. These measures add to our understanding of "at risk" populations that traditional measures may hide.

Also included, based on a review of poverty literature, is information on costs and conditions that can push vulnerable low-income households into poverty or cause them to struggle as though they were. Included in this section is information on housing, heating fuel, gasoline, and medical care, items that represent a large portion of household

budgets. Low-income households are particularly sensitive to cost increases in these areas.

Old Data

This new report touches on nearly all of the topics considered in previous years. However, much of the information is streamlined or presented slightly differently.

Data on income, jobs, and labor market conditions have been trimmed to focus on the most pertinent information. Also, nominal dollar amounts (not adjusted for inflation) have in several places been changed to real dollar amounts (adjusted for inflation) to reflect the actual buying power of household income and per capita earnings.

In many cases the time range of data presented has been realigned for consistency. Throughout, the narrative explains why certain ranges of years have been chosen, or why more current information is not available on certain subjects. Where the presentation of data has changed radically from previous reports, as in the chart on food security, an explanation is provided.

Thank You

The Maine State Planning Office hopes that the new features of this report will make information regarding poverty in Maine more accessible and comprehensive, aiding understanding of a complicated problem with profound significance for Maine people.

Our sincere thanks to all those who contributed to the preparation of this report: Ann Acheson, Michael Allen, Ed Cervone, Ann Harriman, Chris Hastedt, Bob King, Rep. Hannah Pingree, and Bob Thibodeau. Special thanks for Maggie Jones, whose time, talent, and energy gave life to this report.

Measuring Poverty

Federal Poverty Measures

Household income is the most direct and common measure of poverty. The federal government's poverty thresholds and guidelines* are income levels below which households are considered "poor." These measures were developed in the mid-1960s, and the same methodology is used today.

The measures were originally developed based on the cost of feeding a family an "economy" food plan. The sparsest of four food plans developed by the U.S. Department of Agriculture was the "economy" plan. Then, assuming that households spent one-third of their income on food, a threshold income level for survival was determined. This mid-1960s income level (called the "poverty line") has been increased for inflation each year by using the Consumer Price Index for All Urban Consumers.¹

For years, those who study poverty have considered this historical measure to be inadequate as a means of fully describing poverty. For one, over time the costs of housing and medical care have increased far more than the cost of food. Today, the average household spends just 12% of its income on food, but one-third or more of its income on housing.²

Furthermore, the ratio of the federal poverty line to median income has changed over time. In the mid-1960s, when the poverty line was first developed, it represented 50% of median income in the United States. In 1999, the poverty line had decreased to 33% of the median income.³ Lastly, federal poverty measures apply to all states, counties, and cities, regardless of regional differences in cost of living.

Despite these limitations, federal poverty guidelines remain relevant because many governmental and non-governmental organizations use them to determine eligibility for assistance programs. Some programs that use these guidelines are Head Start, the Food Stamp Program, and the National School Lunch Program for free and reduced lunch. The table below shows the poverty guidelines from 1980 to 2006 for families of various sizes.

* "Thresholds" are used for calculating the number of people in poverty. "Guidelines" are used to determine eligibility for assistance programs.

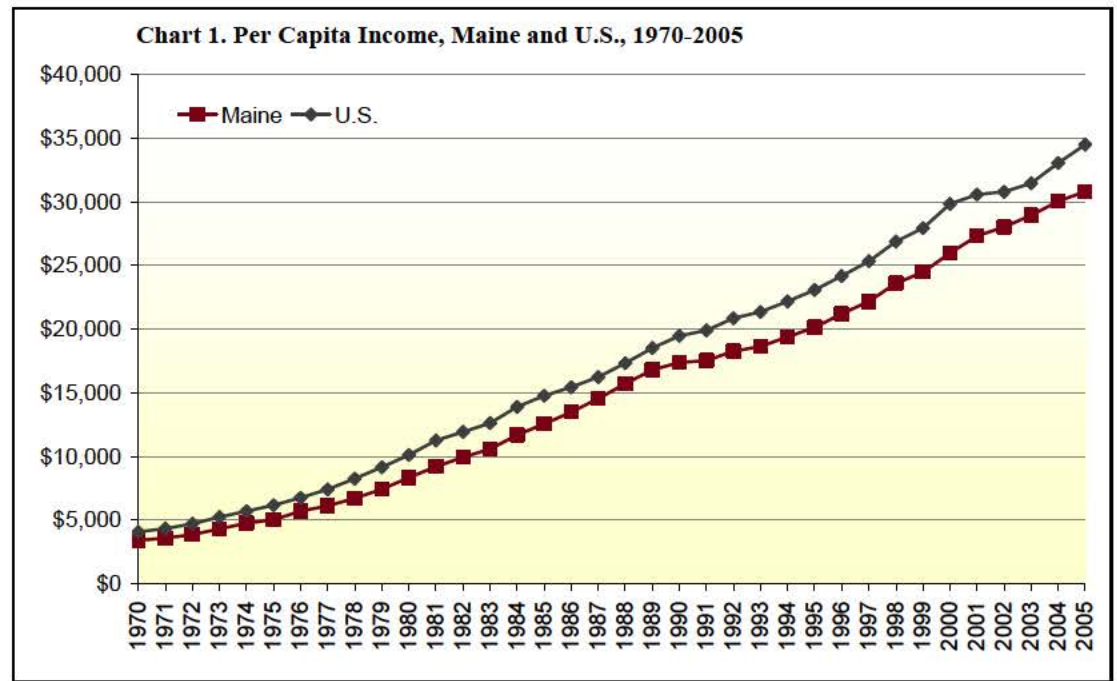
Table 1. Poverty guidelines, selected years, 1980 to 2006

| Household size | <u>1980</u> | <u>1985</u> | <u>1990</u> | <u>1995</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1 | 4,210 | 5,250 | 6,280 | 7,470 | 8,350 | 8,590 | 8,860 | 8,980 | 9,310 | 9,570 | 9,800 |
| 2 | 5,590 | 7,050 | 8,420 | 10,030 | 11,250 | 11,610 | 11,940 | 12,120 | 12,490 | 12,830 | 13,200 |
| 3 | 6,970 | 8,850 | 10,560 | 12,560 | 14,150 | 14,630 | 15,020 | 15,260 | 15,670 | 16,090 | 16,600 |
| 4 | 8,350 | 10,650 | 12,700 | 15,150 | 17,050 | 17,650 | 18,100 | 18,400 | 18,850 | 19,350 | 20,000 |
| 5 | 9,730 | 12,450 | 14,840 | 17,710 | 19,950 | 20,670 | 21,180 | 21,540 | 22,030 | 22,610 | 23,400 |
| 6 | 11,110 | 14,250 | 16,980 | 20,270 | 22,850 | 23,690 | 24,260 | 24,680 | 25,210 | 25,870 | 26,800 |
| 7 | 12,280 | 16,050 | 19,120 | 22,830 | 25,750 | 26,710 | 27,340 | 27,820 | 28,390 | 29,130 | 30,200 |
| 8 | | | | | 28,650 | 29,730 | 30,420 | 30,960 | 31,570 | 32,390 | 33,600 |
| For each additional member | | | | | | | | | | | |
| Add: | 1,170 | 1,800 | 2,140 | 2,560 | 2,900 | 3,020 | 3,080 | 3,140 | 3,180 | 3,260 | 3,400 |

Source: Department of Health and Human Services, published annually in the Federal Register

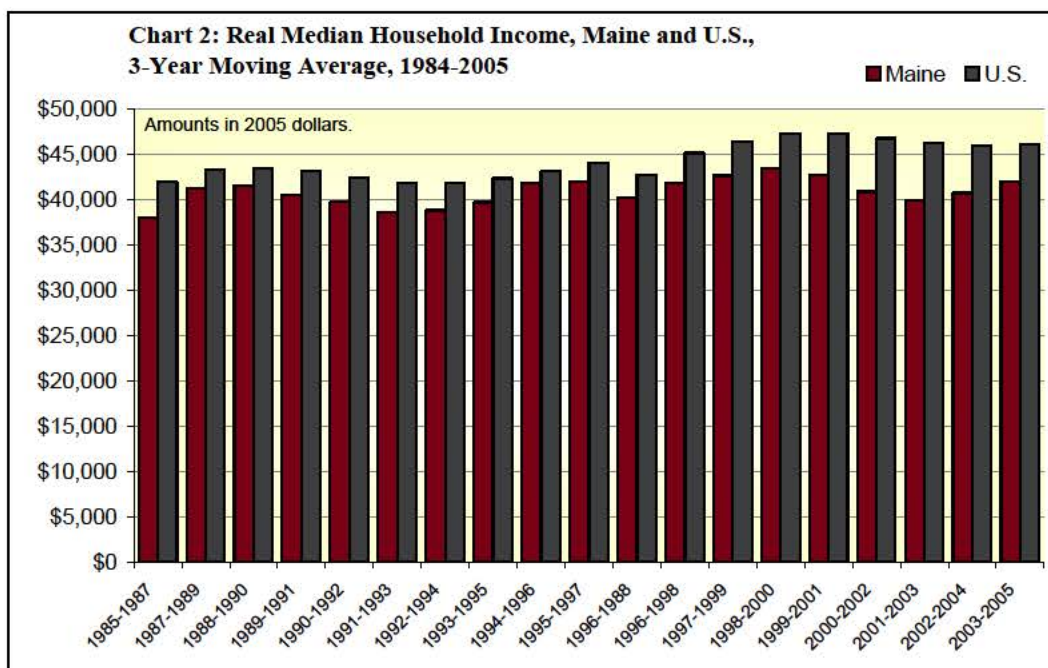
Income

As mentioned in the preceding section, income is the most common and direct measure of poverty. Over time, per capita incomes in both Maine and the nation have steadily increased. Chart 1 shows income levels beginning in 1970. That year, Maine's per capita income was 83.5% of national income. By 2005, that percentage had risen to 89.3%.⁴



Over time, the cost of goods and services has increased as well. Chart 2 shows the real median household income in Maine compared to the nation for a 20-year period. These income figures have been adjusted for inflation to reflect actual purchasing power. As seen in the chart, Maine has consistently lagged behind the U.S. average. However, in the most recent period, 2003-2005, real incomes in Maine appear to have increased after remaining unchanged or decreasing from 1999-2001 to 2002-2004.⁵

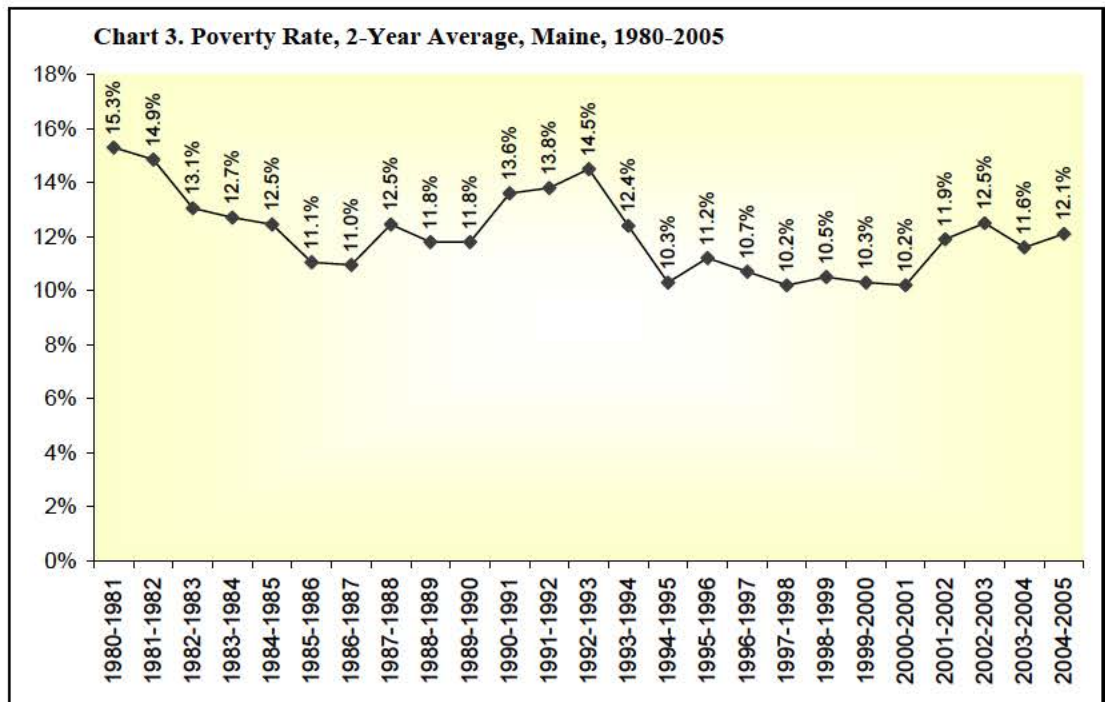
Comparisons of Maine and U.S. income levels should be interpreted with caution. For example, Chart 2 reflects changes in purchasing power over time, but not differences in the cost of living in Maine and the nation. Some expenses may be higher in Maine than elsewhere, such as transportation and energy. Conversely,



