

# MAINE STATE LEGISLATURE

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# **2009 REPORT ON POVERTY**

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

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# Table of Contents

<b>SECTION 1: Executive Summary .....</b>	<b>4</b>
<b>SECTION 2: Measuring Poverty</b>	
Federal Poverty Measures .....	5
Income .....	6
Poverty Rate .....	7
Ratio of Income to Poverty: At-Risk Populations.....	8
Earned Income Tax Credit: Working Poor.....	10
Food Insecurity.....	10
Food Stamp Program .....	11
National School Lunch Program.....	12
Homeless Population .....	13
<b>SECTION 3: Contributing Conditions</b>	
Employment .....	14
Earnings .....	18
Educational Attainment .....	20
<b>SECTION 4: Contributing Costs</b>	
Housing .....	22
Cost of Heating Fuel and Gasoline .....	23
Medical Care Costs.....	24
<b>SECTION 5: Footnotes and Sources .....</b>	<b>26</b>

## 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. Over one-quarter of Mainers have a household income that classifies them as poor or near-poor. These households feel the pinch of rising costs for shelter, fuel, food, 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 2009 Report on Poverty, the trends we see are mixed – some positive and some negative. Most of the data included in this report are the most current available annual data. Since the data come from a variety of sources, updates are made at different points in time. In most cases, the most recent available annual data are from 2007, predating the current recession, which began in December 2007. Next year's report will begin to show the effects of the recession as it includes updates through 2008.

- Median income in Maine rose slightly for the three-year average of 2005-2007, even adjusting for inflation. Median income has been gradually increasing in Maine since 2001-2003. Average earnings per job also increased slightly for the second consecutive year.
- Using the Census Bureau's preferred two-year averages, Maine's official poverty rate was 10.5% in 2006-2007. That is statistically unchanged from the previous two-year rate.
- There is great disparity in poverty levels across Maine's regions. In easternmost Washington County, poverty is more than twice as prevalent as in southern Cumberland, York, and Sagadahoc counties.
- For the 2005 tax year, Maine saw a slight increase in 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 2005-2007 period were higher than for the preceding 3-year average. Maine's food insecurity rate of 13.3% represented a statistically significant change from 9.8% in 2002-2004.
- Both the Food Stamp Program and the National School Lunch Program saw slight increases in use, continuing an upwards trend since 2002.
- 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 2008 and will increase again in October 2009.
- 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 seven years, the median home price in Maine rose three and a half times as much as median income; median rent rose one and a half times as much.
- The cost of heating oil and gasoline declined sharply in late 2008 following steep increases in 2007 and early 2008. Heating oil is at its lowest level since 2006; gasoline is at its lowest level since 2004.
- Through 2004, increases in healthcare costs have outpaced income growth.

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

## 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.<sup>1</sup>

For years, those who study poverty have considered this historical measure to be inadequate as a means of fully describing poverty. For example, 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.<sup>2</sup>

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.<sup>3</sup> 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 2008 for families of various sizes.<sup>4</sup>

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\*"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 2008**

Household size	1980	1985	1990	1995	2000	2005	2006	2007	2008
1	4,210	5,250	6,280	7,470	8,350	9,570	9,800	10,210	10,400
2	5,590	7,050	8,420	10,030	11,250	12,830	13,200	13,690	14,000
3	6,970	8,850	10,560	12,560	14,150	16,090	16,600	17,170	17,600
4	8,350	10,650	12,700	15,150	17,050	19,350	20,000	20,650	21,200
5	9,730	12,450	14,840	17,710	19,950	22,610	23,400	24,130	24,800
6	11,110	14,250	16,980	20,270	22,850	25,870	26,800	27,610	28,400
7	12,280	16,050	19,120	22,830	25,750	29,130	30,200	31,090	32,000
8					28,650	32,390	33,600	34,570	35,600
For each additional member									
Add:	1,170	1,800	2,140	2,560	2,900	3,260	3,400	3,480	3,600

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

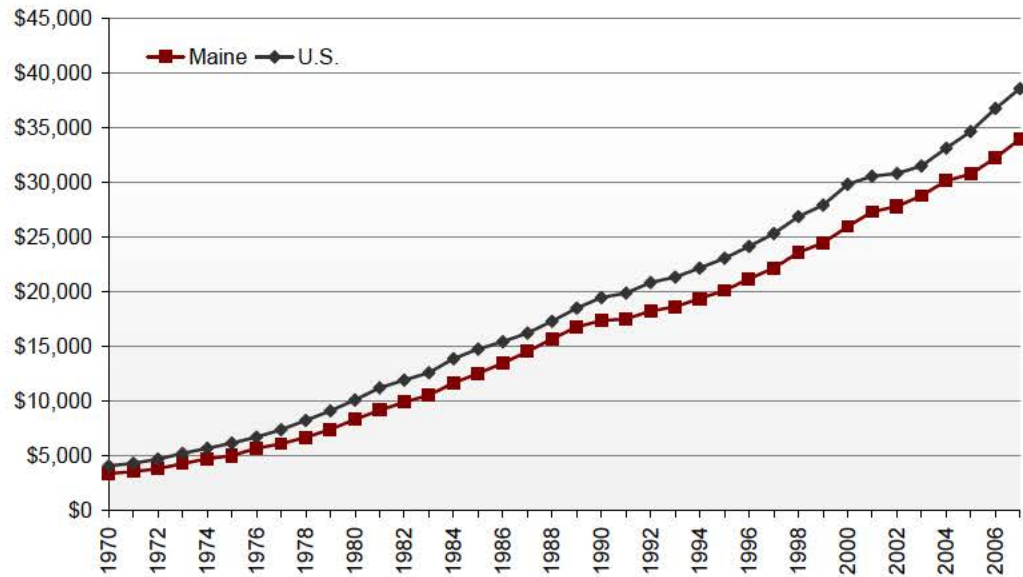


## Income

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. Although the gap between Maine's per capita income and the nation's appears to be increasing, the gap

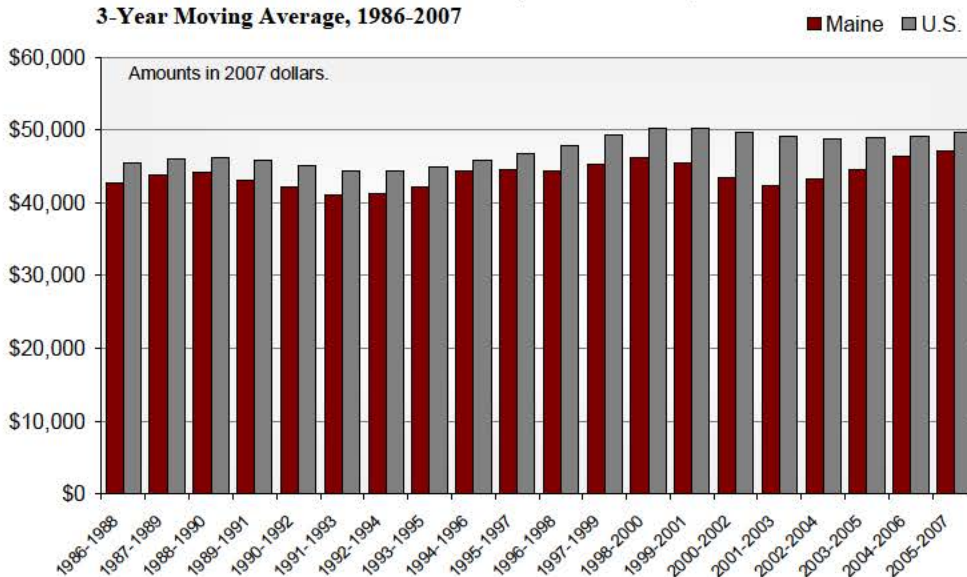
has actually grown smaller over time. In 1970, Maine's per capita income was 83.5% of national income. By 2007, that percentage had risen to 88.1%.<sup>5</sup>

**Chart 1. Per Capita Income, Maine and U.S., 1970-2007**



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 four most recent periods, 2002-2004 through 2005-2007, real incomes in Maine appear to have increased after remaining unchanged or decreasing from 1998-2000 to 2001-2003.<sup>6</sup>

**Chart 2: Real Median Household Income, Maine and U.S., 3-Year Moving Average, 1986-2007**



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 2007, 74% of Mainers owned their residences, compared to 68% nationwide.<sup>7</sup>

### 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.<sup>8</sup> The Census Bureau recommends reporting changes in state poverty rates over time as two-year averages, as shown in Chart 3.<sup>9</sup> The poverty rate in Maine was 10.5% in 2006-2007, according to this measure. That is below the national poverty rate of 12.4%, however, it is not statistically different from Maine's previous two-year rate.