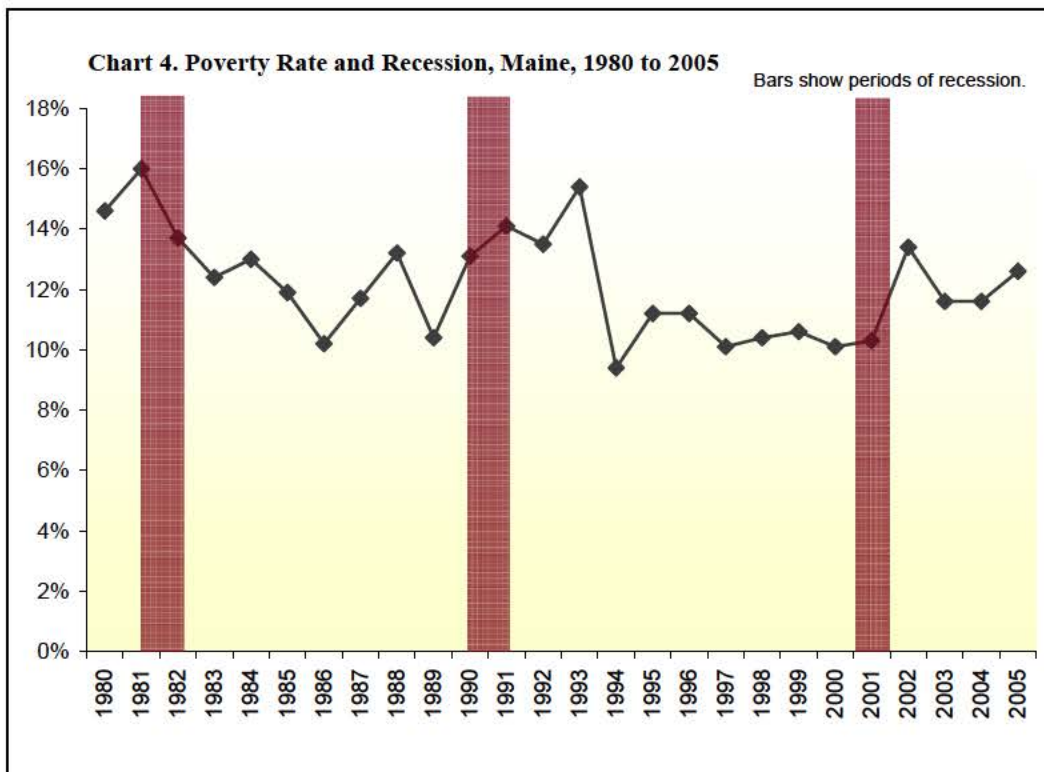
some goods and services may be cheaper in Maine, and therefore more accessible to Maine people despite lower incomes. For instance, despite lower incomes, Mainers have historically had higher rates of homeownership than other U.S. residents. In 2000, 72% of Mainers owned their residences, compared to 66% nationwide.

Poverty Rate

The poverty rate in Maine has fluctuated between 10% and 15% for over twenty years. This measure derives from the U.S. Census Bureau's Current Population Survey.⁶ The Census Bureau recommends reporting changes in state poverty rates over time as two-year averages, as shown in Chart 3. The poverty rate in Maine was 12.1% in 2004-2005, according to this



measure. That appears to be below the national poverty rate of 12.7%, but the difference is not statistically significant. Nor is it statistically different from Maine's previous two-year rate. However, it is above Maine's recent low of 10.2% in 2000-2001.



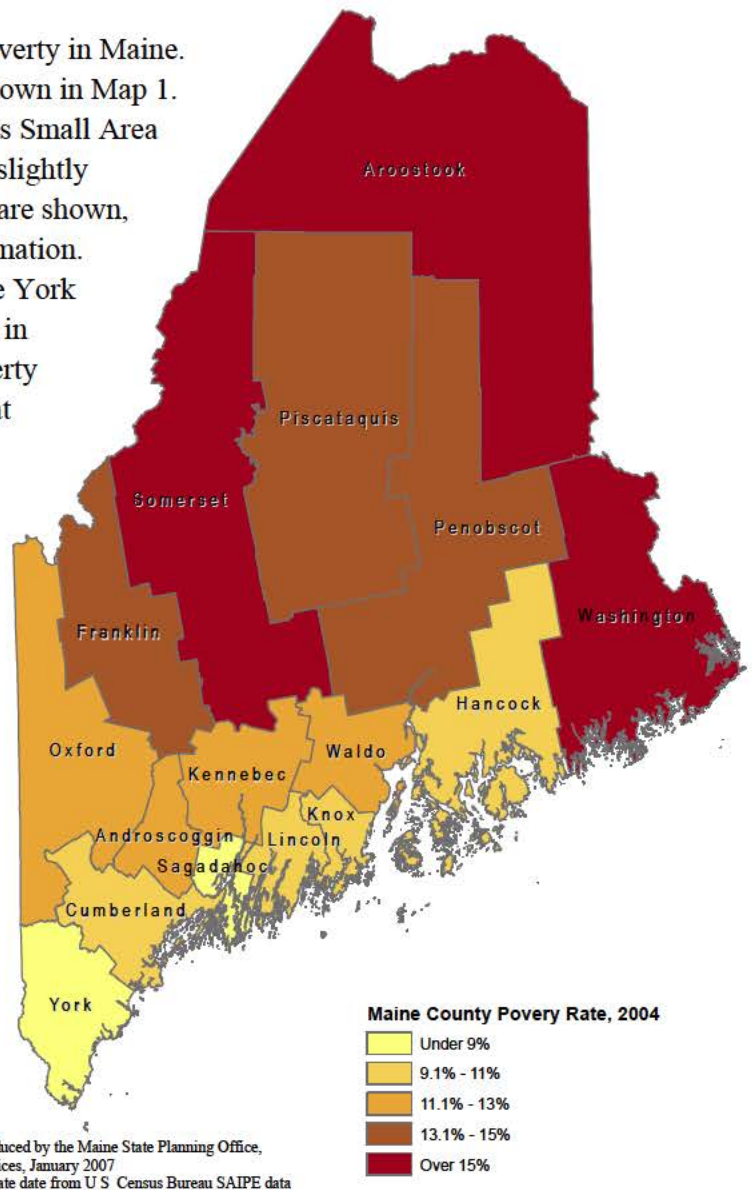
Consistent with national trends, Maine's poverty rate has nudged up slowly since the national recession of 2001. The poverty rate is considered a lagging indicator, meaning that it tends to rise after the official end of an economic recession.

Chart 4 shows periods of recession and their relationship to the poverty rate in Maine as it is estimated on an annual basis.

County-level data reveal a more nuanced picture of poverty in Maine. There is considerable variance between counties, as shown in Map 1. This information comes from the U.S. Census Bureau's Small Area Income and Poverty Estimates (SAIPE), which uses a slightly different methodology from the CPS. Data from 2004 are shown, the latest year available for county-level poverty information. The counties with the lowest poverty rate in 2004 were York and Sagadahoc, with 8.9% and 8.8% of the population in poverty. Cumberland was not far behind at 9.2%. Poverty in Washington County was almost twice as prevalent at 17.4%. Compared to SAIPE's 2004 estimate for the state of 11.5%, 10 of Maine's 16 counties had poverty rates above the state average. These were Androscoggin, Aroostook, Franklin, Kennebec, Oxford, Penobscot, Piscataquis, Somerset, Waldo, and Washington.

Ratio of Income to Poverty: At-Risk Populations

Poverty rates are based on federal poverty measures which, as previously discussed, may underestimate the number of people who struggle to meet daily needs. Measures of households with incomes of 150% or 200% the official poverty line offer a broader view of this population. Table 2 shows the ratio of income to poverty (i.e., the federal poverty level) for Maine and the nation, for selected population groups.



It is clear that some populations struggle more than others in Maine and nationwide. Of particular concern are the higher rates of poverty for children, people age 65 and older, and female-headed households. These populations are often referred to as “at-risk” because they tend to have higher poverty rates than the population overall.⁷

Chart 5 displays this information graphically. It shows the percentage of people in each group with household incomes below 100%, 150%, and 200% of poverty thresholds. The two left columns show the percentage of households at each income level for Maine and the U.S. At all three levels, Maine has a lower percentage than the nation as a whole, meaning that relatively fewer Maine households

Table 2. Ratio of Income to Poverty, 2005, Selected Population Groups

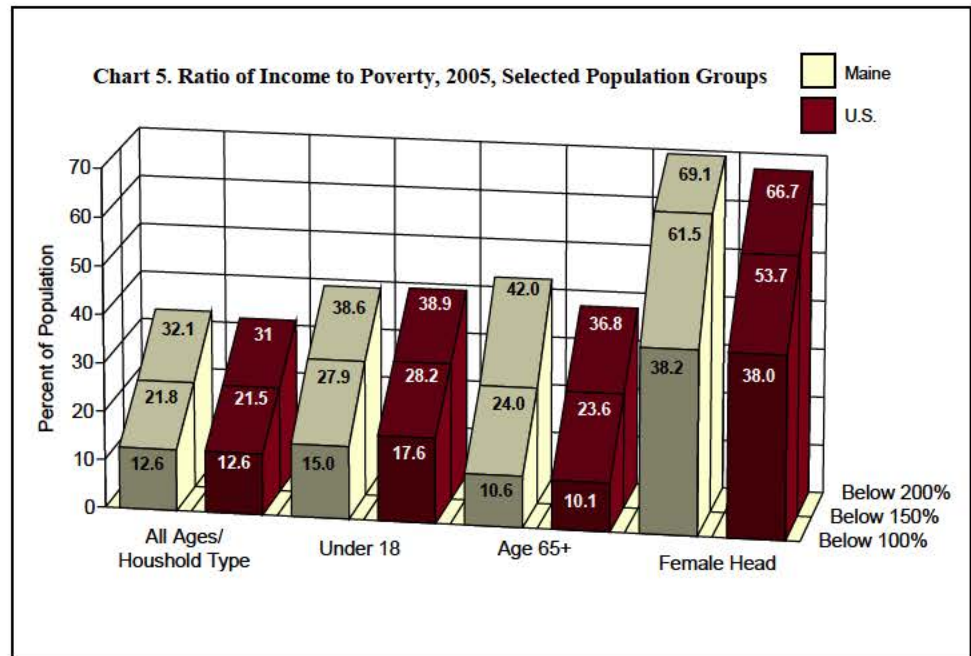
| | | Below 100% | Below 150% | Below 200% |
|-------------------------------------|-------|---------------|---------------|---------------|
| All Ages | Maine | 12.6 | 21.8 | 32.1 |
| | U.S. | 12.6 | 21.5 | 31.0 |
| Under 18 | Maine | 15.0 | 27.9 | 38.6 |
| | U.S. | 17.6 | 28.2 | 38.9 |
| 65 and over | Maine | 10.6 | 24.0 | 42.0 |
| | U.S. | 10.1 | 23.6 | 36.8 |
| Female head of household | Maine | 38.2 | 61.5 | 69.1 |
| | U.S. | 38.0 | 53.7 | 66.7 |

have low incomes. The next two columns are for residents under age 18. Again, at all three levels, the percentage of Maine children in low-income households is slightly lower than in the nation overall. Still, nearly one-third of Maine children live in households with incomes below 200% of the poverty line.

The next two columns show that the percentage of elderly Mainers below the poverty

line is slightly above the national percentage (10.6%). Maine also has relatively more elderly residents with incomes that hover near the official poverty line; 42% of older Mainers have incomes below 200% of poverty compared with 36.8% nationally.

The rightmost columns show the percentage of households with female heads at or near the federal poverty threshold. The percentage of those households below 100% of the poverty line is similar in Maine and the nation. However, in Maine these families are slightly more likely to be near poverty; 69.1% of female-headed households in Maine have incomes below 200% of poverty compared with 66.7% nationally. In all, female-headed households comprise the poorest segment of the at-risk populations examined; over one-third have incomes below the federal poverty threshold and two-thirds have incomes below 200% of the poverty line.⁸



Earned Income Tax Credit: Working Poor

Another way to look at the incomes of Maine families is to examine the number of people filing for the federal Earned Income Tax Credit (EITC). This credit allows low-income working people to receive a tax refund if they meet certain income requirements. The 2005 federal EITC thresholds for adjusted gross income were:

- \$35,263 (\$37,263 married filing jointly) with two or more qualifying children;
- \$31,030 (\$33,030 married filing jointly) with one qualifying child;
- \$11,750 (\$13,750 married filing jointly) with no qualifying children.

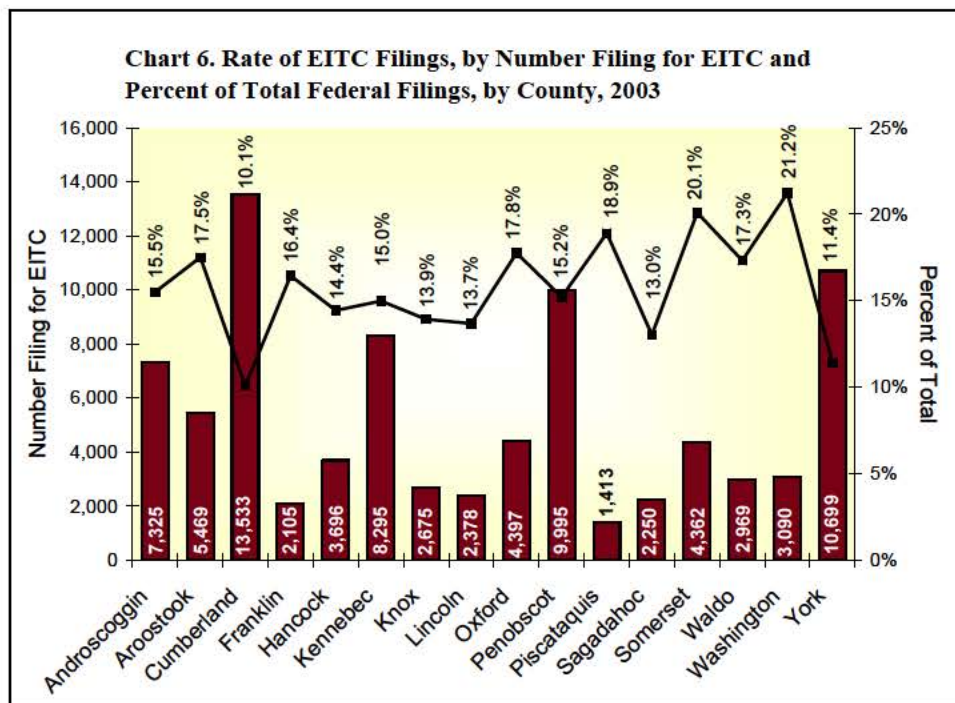
EITC information is useful for determining the approximate number of people in Maine who are poor or near poor, even though they work.

Table 3 shows the number of Maine EITC filers between 1997 and 2003, the latest year for which data

| Year | Percent of all filers | Percentage point change |
|------|-----------------------|-------------------------|
| 1997 | 14.3% | |
| 1998 | 13.7% | -0.6 |
| 1999 | 12.8% | -0.8 |
| 2000 | 12.5% | -0.4 |
| 2001 | 12.4% | -0.1 |
| 2002 | 13.8% | 1.4 |
| 2003 | 14.0% | 0.2 |

are available. Rates of EITC filings decreased between 1997 and 2001, and then rose in 2002 and 2003.

Filings at the county level closely follow the patterns in the state for income and poverty. This information is shown in Chart 6. While Cumberland and York represented the largest numbers of filers, each had the lowest percentages of total filings: 10.1% and 11.4%, respectively. Washington and Somerset saw the largest percent of their populations filing: 21.2% and 20.1%, respectively.⁹



Food Insecurity

Food insecurity is another indicator of poverty. It measures a household's ability to meet basic needs, rather than its income. The U.S. Department of Agriculture (USDA) defines food security as "access by all people at all times to enough food for an active, healthy life." Food insecurity can also reinforce the detrimental effects of poverty. Inadequate nutrition limits one's ability to focus on work and learning. Poor health may prevent people from working on a stable basis. Food security is generally studied at the household level.¹⁰

In 2005, the USDA began reporting food security status in three categories: food secure, low food security, and very low food security. Previously, the agency reported food security status using wording regarding hunger. This was abandoned in 2005, and the agency re-released data from earlier years using the new terminology. Receipt of food stamps is taken into account when households are categorized. USDA reports food security data as two- or three-year averages in order to gain statistical significance.

Table 4. Food Security in Maine, 1996-2005

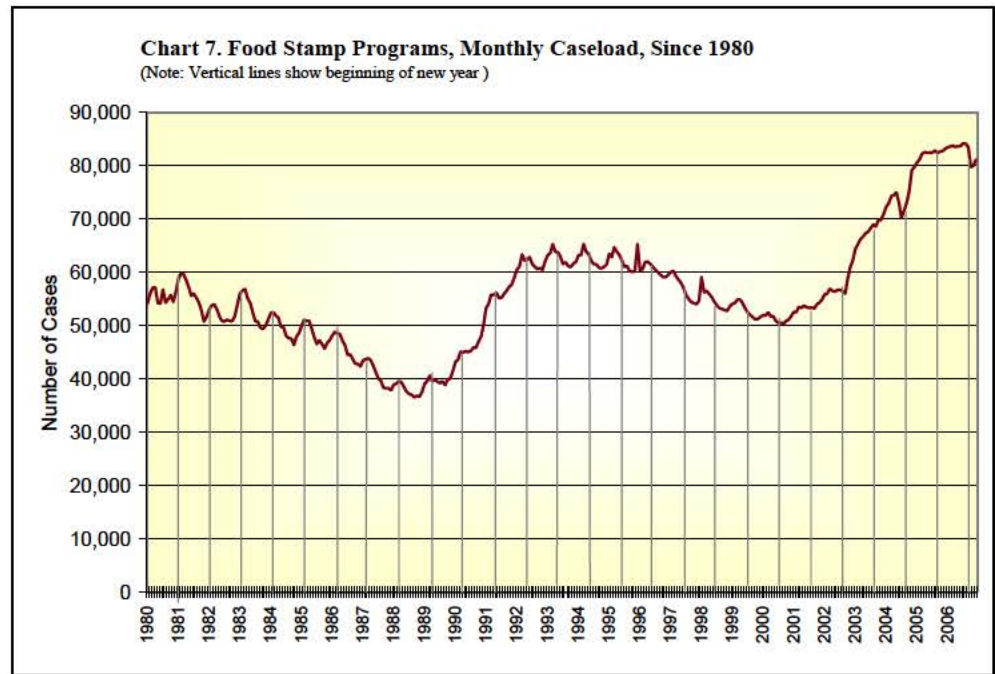
| | 1996-98 | 2000-02 | 2003-05 | Percentage Point Change 1996-98 to 2003-05 | Percentage Point Change 2000-02 to 2003-05 |
|-------------------------------|---------|---------|---------|---|---|
| Food secure | 90.2% | 91.0% | 87.7% | -2.5% | -3.3% |
| Low food security | 9.8% | 9.0% | 12.3% | +2.5% | +3.3% |
| Very low food security | 4.0% | 2.8% | 4.6% | +0.6% | +1.8% |

In 2003-2005, 87.7% of Maine's population was food secure. This falls short of the national average of 89.0%. More than one in ten Maine residents did not have stable and secure access to food. Just over 12% of Maine's population experienced low food security, and of these, 4.6% met the category of very low food security. Maine's food security status appears to have fallen since 1996-1998, with low food security increasing by 3.3 percentage points and very low food security increasing by 1.8 percentage points. The USDA considers these changes to be statistically significant.

Food Stamp Program

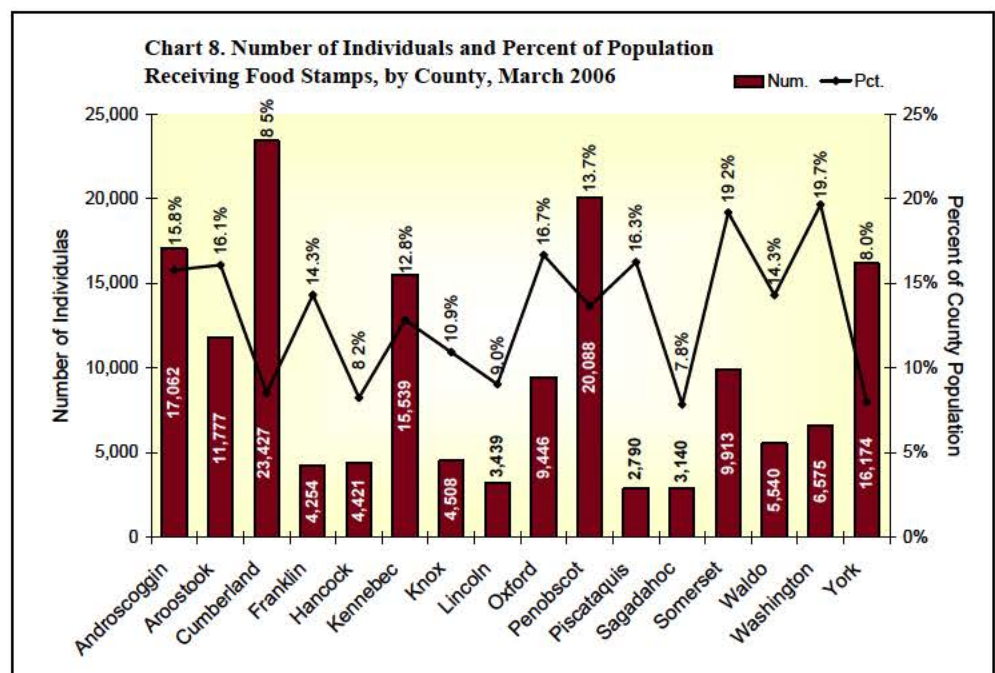
Closely related to the issue of poverty and food security is the use of food stamps. Food stamp enrollment indicates the overall number of people needing assistance. Comparing it with food insecurity measures illuminates the need for and adequacy of the program itself. In December 2006, 11.9% of Maine's population was receiving food stamps.¹¹

The Food Stamp Program in Maine is tracked very closely, with data going back to 1980. Chart 7 shows trend data for the use of food stamps from 1980 to 2006. Each data point represents the monthly caseload.



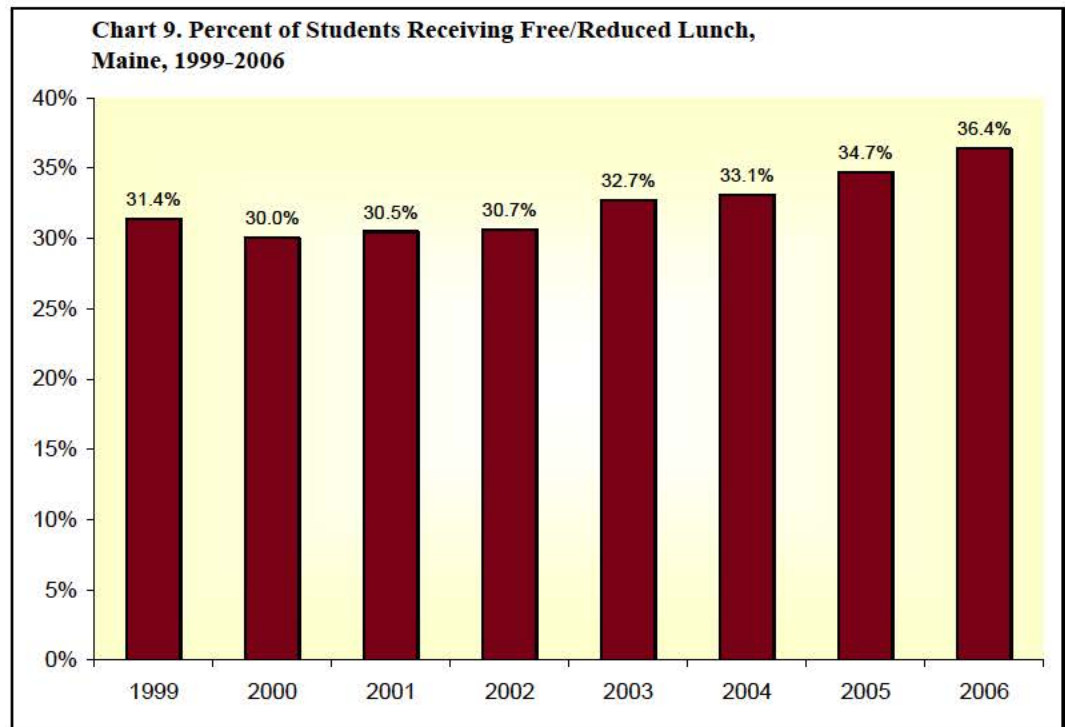
Several observations can be made about these data. First, food stamp use in Maine tends to increase during the winter months and decrease during the summer months. However, in years for which use is increasing overall, this seasonal trend is hidden or minimized. Second, food stamp use increased steadily between the beginning of 2002 and the end of 2005. According to the Department of Health and Human Services (DHHS), this increase may be due to a number of factors, including the use of a new computer system that prompts DHHS employees to inform Medicaid applicants that they are likely eligible for food stamps. Also, the federal Temporary Aid to Needy Families (TANF) program began providing bonus awards for continued access to food stamps and MaineCare when TANF closed.

Chart 8 shows food stamp use by county, both by the number of recipients and the percentage of county population. Food stamps follow the trends seen in other measures, with the highest rates of use in Washington and Somerset counties, and the lowest usage in York and Sagadahoc. Hancock County has a very low rate of food stamp use, even though its poverty rate was higher than York's and Sagadahoc's.