Chart 3. Poverty Rate, 2-Year Average, Maine, 1980-2007

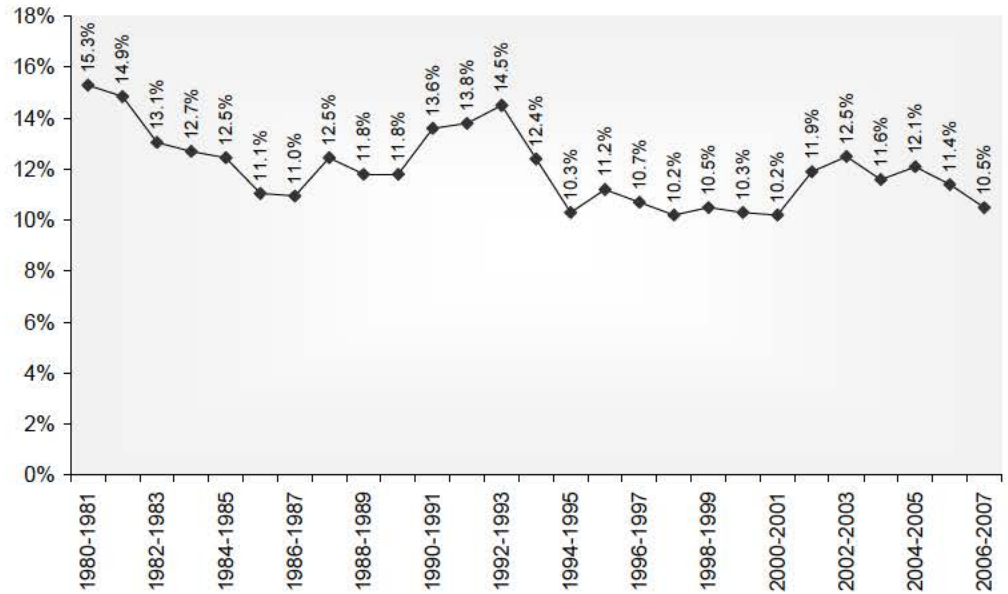
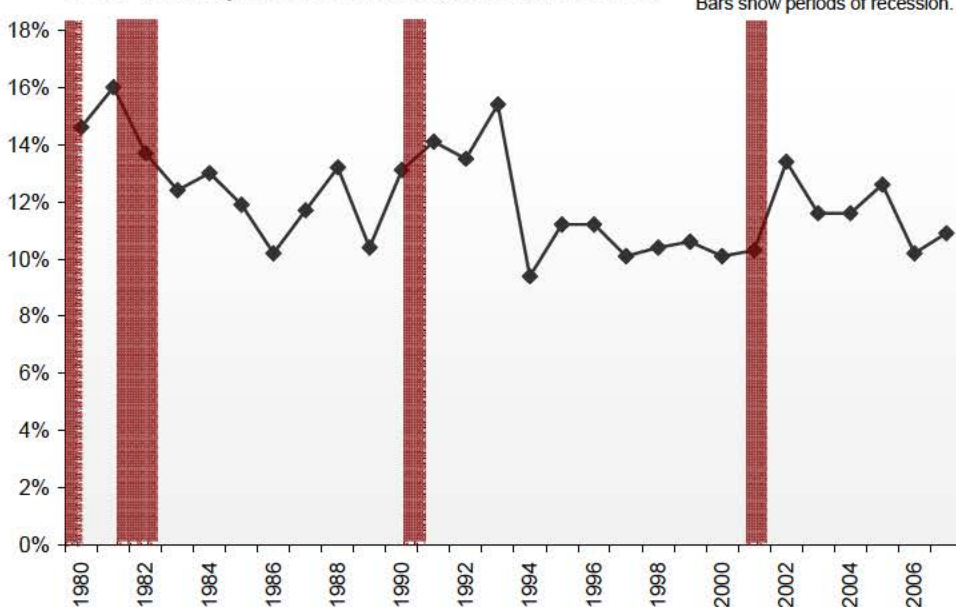


Chart 4 shows periods of recession and their relationship to the poverty rate in Maine as it is estimated on an annual basis. Maine's poverty rate appears to have increased in the most recent period, following a gradual decrease since a peak in 2002. However, the 2007 poverty rate is not statistically different from the 2006 rate.

Chart 4. Poverty Rate and Recession, Maine, 1980 to 2007



The poverty rate is considered a lagging indicator, meaning that it tends to rise after the official end of an economic recession. The National Bureau of Economic Research, which assigns dates to business cycles, recently announced that a recession began in December 2007.

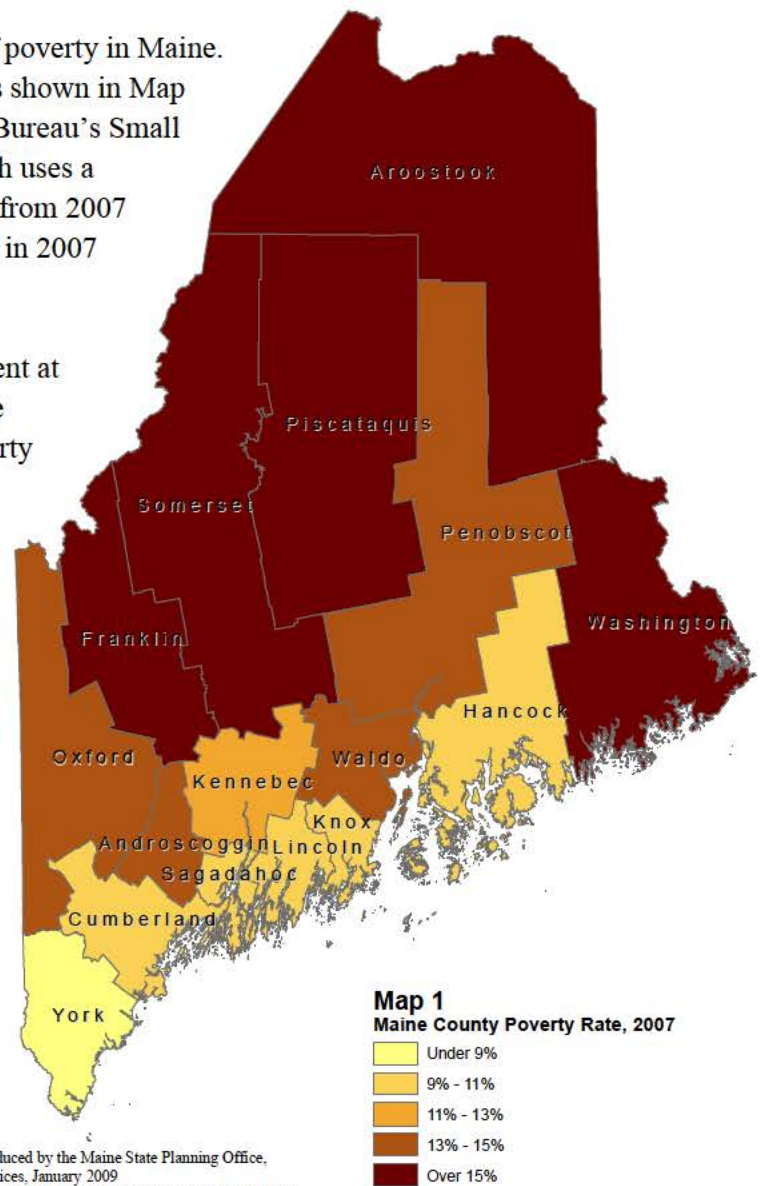


County-level data reveal a more nuanced picture of poverty in Maine. There is considerable variance between counties, as shown in Map 1.<sup>10</sup> This information comes from the U.S. Census Bureau's Small Area Income and Poverty Estimates (SAIPE), which uses a slightly different methodology from the CPS. Data from 2007 are shown. The county with the lowest poverty rate in 2007 was York, with 8.2% of the population in poverty. Sagadahoc was not far behind at 9.2%. Poverty in Washington County was more than twice as prevalent at 20.1%. Compared to SAIPE's 2007 estimate for the state of 12.2%, 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 150% or 200% of 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. Despite seemingly different poverty rates between Maine and the U.S., the only category for which the rates are statistically different is female-headed households.<sup>11</sup>