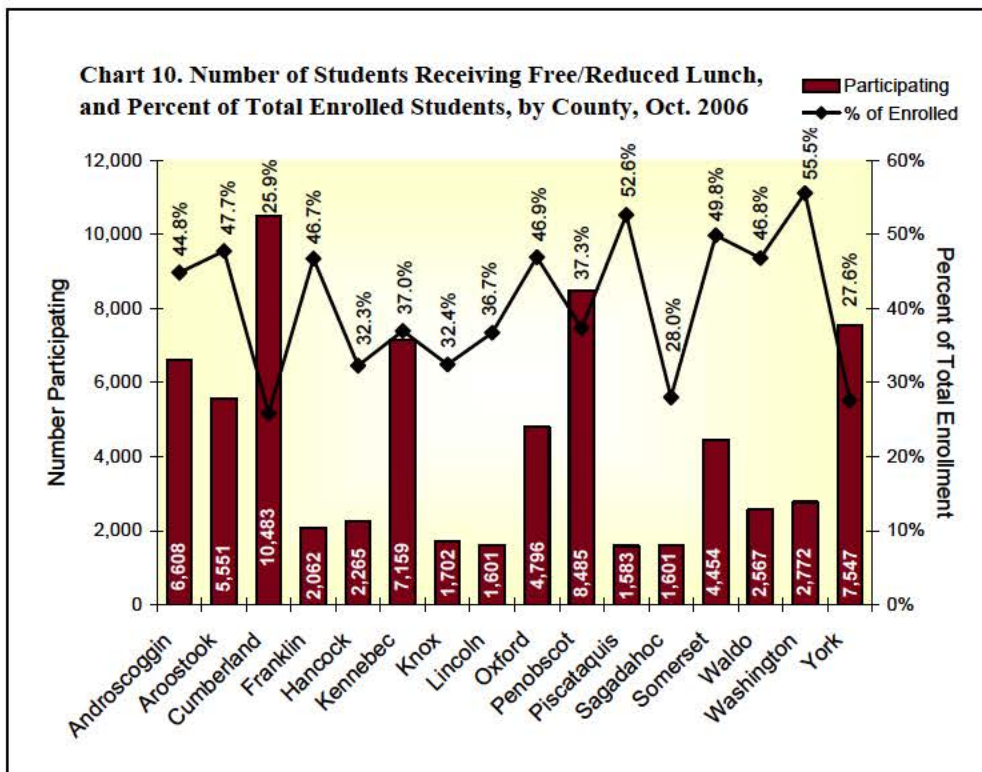
National School Lunch Program

The U.S. Department of Education's National School Lunch Program is another poverty indicator, and is especially useful for assessing the number of children in need of assistance.¹² Students in households with incomes at or below 185% of the federal poverty level qualify for reduced-price lunches. Students in households with incomes at or below 130% qualify for free meals.



As shown in Chart 9, roughly one in three Maine students receive free or reduced lunch. The percentage of students in the program has increased slightly since 1999, with the largest jump between 2002 and 2003, when

usage rose by 2.0 percentage points. Increases in use also occurred in 2004, 2005, and 2006.

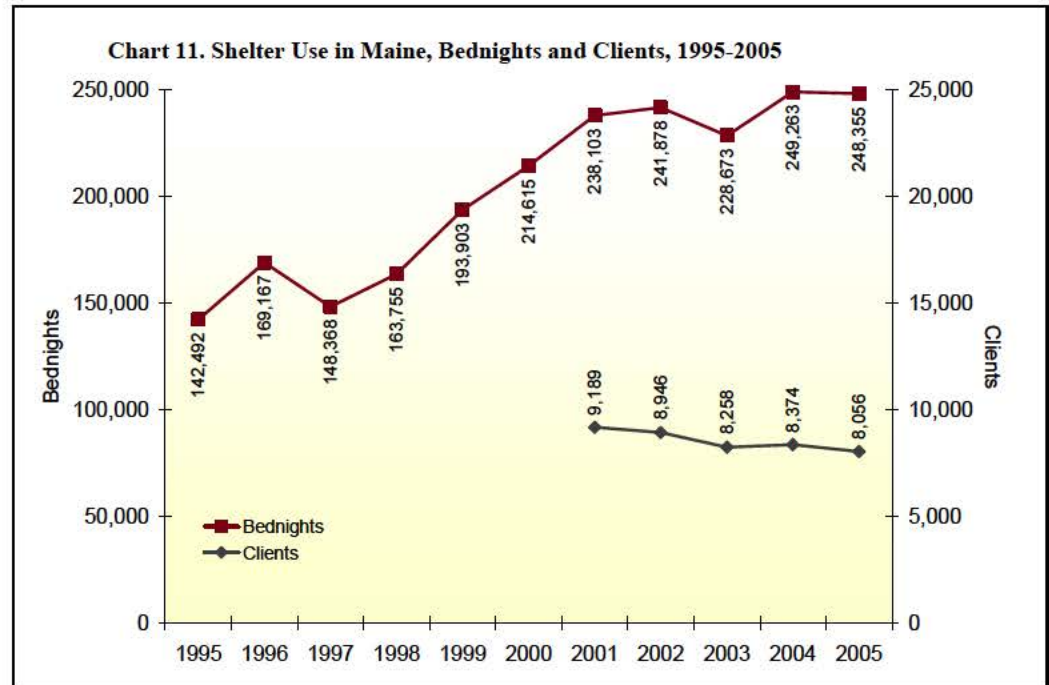


County-level information is shown in Chart 10. The number of enrolled students is shown, along with the percentage of students this number represents. Rates of use were highest in Washington County, at more than half of enrolled students, with Piscataquis not far behind. The lowest rates of use were in Cumberland and York, at 25.9% and 27.6%, respectively.

Homeless Population

Another indicator of poverty is the number of people who are homeless. The Maine State Housing Authority (MaineHousing) gathers information on homelessness in Maine from homeless shelters around the state. The counts used are “bednights” and clients. Bednights are the numbers of occupied beds at each homeless shelter in Maine on every night, added up for the entire year.

Recently, MaineHousing refined the way it calculates the number of clients served in a given year. For this report, only data from 2001 to 2005 were available. MaineHousing’s new methodology guards against double counting clients. The data shown in Chart 11 take into account clients who were served in multiple months within the same year.¹³



The data show that shelter use (bednights) increased significantly between 1997 and 2005, with small drops in use in 2003 and 2005. Meanwhile, between 2001 and 2005, the number of clients served appears to be on a downward trend. This indicates that homeless clients may be either more chronically homeless (experience more episodes of homelessness) or that each homeless episode is lasting longer (on average). It does appear that both bednights and the number of clients served decreased slightly from 2004 to 2005.

Contributing Conditions

The preceding section discussed ways to measure poverty. This section discusses some conditions that cause or reinforce poverty. For example, low income can be an indicator of poverty, while the receipt of low wages may be a contributing factor. Therefore, this section examines employment and earnings. Similarly, educational attainment is well known to affect income and earnings. Therefore, this section examines education levels. The following pages are not meant as a comprehensive analysis of the causes of poverty. Rather, the selected factors are those for which annual or semi-annual data are available. Many other important factors contribute to poverty but are difficult to quantify. Furthermore, in some cases these factors may be *effects* as well as *causes* of poverty, such as educational attainment. The lines are blurred.

Employment

Work is the primary source of income for most households, especially those with low incomes. Access to stable, well-paying jobs is a household's most reliable defense against poverty. Finding and keeping those jobs depends on many factors including educational attainment, health, family structure, access to transportation and childcare, and the strength of the economy overall.

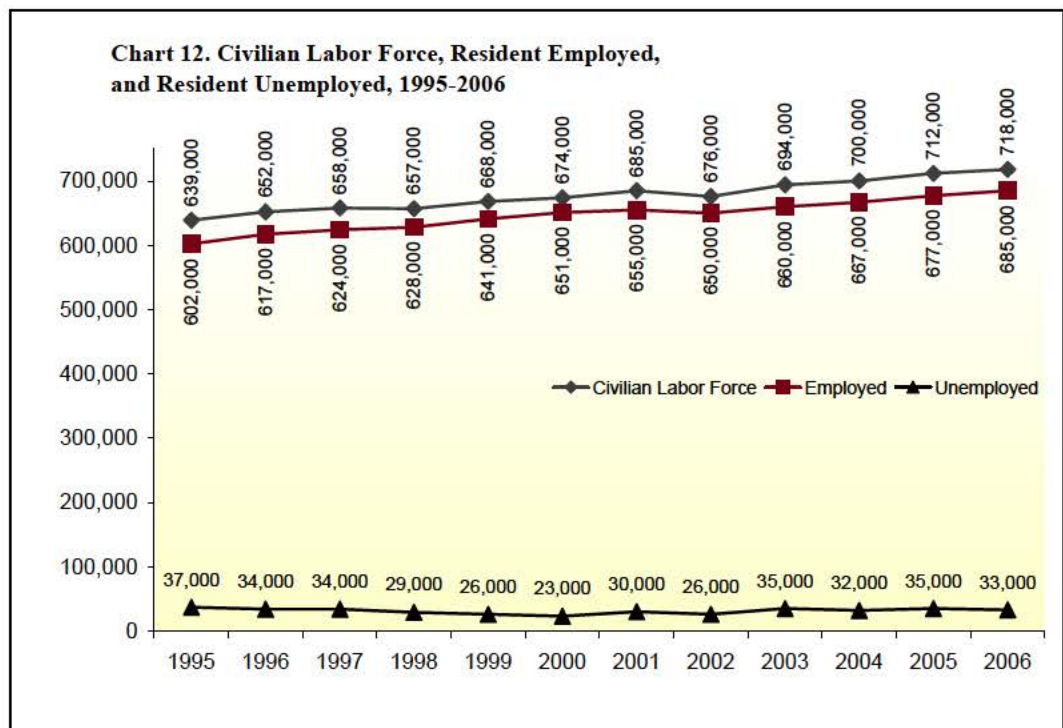
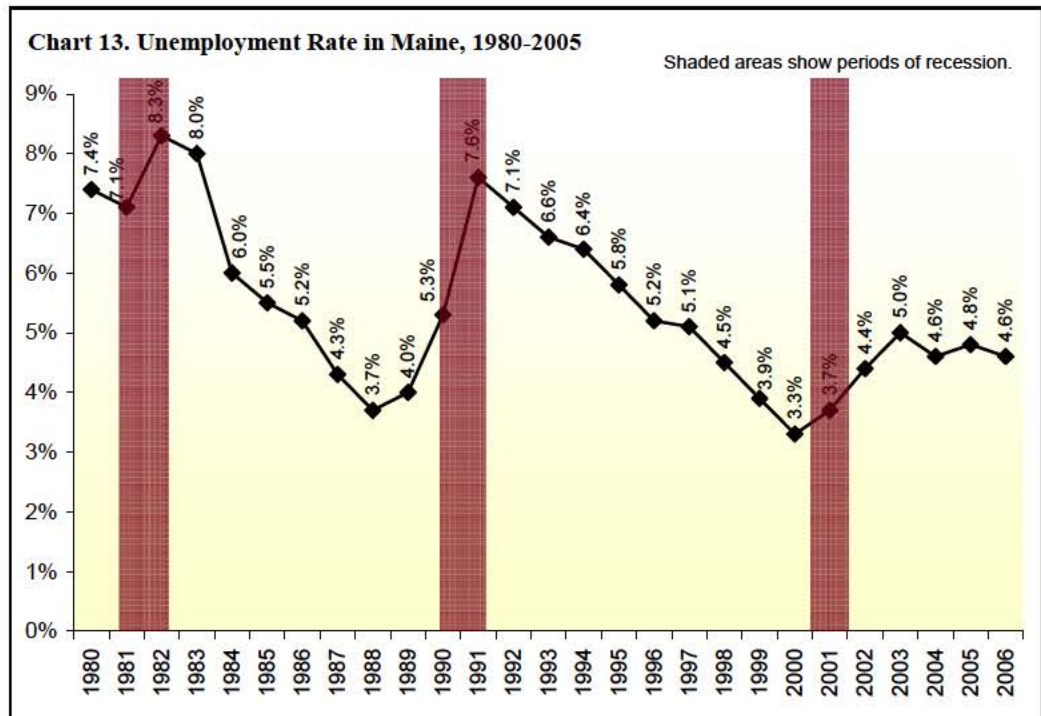


Chart 12 shows that the number of employed Maine people has steadily grown over the last decade.¹⁴ Compared to a decade ago, in 2006 there were 66,000 more people in Maine's labor force. There were 68,000 more employed workers, and 1,000 fewer unemployed workers.

Chart 13, on the next page, shows the unemployment rate from 1980 to 2006, with shaded bars showing periods of national economic recession. The unemployment rate measures the percentage of people who want to work but are not employed. It does not measure how many people are "discouraged" and no longer looking or how many people are underemployed (working fewer hours than desired or working in jobs at wages below their earning capacity). Maine's unemployment rate hit an all-time low of 3.3% in 2000. After the 2001 recession, unemployment rose to 5.0% in 2003, and then declined except for a slight increase in 2005. In 2006, Maine's unemployment rate was 4.6%. Like the poverty rate, unemployment tends to peak after a recession's official end. In general, unemployment is a lagging economic indicator.

Map 2 shows 2005 unemployment statistics for the counties. In general, these follow the same trend as the poverty measures illustrated in the previous section. Washington County's unemployment rate of 8.4% was the highest in the state and more than twice Cumberland's rate of 3.6%. Cumberland had the lowest percentage of unemployed workers of any county.



To understand regional differences in unemployment, it is necessary to understand the varying causes of unemployment. Some unemployment is called “structural,” referring to fundamental changes in technology and the economy that affect employment. Sometimes old occupations die out and new occupations are born. In that transition, some workers may suffer unemployment. For instance, with the emergence of personal computers, demand for secretaries has fallen while demand for computer technicians has increased. Some unemployment is called “frictional.” It refers to workers transitioning between jobs and employers having to search for the right job candidate. For example, some job seekers may not take the first job offered to them and may choose to remain unemployed temporarily while searching for preferred employment.