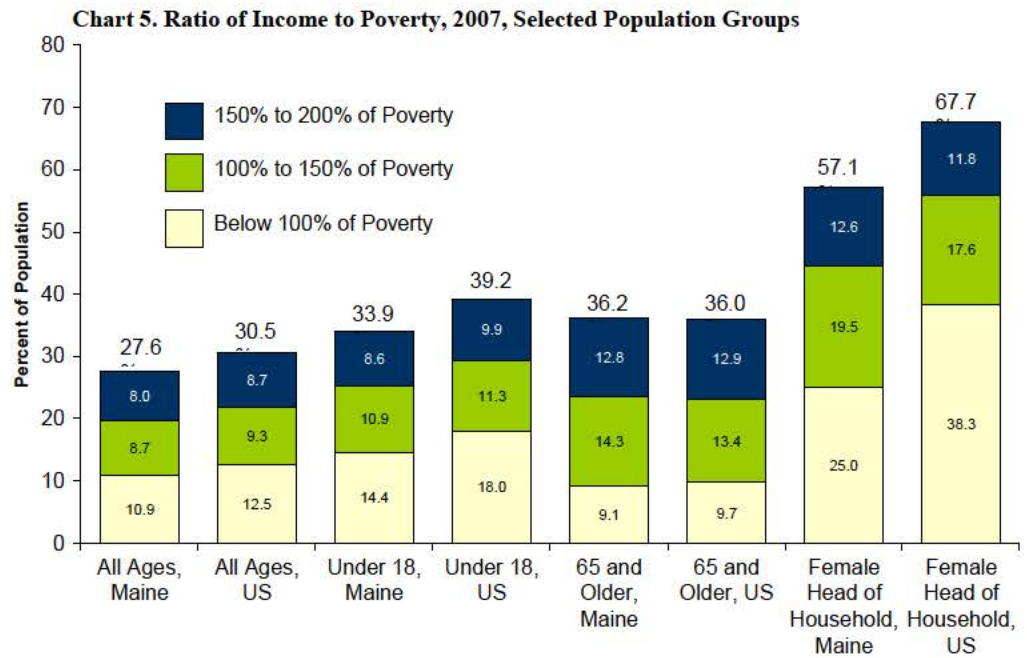
**Table 2. Ratio of Income to Poverty, 2007,  
Selected Population Groups**

		<b>Below 100%</b>	<b>Standard Error</b>	<b>Below 150%</b>	<b>Standard Error</b>	<b>Below 200%</b>	<b>Standard Error</b>
<b>All Ages</b>	Maine	10.9	1.2	19.6	1.6	27.6	1.8
	U.S.	12.5	0.1	21.8	0.2	30.5	0.2
<b>Under 18</b>	Maine	14.4	2.6	25.3	3.3	33.9	3.6
	U.S.	18.0	0.3	29.3	0.3	39.2	0.4
<b>65 and over</b>	Maine	9.1	1.8	23.4	2.6	36.2	3.0
	U.S.	9.7	0.2	23.1	0.3	36.0	0.4
<b>Female head of household</b>	Maine	25.0	3.1	44.5	3.5	57.1	3.5
	U.S.	38.3	0.3	55.9	0.3	67.7	0.3



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. However, in Maine, the only statistically significant differences from the poverty rate for all ages are for female-headed households at all ratio levels and people age 65 and over below 200% of the poverty line.

Chart 5 shows the percentage of people in each group with household incomes below 100%, between 100% and 150%, and between 150% and 200% of poverty thresholds. The percentage at the top of each column gives the total percent below 200% of poverty. The two left columns show the percentage of households at each income level for Maine and the U.S. While it appears that at all three levels Maine has a lower percentage than the nation as a whole, the rates are not statistically different. The next two columns are for residents under age 18. Again, at all three levels, there is no statistical difference. Still, around one-third of Maine children live in households with incomes below 200% of the poverty line.



The next two columns show the percentage of elderly residents below the poverty line. Again, the percentage of this population living in or near poverty in Maine is not statistically different from the nation as a whole.

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 lower in Maine than in the nation overall. In addition, a smaller percentage of these families in Maine are near poverty compared to the nation: 57.1% of female-headed households in Maine have incomes below 200% of poverty compared with 67.7% nationally. In all, female-headed households comprise the poorest segment of the at-risk populations examined: one-quarter have incomes below the federal poverty threshold and more than half have incomes below 200% of the poverty line.



### 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 2008 federal EITC thresholds for adjusted gross income were:

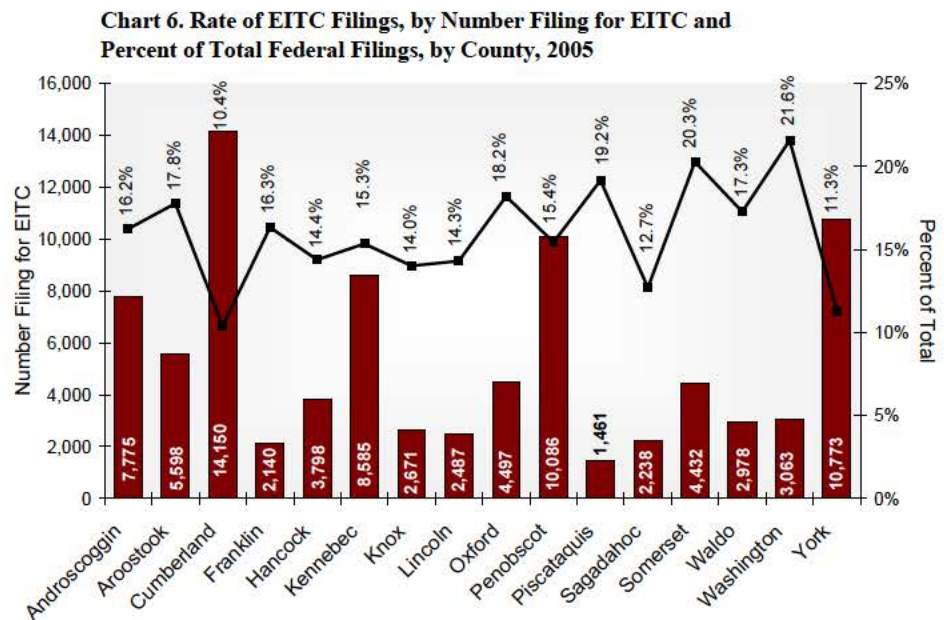
- \$38,646 (\$41,646 married filing jointly) with two or more qualifying children;
- \$33,995 (\$36,995 married filing jointly) with one qualifying child;
- \$12,880 (\$15,880 married filing jointly) with no qualifying children.

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 2005, the latest year for which data are available. Rates of EITC filings decreased between 1997 and 2001, and then rose in 2002, 2003, and 2005, with no change between 2003 and 2004.

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
2004	14.0%	0.0
2005	14.2%	0.2

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, Penobscot, and York represented the largest numbers of filers, Cumberland and York had the lowest percentages of total filings: 10.4% and 11.3%, respectively. Washington and Somerset saw the largest percent of their populations filing: 21.6% and 20.3%, respectively.<sup>12</sup>



### 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.<sup>13</sup>



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. The category of food insecurity encompasses both low food security and very low food security.