Different regions of the state experience frictional and structural unemployment at different rates. Regions that once relied on manufacturing may experience high rates of structural unemployment. In these regions, helping workers transition from declining to growing industries is essential. Unemployment in fast growing regions may have more elements of frictional unemployment. In these regions, helping match job seekers with hiring employers is essential.

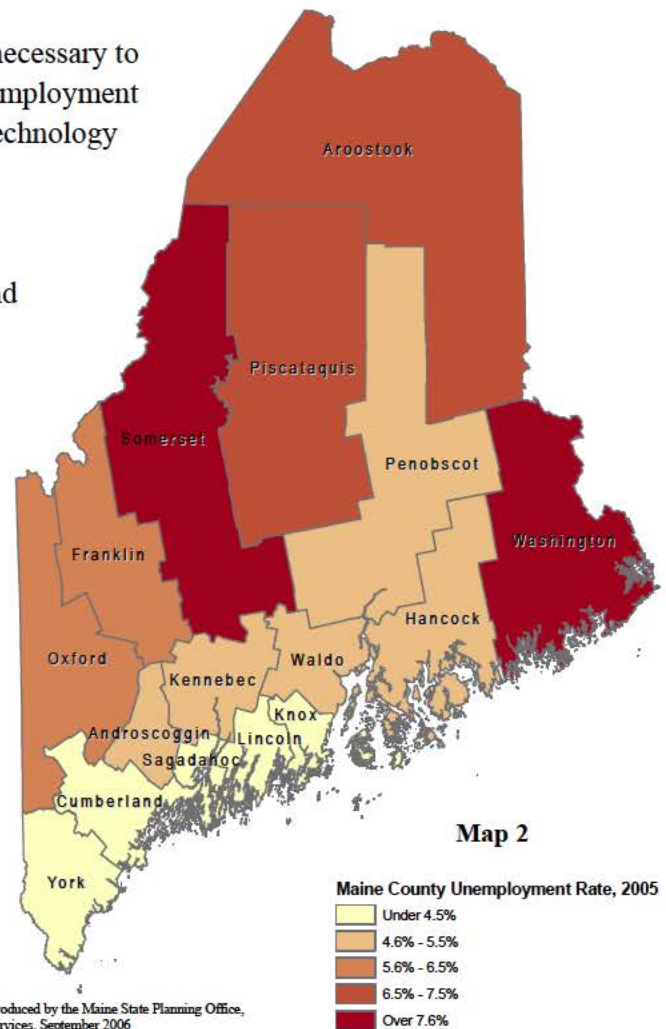


Chart 14 shows the nature of job growth over the last decade. During this time, Maine saw a net gain of 73,600 jobs. However, the largest gains were in service-oriented jobs, including retail trade, health care and social assistance, leisure and hospitality, government, and professional and business services. Jobs in construction also grew, by 8,800. At the same time, Maine lost 21,900 manufacturing jobs. This indicates a structure shift in the state's economy that has caused some workers to struggle. People who lose jobs in manufacturing need help adapting their skills to qualify for jobs in growing industries. Some people have difficulty finding new job opportunities for which they are qualified and which pay similar wages. This may discourage some workers from finding employment or cause them to be underemployed.

Chart 14. Change in Maine Wage and Salary Jobs, 1995-2005

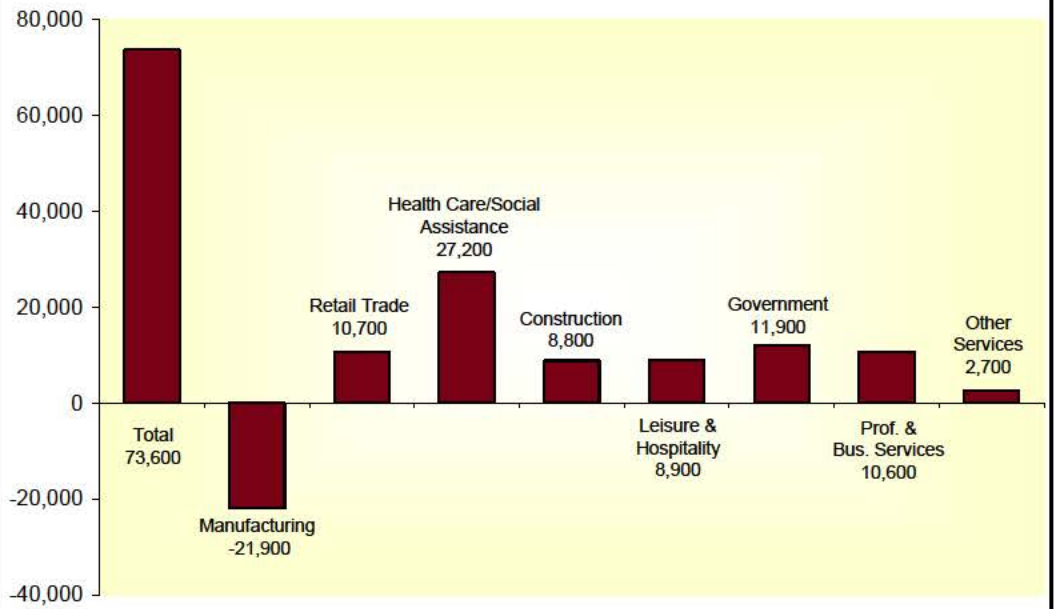


Chart 15. Change in Average Employment, by County, 2001-2005

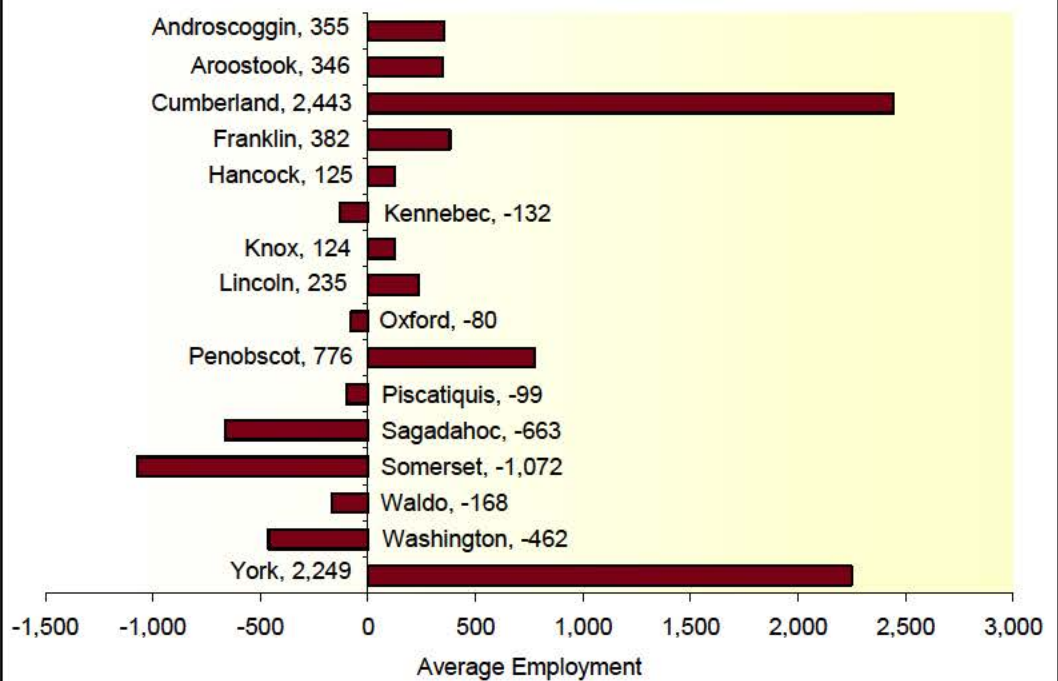


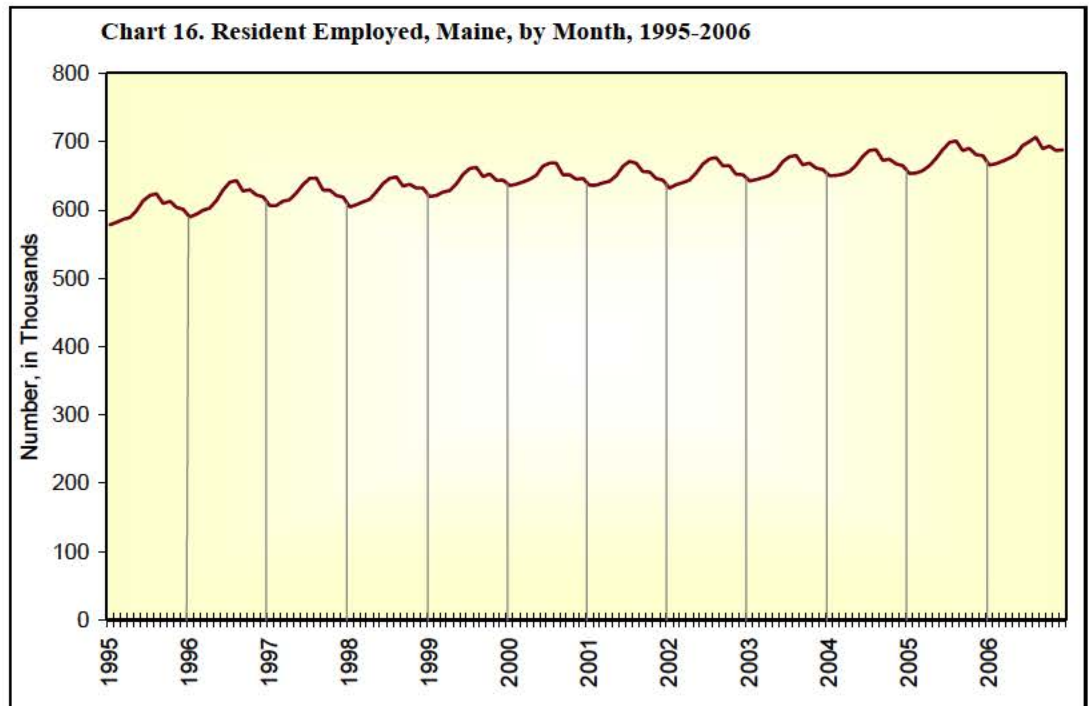
Chart 15 shows the number of jobs lost and created in each county

during the last five years. More specifically, it shows the change in average annual employment for businesses within each county. From 2001 to 2005, the number of jobs increased most substantially in Cumberland and York. Somerset and Washington, already identified as two of the poorest counties in the state, saw the greatest loss of jobs. Aroostook also has a high poverty rate, but nevertheless saw job gains similar to Androscoggin and Franklin during this period. Penobscot saw an increase in jobs second only to York and Cumberland.

Interestingly, Sagadahoc, with a low poverty rate and unemployment rate, also saw a significant decrease in jobs, with a net loss of 663. Except for this anomaly (which may have demographic roots), generally the counties with higher job growth had lower unemployment rates.

Another element of employment is stability. Some jobs

may pay well but not last year round. Chart 16 shows the seasonal nature of work in Maine. Each data point along the graph represents resident employment in that month. (Vertical lines indicate the start of each year.) Clearly, more residents of Maine are employed during the summer months than in the winter, and yearly employment reaches its lowest point early in the year.



The information in this chart has implications for certain assistance programs, such as the Food Stamp Program. Food stamp use peaks in the winter months, when fewer people are working and heating costs strain household budgets (see page 12 for food stamp data).