**Table 4. Food Security in Maine, 1996-2007**

	1996-98	2002-04	2005-07	Percentage Point Change 1996-98 to 2005-07	Percentage Point Change 2002-04 to 2005-07
<b>Food secure</b>	90.2%	90.2%	86.7%	-3.5	-3.5
<b>Food insecure</b>	9.8%	9.8%	13.3%	+3.5	+3.5
<b>Very low food security</b>	4.0%	3.1%	5.9%	+1.9	+2.8

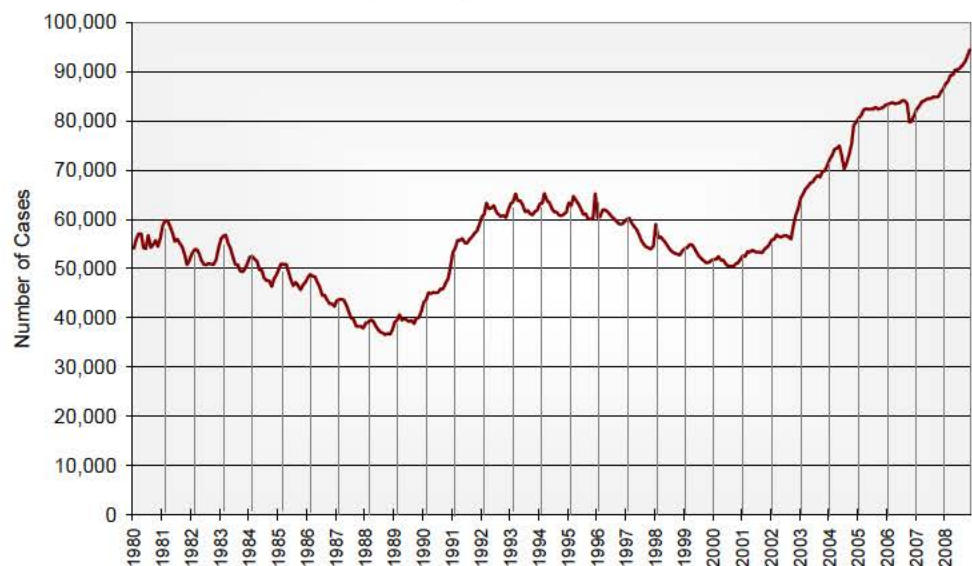
In 2005-2007, 86.7% of Maine's population was food secure. This falls short of the national average of 88.9%. More than one in ten Maine residents did not have stable and secure access to food. Just over 13% of Maine's population experienced food insecurity, and of these, 5.9% met the category of very low food security. Maine's food security status appears to have fallen since 1996-1998, with low food security increasing by 3.5 percentage points and very low food security increasing by 1.9 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 measures of food insecurity illuminates the need for and adequacy of the program itself. In November 2008, around 14% of Maine's population was receiving food stamps.<sup>14</sup>

**Chart 7. Food Stamp Programs, Monthly Caseload, Since 1980**

(Note: Vertical lines show beginning of new year.)

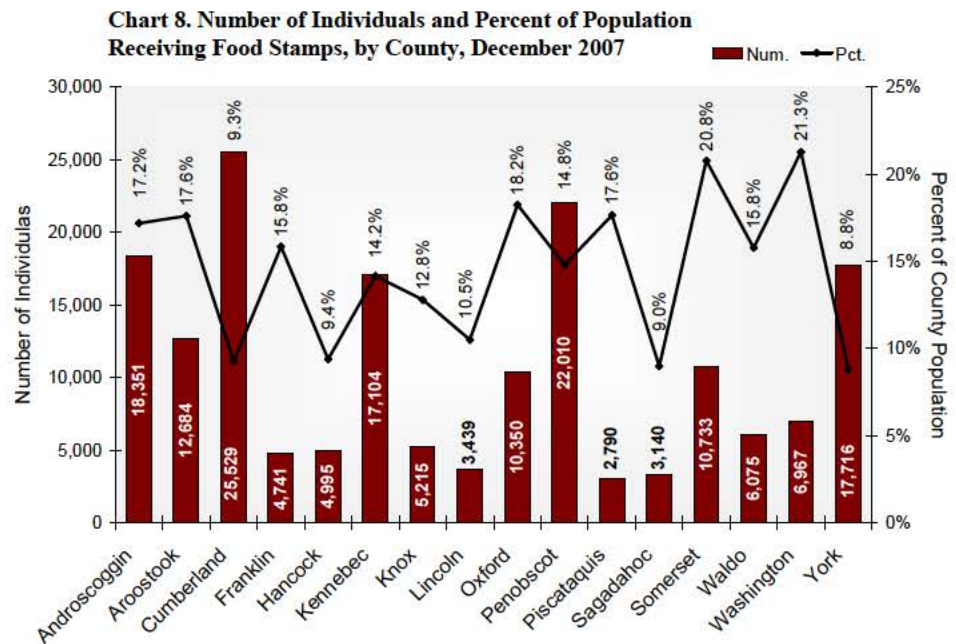


The Food Stamp Program in Maine is tracked very closely, with data going back to 1980. Chart 7 shows trend data for the use of food stamps from 1980 through 2008. Each data point represents the monthly caseload. Several observations can be made about these data. First, food stamp use in Maine tends to 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 2008. 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.

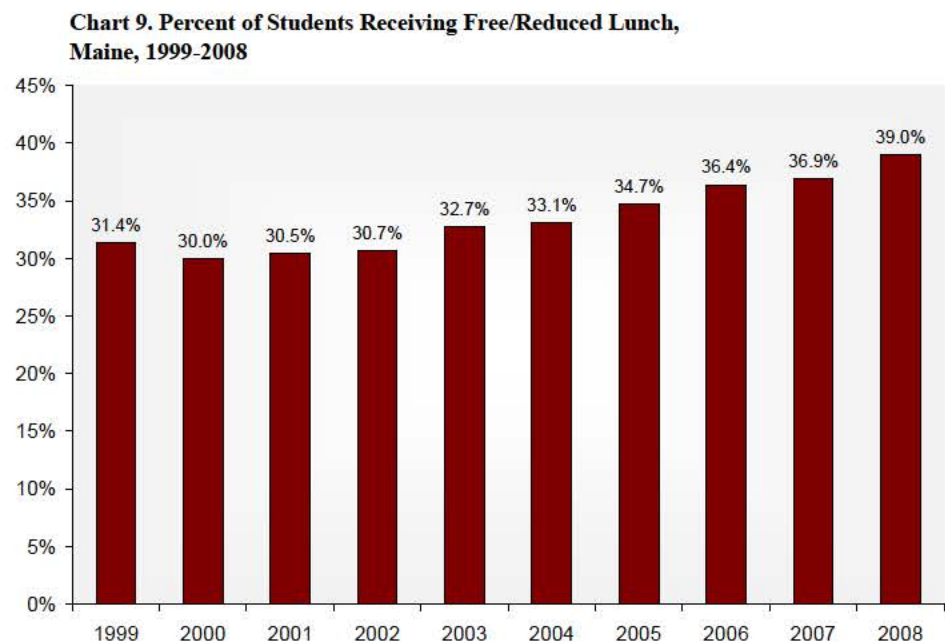
Chart 8 shows food stamp use by county, both by the number of recipients and the percentage of county population. Food stamps follow the trends seen in other measures, with the highest rates of use in Washington and Somerset counties, and the lowest usage in York and Sagadahoc. Hancock County also has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