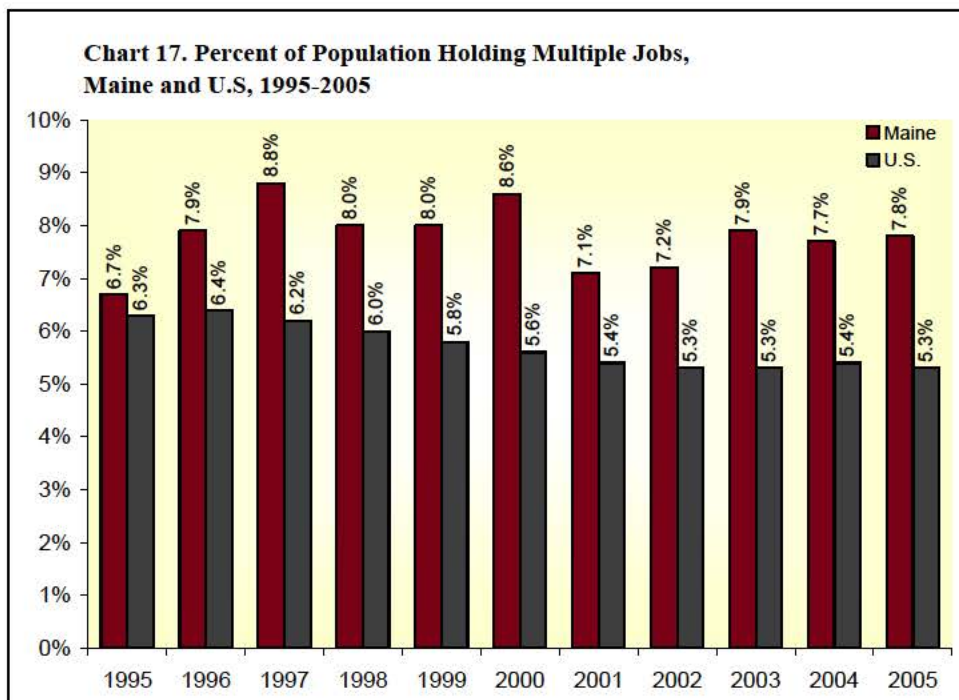
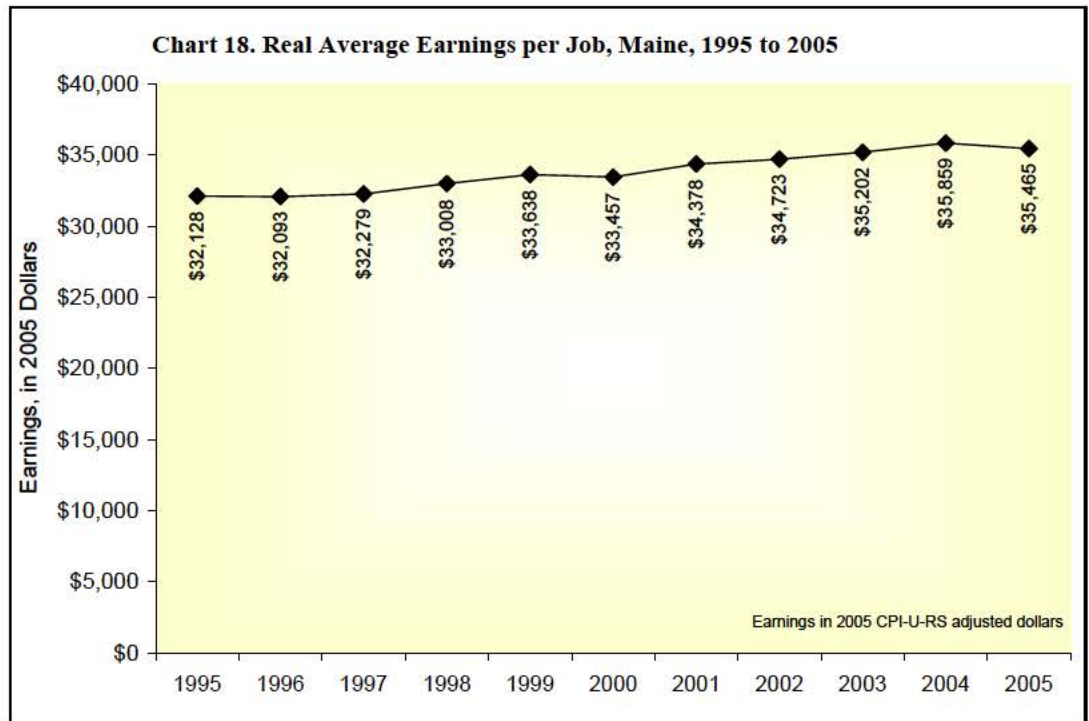


Chart 17 shows the number of workers in Maine who held multiple jobs between 1995 and 2005. Mainers are more likely to hold multiple jobs than workers elsewhere in the nation. Moreover, while Maine's rate for multiple job holders was close to the national rate in 1995 (6.7% and 6.3%, respectively), the national rate has decreased over the years while Maine's has remained steady. In 2005, 5.3% of U.S. workers held more than one job compared to 7.8% of Maine workers.

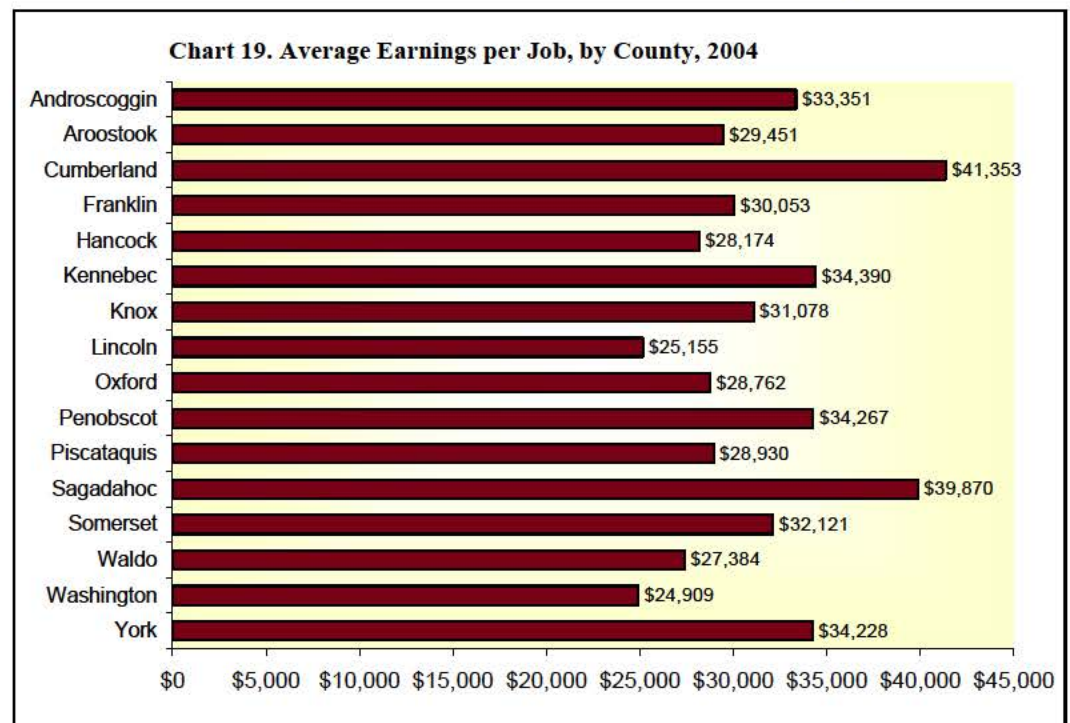
Earnings

Important to the study of poverty is information not only on the types of jobs available and how many people are employed, but the payment workers receive for their labor. This section shows information on earnings.¹⁵ All information is presented in “real” dollars; in other words, dollar amounts have been adjusted for inflation to reflect actual buying power.

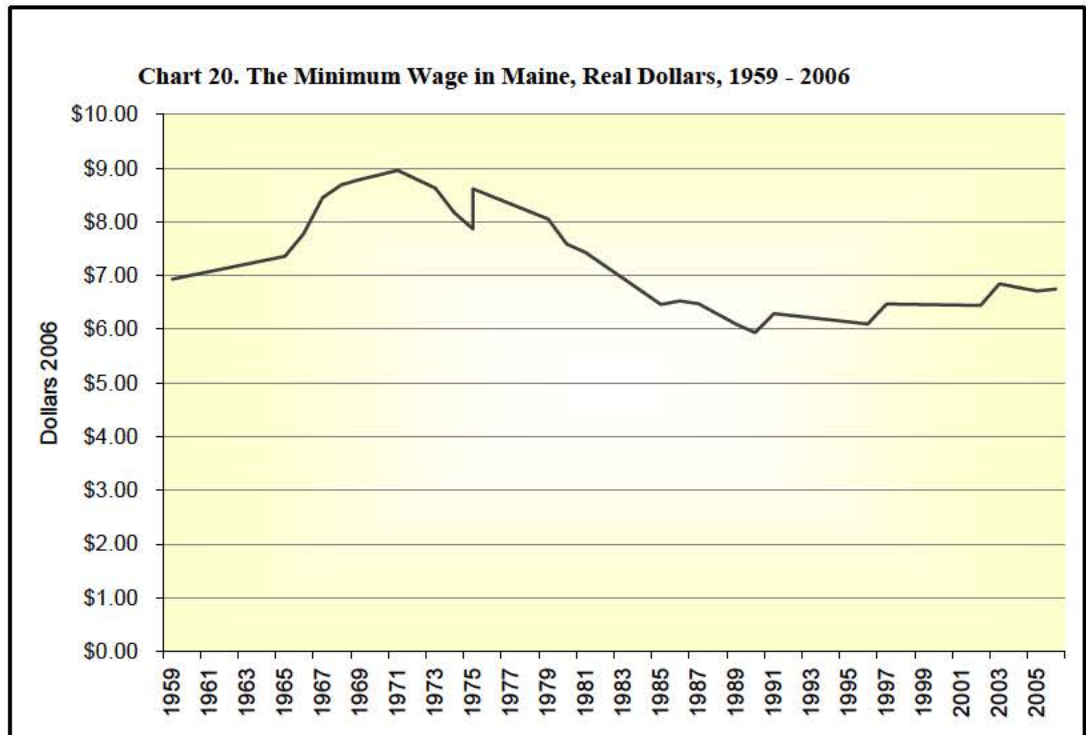


From 2003 to 2004, the average earnings paid per job in Maine rose \$657, even adjusting for inflation. However, from 2004 to 2005, real average earnings per job fell \$394. High inflation may be one reason why; in 2005, inflation hit 3.39%, the highest rate since 1991. Chart 18 shows real average earnings per job from 1995 to 2005. Real earnings have modestly increased each year during this time, with the exception of 1996, 2000, and 2005, when earnings declined slightly.

Chart 19 shows the average earnings per job for each county in 2004. The chart shows the trend seen elsewhere, with the highest average earnings seen in the southern part of Maine and the lowest in Washington County. Several mid-coast counties clustered near the low end as well.



Periodically states and the federal government adjust minimum wage laws to keep wages aligned with the rising cost of living. Chart 20 shows the buying power of the minimum wage over time by adjusting for inflation to 2006 dollars.¹⁶ Table 5 shows the actual dollar amounts and the dates on which they became effective.

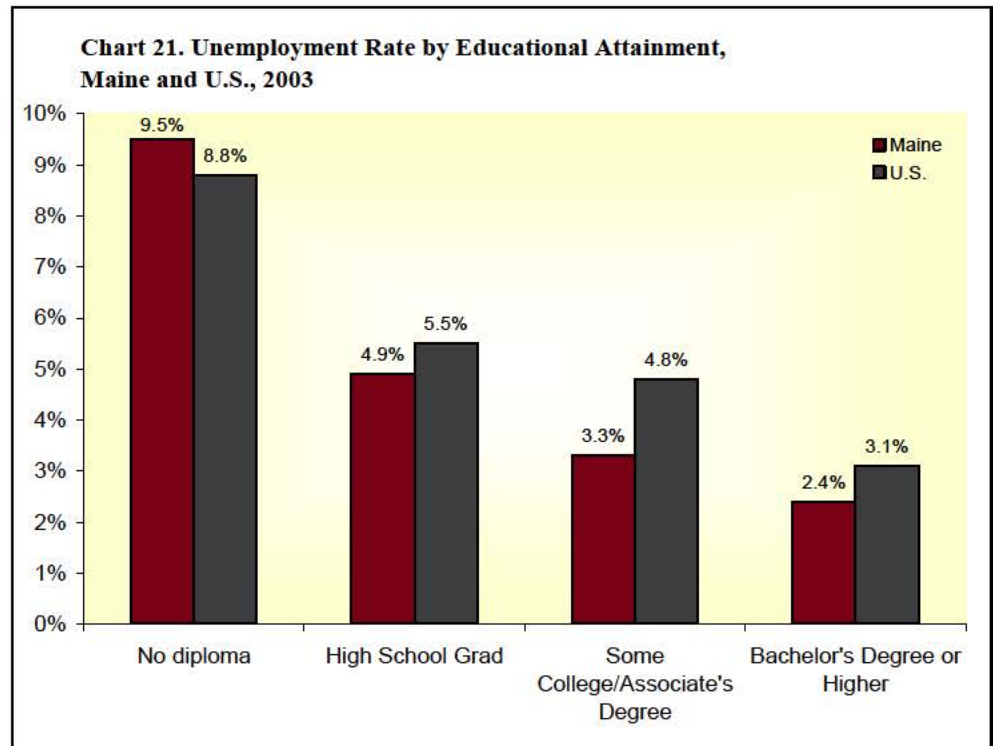


As shown in the chart, the minimum wage in Maine reached its high in terms of real buying power in 1971. In that year, workers earning minimum wage received the equivalent of \$8.96 per hour in 2006 dollars. That payment has declined since then, reaching a low in 1990 of \$5.94. Between 2004 and 2005 the real buying power of Maine's minimum wage fell by \$0.07 or 1%. However, Maine's minimum wage increased to \$6.75 in October 2006 and will rise to \$7.00 in October 2007. The amount by which that increases its real buying power will depend upon the rate of inflation between now and October 2007.

| Date of Change | Minimum Wage | Real \$ | Date of Change | Minimum Wage | Real \$ |
|-----------------------|---------------------|----------------|-----------------------|---------------------|----------------|
| 10/15/1959 | \$1.00 | \$6.93 | 1/1/1981 | \$3.35 | \$7.43 |
| 10/15/1965 | \$1.15 | \$7.36 | 1/1/1985 | \$3.45 | \$6.46 |
| 10/15/1966 | \$1.25 | \$7.78 | 1/1/1986 | \$3.55 | \$6.53 |
| 10/15/1967 | \$1.40 | \$8.45 | 1/1/1987 | \$3.65 | \$6.48 |
| 10/15/1968 | \$1.50 | \$8.69 | 1/1/1989 | \$3.75 | \$6.10 |
| 10/15/1969 | \$1.60 | \$8.79 | 1/1/1990 | \$3.85 | \$5.94 |
| 9/23/1971 | \$1.80 | \$8.96 | 4/1/1991 | \$4.25 | \$6.29 |
| 10/3/1973 | \$1.90 | \$8.63 | 10/1/1996 | \$4.75 | \$6.10 |
| 5/1/1974 | \$2.00 | \$8.18 | 9/1/1997 | \$5.15 | \$6.47 |
| 1/1/1975 | \$2.10 | \$7.87 | 1/1/2002 | \$5.75 | \$6.44 |
| 10/1/1975 | \$2.30 | \$8.62 | 1/1/2003 | \$6.25 | \$6.85 |
| 1/1/1978 | \$2.65 | \$8.19 | 10/1/2004 | \$6.35 | \$6.78 |
| 1/1/1979 | \$2.90 | \$8.05 | 10/1/2005 | \$6.50 | \$6.71 |
| 1/1/1980 | \$3.10 | \$7.58 | 10/1/2006 | \$6.75 | \$6.75 |

Educational Attainment

Educational attainment directly affects employment, earnings, and income. Nationwide, people with more years of formal education tend to have higher incomes, and shorter, less frequent periods of unemployment. The Maine Department of Labor has reported information on unemployment by educational attainment. Chart 21 shows these data for people age 25 and older in the workforce for 2003, the most recent year available.¹⁷



It is clear from the chart that people without a high school diploma are much more likely to be unemployed than those with a high school diploma. As educational attainment rises, unemployment decreases. In Maine, people with college experience are even less likely to be unemployed than in the nation as a whole. Those with a bachelor's degree or higher in Maine have a 2.4% unemployment rate compared with 4.9% for those with

only a high school diploma.

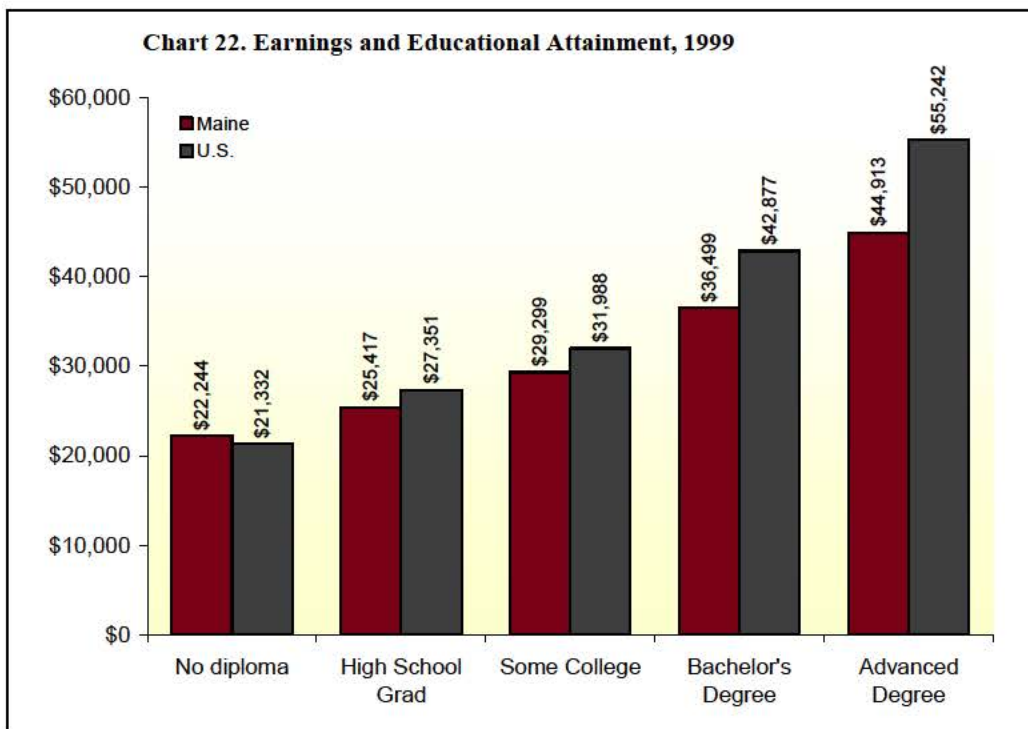
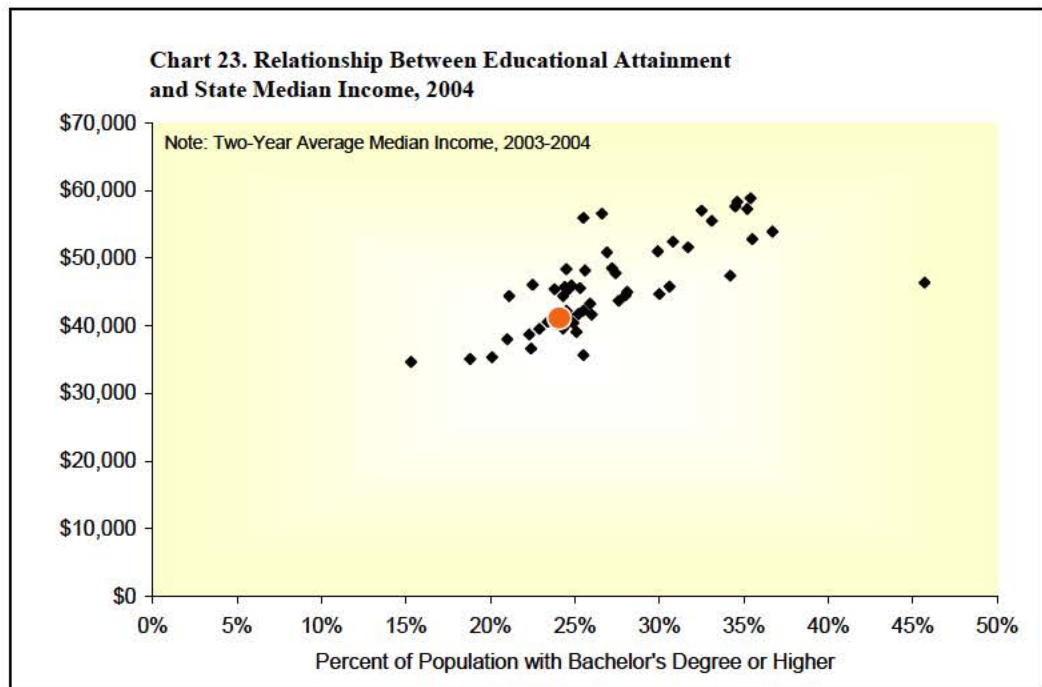


Chart 22 shows earnings and educational attainment for Maine and the nation in 1999, the most recent year for which data are available. That year, most Maine workers earned less than their peers nationwide. Maine workers without high school diplomas bucked this trend; on average they made more than their national peers.

Chart 23 shows graphically the correlation between educational attainment and income in the U.S. Each data point on the chart represents a state's median income and the percentage of its population with a bachelor's degree or higher. Maine's data point appears as an orange circle.¹⁸ The points on the graph are loosely clustered along an imaginary line from the center of the chart



to the upper right. This means that as the percentage of a state's population with college degrees increases (movement toward the right of the chart), its median income tends to rise (movement toward the top of the chart).

These educational statistics illustrate the link between education, earnings, income, and, consequently, poverty. To understand how educational attainment levels contribute to poverty in Maine, it is important to know that fewer people in Maine have a bachelor's degree compared with the nation overall. In 2003, 28.7% of people over age 25 had a bachelor's degree or higher in Maine, compared with 32.0% in the nation. On the other hand, Maine has a better rate for high school graduation, with 10.2% of the nation 25 and older having no high school diploma compared with only 6.0% in Maine.¹⁹

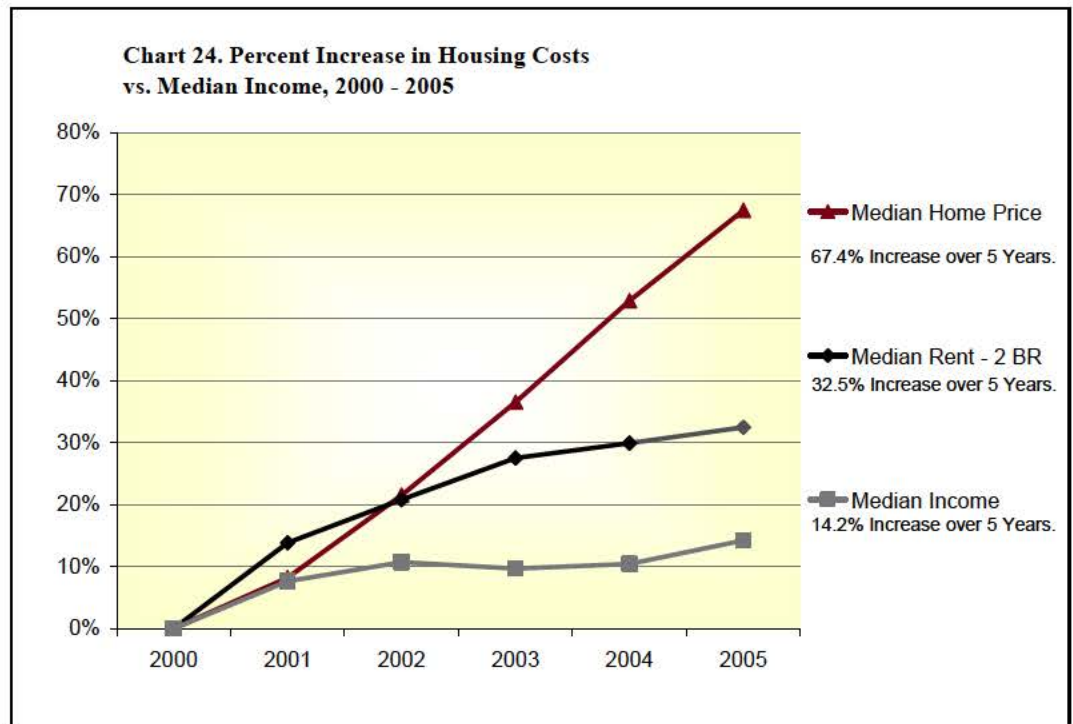
In recent years, the number of Maine people with college experience has increased. Degree enrollment in Maine's community colleges has increased by 42% in three years, and the number of students transferring into Maine's public universities has increased 25%.²⁰ If sustained, these trends may help close the educational gap between Maine and the U.S.

Contributing Costs

Certain household needs, such as shelter, transportation, energy, and childcare, constitute large portions of the budgets of low-income households. Many of these expenses represent a higher proportion of household budgets today than they did when federal poverty thresholds were first developed in 1964. Today, many low-income Maine households are particularly sensitive to price increases in these items. This section presents information on some of these costs.

Housing

First among these costs is housing. Data from the Maine State Housing Authority (MaineHousing) show that the cost of housing has outpaced the rise in median income in the last five years (see Chart 24).²¹ The median home price in Maine rose 67.4% between 2000 and 2005, while the median rent for a 2-bedroom apartment rose 32.5%. Meanwhile, median income rose only 14.2%. (All amounts are in nominal dollars not adjusted for inflation.)



MaineHousing has developed an affordability index for both home ownership and rental. The affordability index is the ratio of the *home cost* or *rent cost* considered to be “affordable” at median income to the *median home cost* or *rent cost*. A cost of 28% or less of gross income is considered affordable. Using this index, a score of less than 1.00 means that an area is generally unaffordable – i.e., a household earning the area’s median income could not cover the payment on a median priced home (30-year mortgage, taxes, and insurance) using 28% or less of gross income. Similarly, a score of less than 1.00 means a household earning area median income could not cover the payment of rent using 30% or less of gross income.

| Year | Affordability Index, Homeownership | Affordability Index, Rent |
|------|------------------------------------|---------------------------|
| 2000 | 0.95 | 0.95 |
| 2001 | 0.94 | 0.89 |
| 2002 | 0.89 | 0.88 |
| 2003 | 0.81 | 0.82 |
| 2004 | 0.73 | 0.78 |
| 2005 | 0.70 | 0.81 |

Statewide, the affordability of homeownership and rentals has decreased over the last five years. As shown in Table 6, from 2004 to 2005, homeownership affordability decreased slightly by 0.03 while rent affordability increased by 0.03. The housing story is different in each county. In some counties that look favorable by other measures, such as household income, employment, and poverty rate, the cost of housing is relatively high, resulting in an unfavorable affordability index.

Table 7 shows the 2005 affordability index for all Maine counties. Some counties with higher poverty rates, such as Aroostook and Somerset, had better affordability indexes for homeownership than counties with lower poverty rates, such as Cumberland, Lincoln, York, and Sagadahoc. For rental units, southern counties had affordability rates that were slightly better than the state average. Cumberland County had the least affordable rents by this measure. Only one county, Oxford, scored 1.00 or higher, meaning that rentals units were “affordable” for median income earners. Many counties with poverty rates above the state average scored below 0.90 for rental affordability, including Hancock, Knox, Piscataquis, Somerset, and Waldo. Washington and Penobscot counties had the lowest affordability scores and the first and fifth highest rates of poverty, respectively. These data show that housing in some poor areas of Maine is unaffordable for local residents even though it is less expensive.