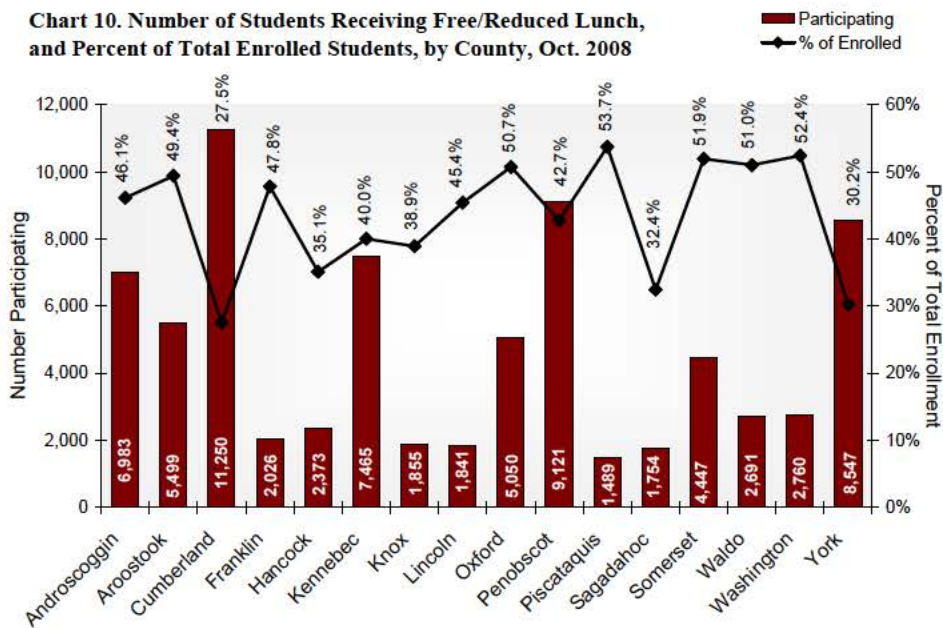


### National School Lunch Program

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.<sup>15</sup> 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 two in five Maine students receive free or reduced lunch. The percentage of students in the program has increased slightly since 1999. In the past year, use of the program saw a large jump, increasing 2.1 percentage points from 2007 to 2008. Increases in use have occurred each year since 2000.



**Chart 10. Number of Students Receiving Free/Reduced Lunch, and Percent of Total Enrolled Students, by County, Oct. 2008**

County-level information is shown in Chart 10. The number of students receiving free or reduced lunch is shown, along with the percentage of enrolled students this number represents. Rates of use were highest in Piscataquis and Washington counties, and five counties had more than half of enrolled students receiving free/reduced lunch. The lowest rates of use were in Cumberland and York, at 27.5% and 30.2%, respectively.

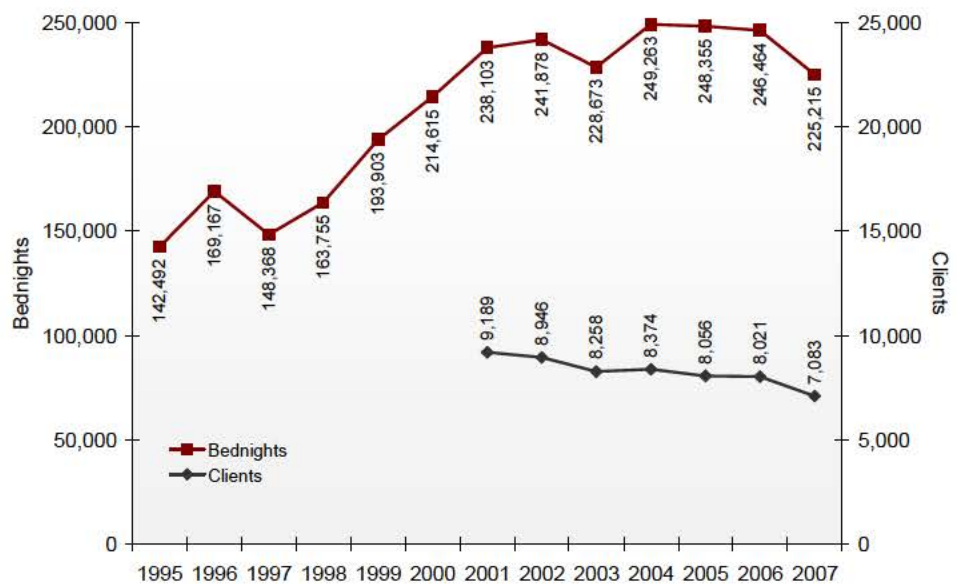
### Homeless Population

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.

MaineHousing’s new methodology for calculating the number of clients served in a given year 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.<sup>16</sup>

The data show that shelter use (bednights) increased significantly between 1997 and 2004, with a small drop in use in 2003. Since 2004, bednights have decreased slightly, with a larger decrease in 2007.

Meanwhile, between 2001 and 2007, 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). Both bednights and the number of clients served decreased from 2006 to 2007.

**Chart 11. Shelter Use in Maine, Bednights and Clients, 1995-2007**



## 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. Similarly, educational attainment is well known to affect income and earnings. Therefore, this section examines employment and earnings as well as 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 biennial 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. Civilian Labor Force, Resident Employed, and Resident Unemployed, 1998-2007**

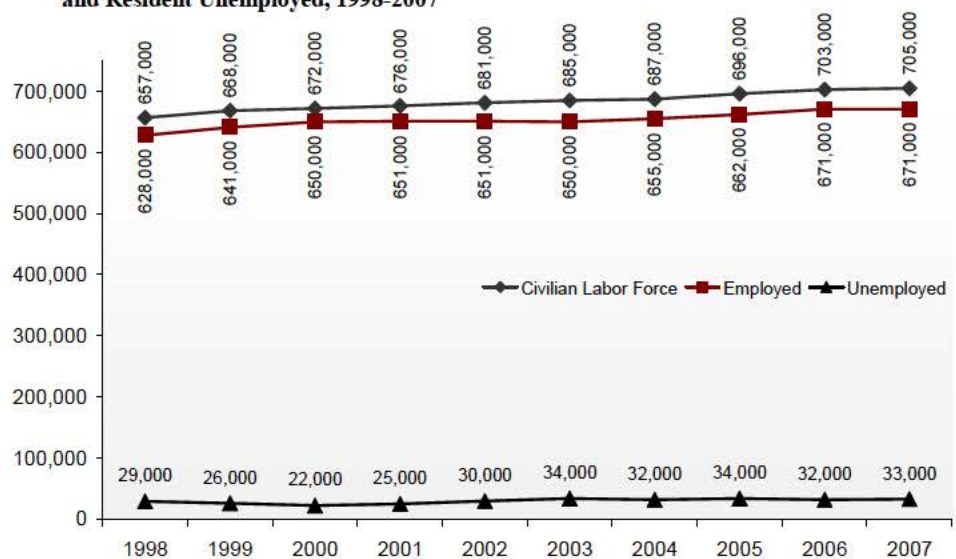


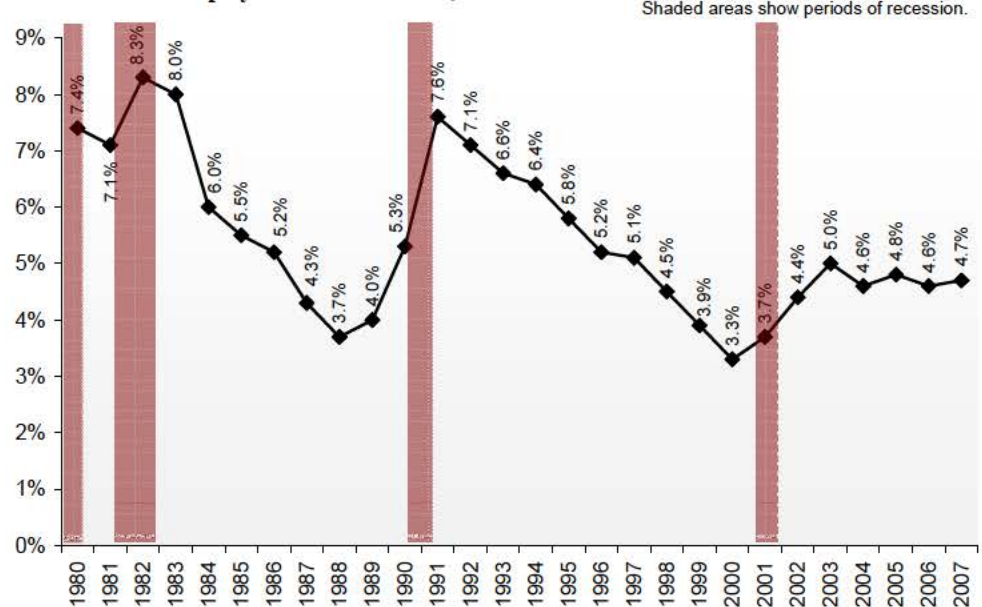
Chart 12 shows that the number of employed Maine people has steadily grown over the last decade.<sup>17</sup> Compared to a decade ago, in 2007 there were 48,000 more people in Maine's labor force. There were 43,000 more employed workers, and 4,000 more unemployed workers.