Table 7. Affordability of Homeownership and Rent, All Counties, 2005

| County | Affordability Index, Homeownership | Affordability Index, Rent |
|--------------|------------------------------------|---------------------------|
| Androscoggin | 0.80 | 0.85 |
| Aroostook | 1.41 | 0.95 |
| Cumberland | 0.65 | 0.84 |
| Franklin | 0.84 | 0.91 |
| Hancock | 0.66 | 0.83 |
| Kennebec | 0.91 | 0.92 |
| Knox | 0.69 | 0.89 |
| Lincoln | 0.64 | 0.82 |
| Oxford | 0.88 | 1.07 |
| Penobscot | 0.88 | 0.77 |
| Piscataquis | 1.02 | 0.86 |
| Sagadahoc | 0.78 | 0.95 |
| Somerset | 1.14 | 0.89 |
| Waldo | 0.79 | 0.80 |
| Washington | 0.89 | 0.63 |
| York | 0.67 | 0.89 |

Cost of Heating Fuel and Gasoline

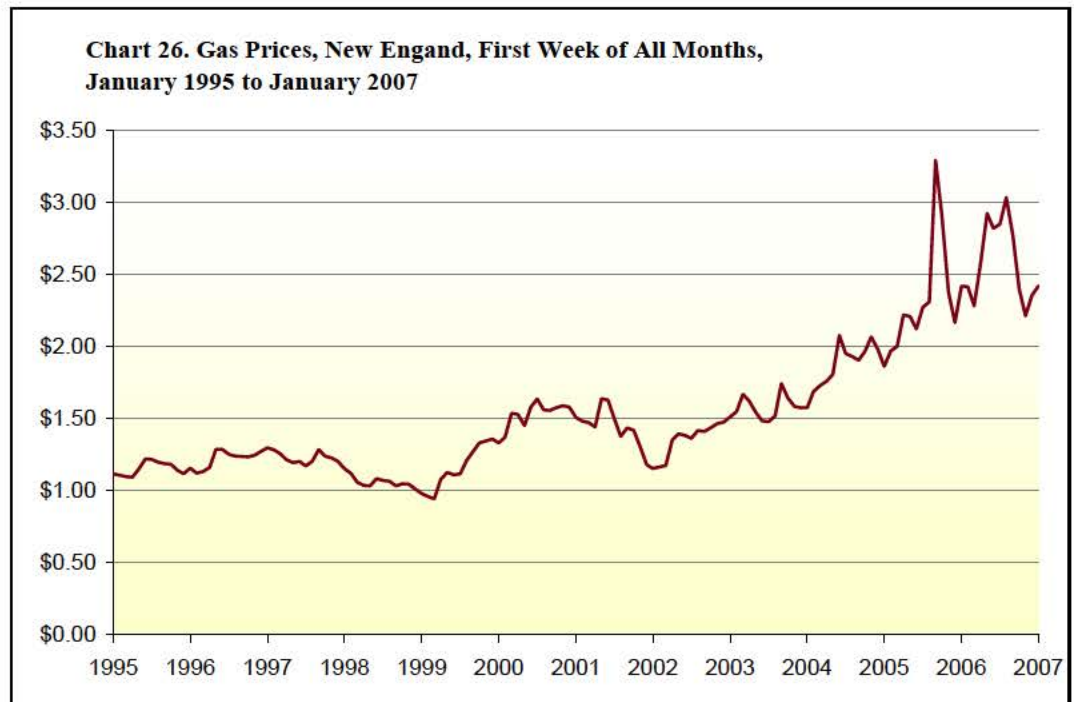
Energy is another cost that can unexpectedly strain household budgets. In a cold, rural state such as Maine, where most houses are oil-heated, many residents are sensitive to the price fluctuations of the global energy market. Data for the cost of heating oil in Maine is shown in Chart 25.²² After remaining fairly stable

Chart 25. Cost of Heating Oil at Mid-month, Oct. 1990 to Dec. 2006 (all heating months)



during the 1990s, heating oil prices began increasing in the early months of 2000. In the fall of 2005 heating oil prices reached an all-time high in Maine of \$2.62 per gallon. Although 2006 showed some decrease in price, in general the cost of heating oil remains high.

The price of gasoline has followed the same trend. Chart 26 shows the price of gasoline in New England from January 1995 to January 2007.



Gasoline prices began to creep up in early 2000, reaching a high of \$3.29 per gallon in early September 2005 (following Hurricane Katrina). While gasoline prices dropped somewhat from that peak, they have remained high and now hover at between \$2.15 and \$2.50 per gallon.

The Consumer Federation of America (CFA) estimates that U.S. families spent, on average, \$2,000 on gasoline in 2005. This is up from \$1,342 only three years before, an increase of 45%. The cost of gasoline disproportionately impacts families with low incomes and those living in rural areas. CFA estimates that families with incomes under \$15,000 spent more than one-tenth of total income on gasoline in 2005. Also, rural households tended to spend more than \$2,000, compared with \$1,705 for urban households.²³

Medical Care Costs

Another major cost for Maine families is health care. Medical costs can be particularly burdensome to those with low incomes, since low-paying jobs also tend to have few or no benefits. Recent studies have shown that an inability to pay medical costs is a leading cause of bankruptcy filings.²⁴

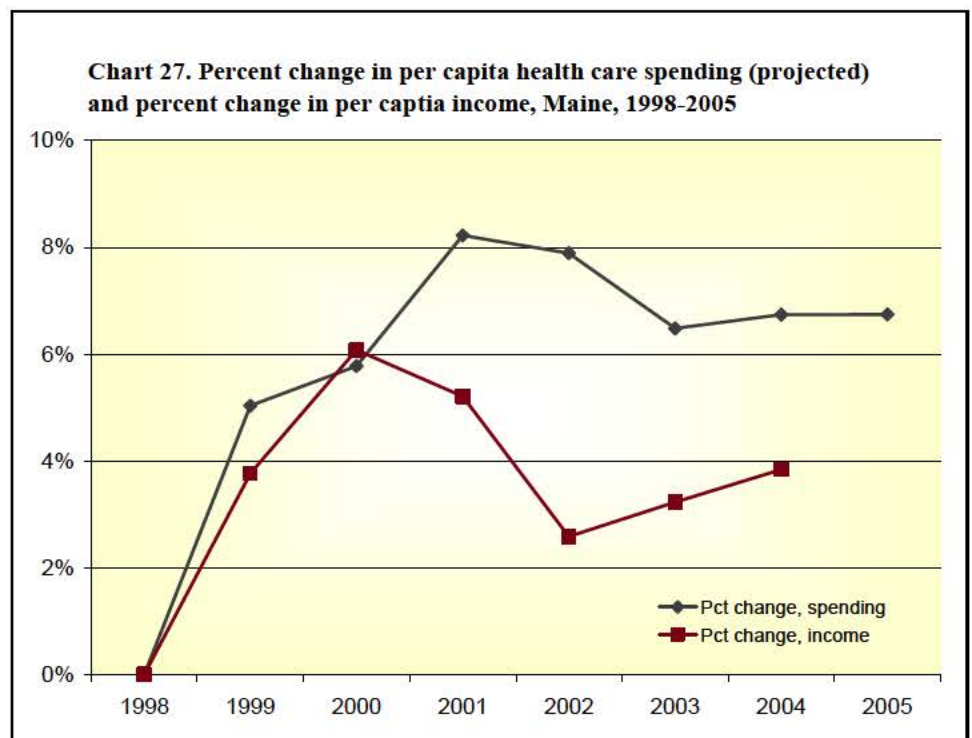


Chart 27, on the preceding page, shows the percent increase in per capita personal health care spending between 1998 and 2005 (not adjusted for inflation).²⁵ These Maine estimates are based on the 1998 figure adjusted for national percent changes between 1999 and 2005. Actual costs may be slightly higher or lower for Maine, but these estimates illuminate the increases facing Maine residents. For the sake of comparison, the chart also shows the yearly percent change in per capita income in Maine from 1998 to 2004, the last year for which this information is available.

| Table 8. Estimated Per Capita Personal Health Care Spending, in 2005 Dollars, 1998-2005 | |
|--|---------|
| 1998 | \$4,761 |
| 1999 | \$4,893 |
| 2000 | \$5,007 |
| 2001 | \$5,269 |
| 2002 | \$5,596 |
| 2003 | \$5,826 |
| 2004 | \$6,058 |
| 2005 | \$6,254 |

Even after adjusting for inflation, medical costs have increased each year since 1998, with the largest increase, of 6.21%, seen in 2002. Table 8 shows the estimated per capita cost for health care spending between 1998 and 2005, adjusted for inflation. Medical cost increases have greatly exceeded inflation, although the rate of increase has slowed slightly since 2002.

Footnotes and Data Sources

¹ Fisher, Gordon M. (May 1992, revised September 1997). *The Development of the Orshansky Poverty Thresholds and Their Subsequent History as the Official U.S. Poverty Measure*. Poverty Measurement Working Paper. Washington, D.C. Department of Health and Human Services.

² Bernasek, Ann. (2006) “A Poverty Line That’s Out of Date and Out of Favor.” *The New York Times*, March 12, 2006. p. 6

³ Magnum, G., Magnum, S., and Sum, A. (2004). *The Persistence of Poverty in the United States*. Baltimore, MD: The Johns Hopkins University Press

⁴ Chart 1: Bureau of Economic Analysis data

⁵ Chart 2: U.S. Census Bureau’s Current Population Survey

There is a variety of sources for income information. One of the more commonly used is the U.S. Census Bureau’s Current Population Survey, a joint effort between the federal Census Bureau and Department of Labor. Because of the small sample size used by the survey, dollar amounts are averaged for a period of 3 years. This is called a floating average because years overlap. The process of averaging gives a larger sample size, thus increasing the likelihood that the dollar amount reported is accurate.

⁶ Using the poverty thresholds as benchmarks, the U.S. Census Bureau estimates the percent of people in the United States whose incomes are below those benchmarks, depending on family size. In non-census years, the poverty rate is determined using the Current Population Survey.

⁷ Table 1: CPS data

⁸ Charts 3, 4, and 5: CPS data

⁹ Table 2 and Chart 6: Brookings Institution data from <http://www.brookings.edu/metro/eitc.htm>, accessed July 2006

Information on EITC compiled by the Brookings Institution uses data gathered directly from the Internal Revenue Service. Brookings reports on data down to the town level. For Chart 5, filings by town were aggregated into counties to estimate the level of EITC filings for each county in Maine. This information is shown in Chart 5 both as the number of filers for the EITC and the percent of all filers in the county this number represents.

¹⁰ Table 4: CPS data

Since 1995, the Current Population Survey has gathered information on food insecurity in the nation as a supplement to the general survey. The data produced are analyzed in tandem with the USDA, which reports on the findings in periodic reports.

¹¹ Chart 7 and 8: Maine Department of Health and Human Services data

¹² Charts 9 and 10: Maine Department of Education, Child Nutrition Service's data

Maine's Department of Education posts information on use of this program at its web site. Currently, the years 1999 to 2005 are available.

¹³ Chart 11: Maine State Housing Authority data, sent via e-mail from Bob King, 9/13/06

In order to visually compare the information, data have been plotted on two axes. Note that the scale of the right axis is one-tenth of the left axis.

¹⁴ Charts 12 through 17 and Map 2: Maine Department of Labor, Division of Labor Market Information

¹⁵ Charts 18 and 19: U.S. Census Data reported by Maine Department of Labor, Division of Labor Market Information

¹⁶ Chart 20: Maine Department of Labor information, via e-mail from Anne Harriman, 8/15/2006

¹⁷ Charts 21 and 22: U.S. Census data, reported by Maine Department of Labor in "The Relationship Between Education and Unemployment and Earnings," www.maine.gov/labor/lmis/pdf/EducationUnemploymentEarnings.pdf

¹⁸ Chart 23: CPS data

¹⁹ U.S. Census data, reported by Maine Department of Labor in "The Relationship Between Education and Unemployment and Earnings," www.maine.gov/labor/lmis/pdf/EducationUnemploymentEarnings.pdf

²⁰ Maine Community College System, *2005-06 Fact Sheet*, 2006, <http://www.mccs.me.edu/press/pdf/factsheet.pdf>, accessed 9/16/06.

²¹ Chart 24 and Tables 5 and 6: Maine State Housing Authority, *Maine Homeownership Facts 2005* and *Maine Rental Facts 2005*, sent via e-mail from Bob King, 8/22/2006

²² Charts 25 and 26: U.S. Department of Energy, Energy Information Administration

²³ Consumer Federation of America (May 2006). A Blueprint for Energy Security: Addressing Consumer Concerns About Gasoline Prices and Supplies by Reducing Consumption and Imports. www.consumerfed.org

²⁴ Springen, Karen. "Health Hazards: How mounting medical costs are plunging more families into debilitating debt and why insurance doesn't always keep them out of bankruptcy." *Newsweek* on-line. <http://www.msnbc.msn.com/id/14470912/site/newsweek/>, accessed 9/13/06

²⁵ Chart 27: Maine's State Health Plan, 2007, <http://www.dirigohealth.maine.gov/2007%20State%20Health%20Plan.pdf>, accessed 9/6/06; Bureau of Economic Analysis income data