Chart 13, on the next page, shows the unemployment rate from 1980 to 2007, 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 has declined slightly since then. In 2007, Maine's unemployment rate was 4.7%. Like the poverty rate, unemployment tends to peak after a recession's official end. In general, unemployment is a lagging economic indicator. Next year's report will show that in 2008, following the start of the recession in December 2007, unemployment began to tick upwards.



Map 2 shows 2007 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 7.7% was the highest in the state and more than twice Cumberland's rate of 3.5%. Cumberland had the lowest percentage of unemployed workers of any county.

Chart 13. Unemployment Rate in Maine, 1980-2007



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.

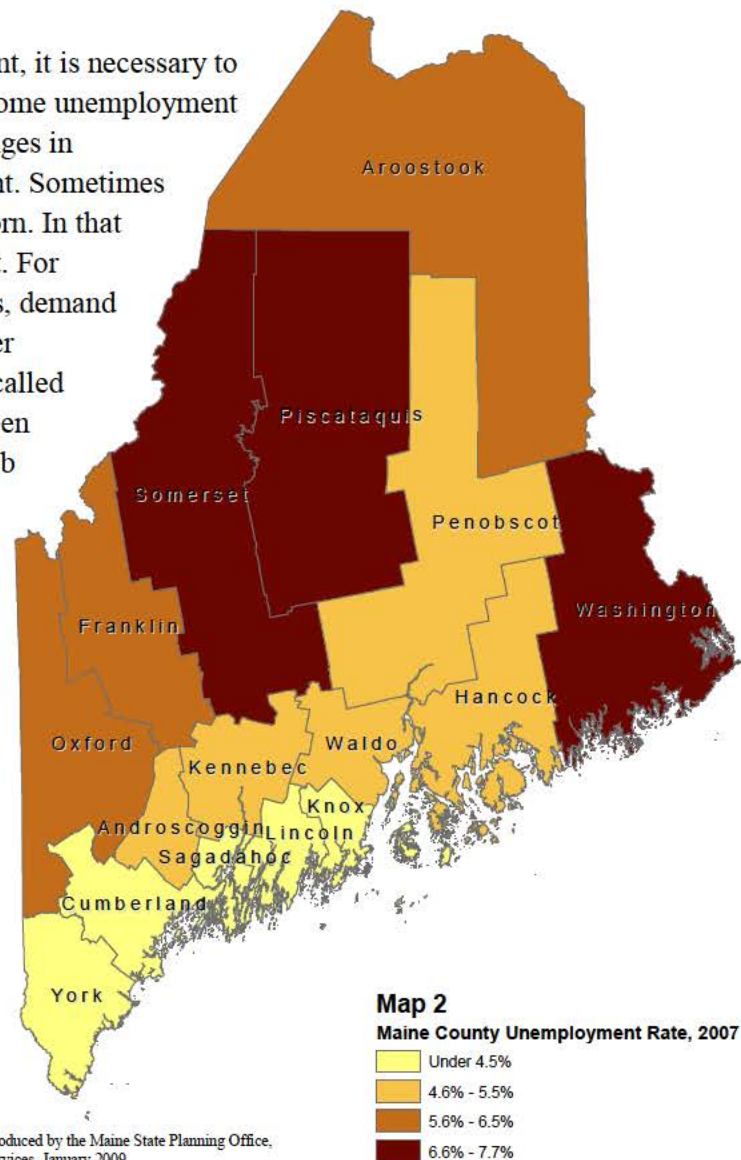
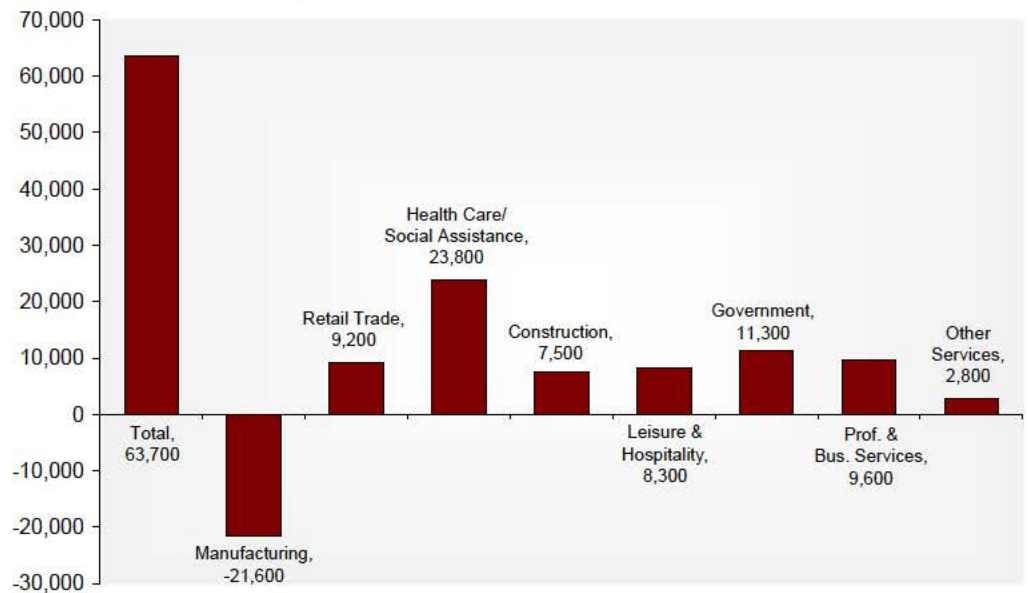




Chart 14 shows the nature of job growth over the last decade. During this time, Maine saw a net gain of 63,700 jobs. The largest gains were in service-oriented jobs, including retail trade, health care and social assistance, leisure and hospitality, government, and professional and business services. Health care and social assistance has seen the largest increase in jobs, of 23,800. Jobs in construction also grew, by 7,500. At the same time, Maine lost

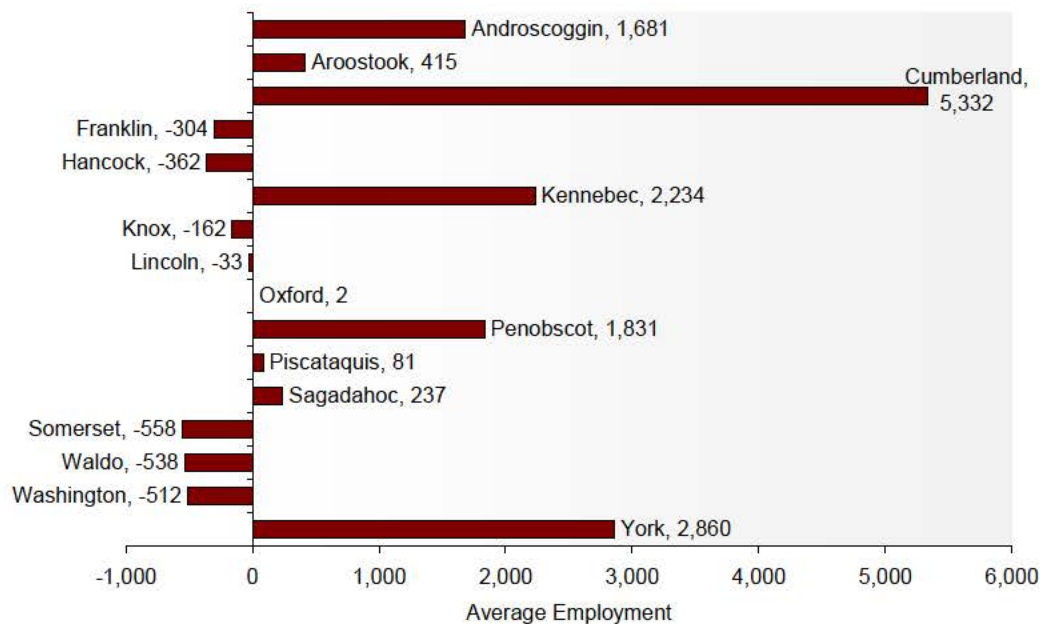
**Chart 14. Change in Maine Wage and Salary Jobs, 1997-2007**



21,600 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.

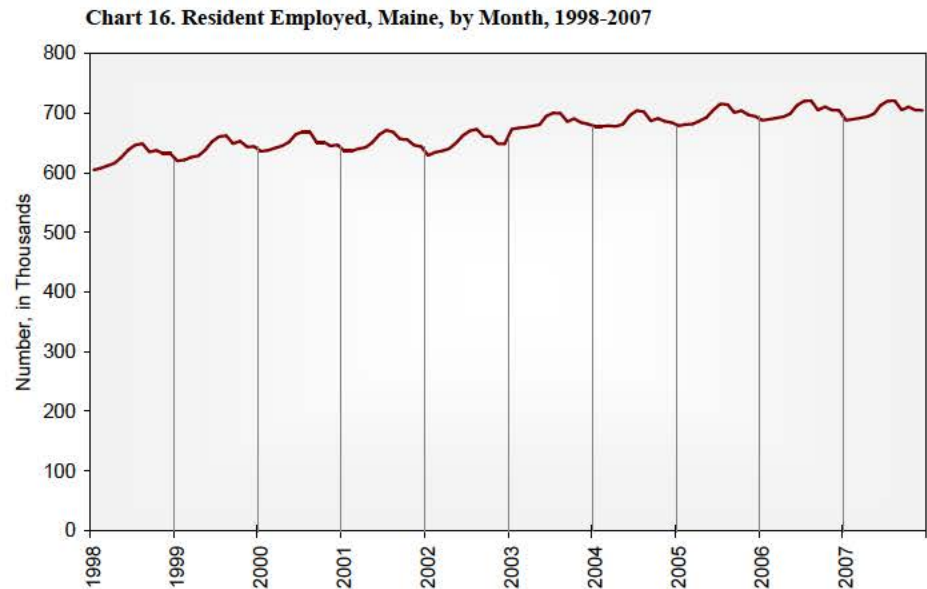
Chart 15 shows the number of jobs lost and created in each county during the last five years. More specifically, it shows the change in average annual employment for businesses within each county. From 2003 to 2007, the number of jobs increased most substantially in Cumberland and York counties. Somerset and Washington, already identified as two of the poorest counties in the state, saw the greatest loss of jobs, along with Waldo County. Aroostook has a

**Chart 15. Change in Average Annual Employment, by County, 2003-2007**



high poverty rate, but nevertheless saw a slight gain in jobs during this period. Androscoggin, Kennebec, and Penobscot saw large increases in jobs.

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.<sup>18</sup>



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 11 for food stamp data).

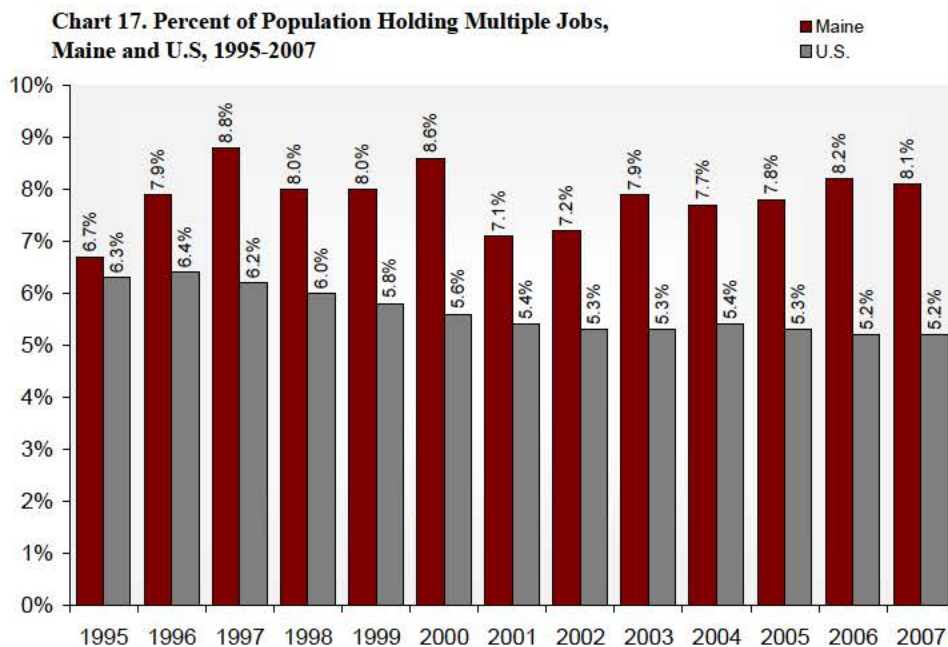


Chart 17 shows the number of workers in Maine who held multiple jobs between 1995 and 2007. Mainers are more likely to hold multiple jobs than workers elsewhere in the nation. Moreover, while Maine's rate for multiple job holders was close to the national rate in 1995 (6.7% and 6.3%, respectively), the national rate has decreased over the years while Maine's has increased slightly. In 2007, 5.2% of U.S. workers held more than one job compared to 8.1% 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.<sup>19</sup> All information is presented in “real” dollars; in other words, dollar amounts have been adjusted for inflation to reflect actual buying power.

Chart 18. Real Average Earnings per Job, Maine, 1998 to 2007

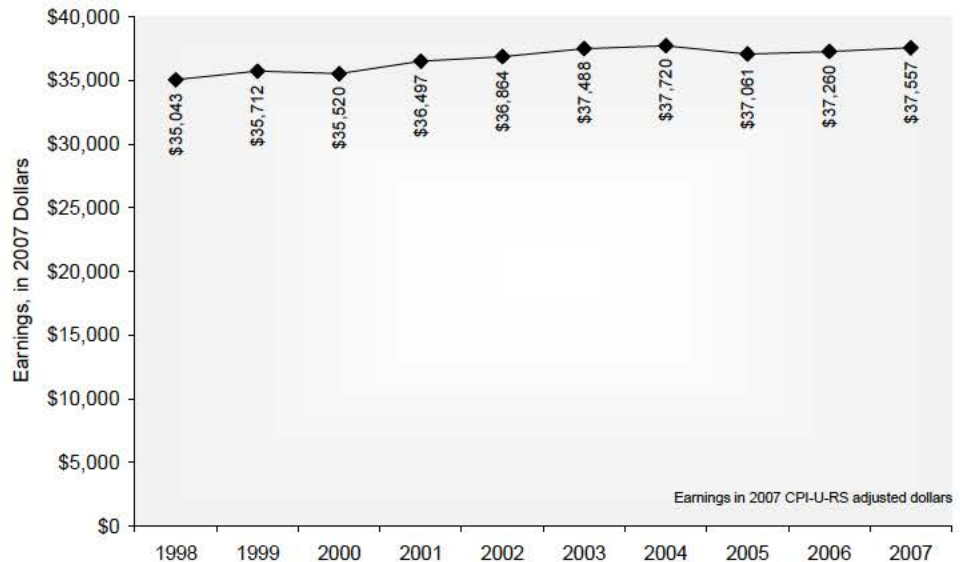


Chart 18 shows real average earnings per job from 1998 to 2007. Real earnings have modestly increased each year during this time, with the exception of 2000 and 2005, when earnings declined slightly. From 2004 to 2005, the average earnings paid per job in Maine fell \$659, adjusting for inflation. However, since then, real average earnings per job have been increasing. From 2005 to 2006, earnings rose \$199, and from 2006 to 2007 they increased another \$297.

Chart 19. Average Earnings per Job, by County, 2006

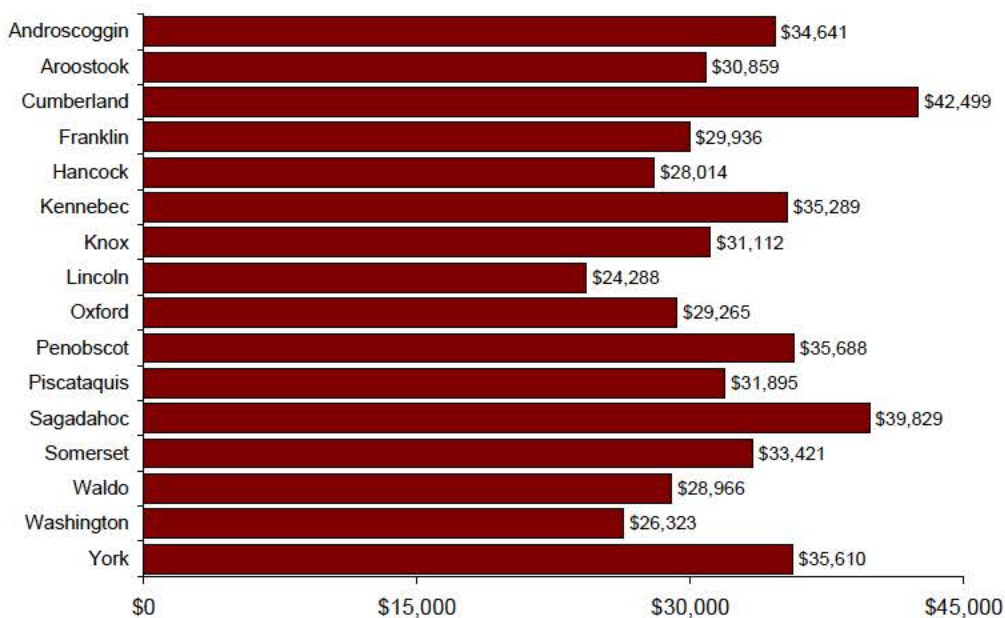
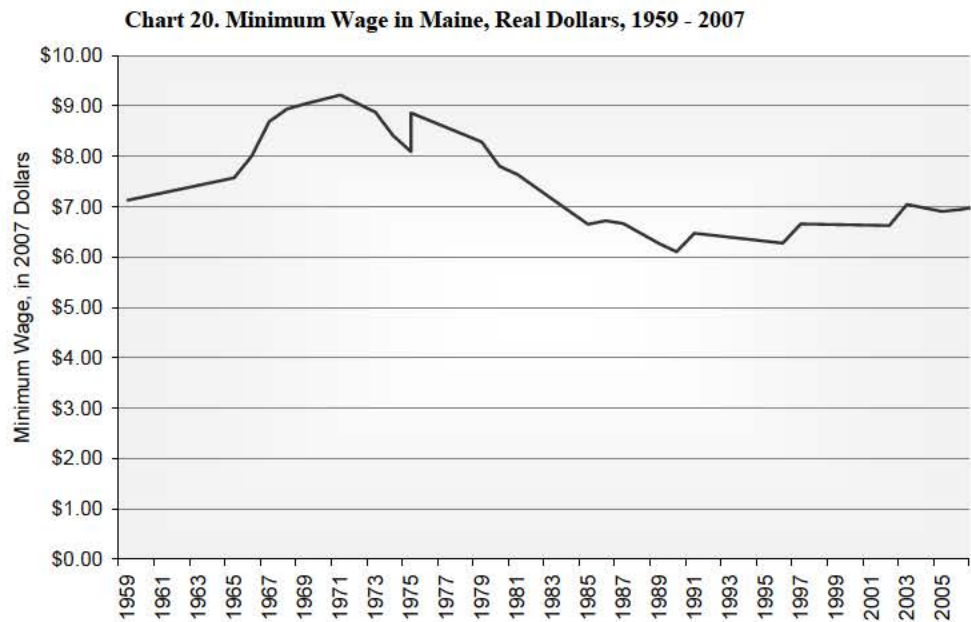


Chart 19 shows the average earnings per job for each county in 2006. The chart shows the trend seen elsewhere, with Cumberland and York counties showing high average earnings and Washington County showing low earnings. Several mid-coast counties clustered near the low end as well, with the lowest average earnings in Lincoln County.

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 2007 dollars.<sup>20</sup> Table 5 shows the actual dollar amounts and the dates on which they became effective as well as the inflation-adjusted dollar amounts.



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 \$9.22 per hour in 2007 dollars. That payment has declined since then, reaching a low in 1990 of \$6.11. Between 2006 and 2007 the real buying power of Maine's minimum wage increased by \$0.06 or 1%. Maine's minimum wage increased to \$7.25 in October 2008 and will rise to \$7.50 in October 2009. The amount by which those changes increase its real buying power will depend upon the annual rate of inflation in 2008 and 2009.

**Table 5. Maine's Minimum Wage, Nominal and Real 2007 Dollars**

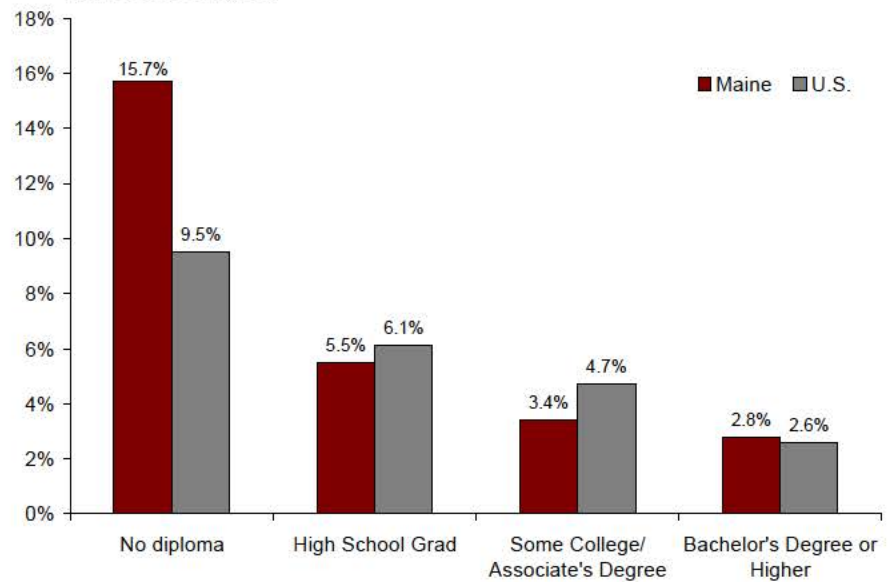
Date of Change	Minimum Wage	Real \$	Date of Change	Minimum Wage	Real \$
10/15/1959	\$1.00	\$7.13	1/1/1985	\$3.45	\$6.65
10/15/1965	\$1.15	\$7.57	1/1/1986	\$3.55	\$6.72
10/15/1966	\$1.25	\$8.00	1/1/1987	\$3.65	\$6.66
10/15/1967	\$1.40	\$8.69	1/1/1989	\$3.75	\$6.27
10/15/1968	\$1.50	\$8.94	1/1/1990	\$3.85	\$6.11
10/15/1969	\$1.60	\$9.04	4/1/1991	\$4.25	\$6.47
9/23/1971	\$1.80	\$9.22	10/1/1996	\$4.75	\$6.28
10/3/1973	\$1.90	\$8.87	9/1/1997	\$5.15	\$6.65
5/1/1974	\$2.00	\$8.41	1/1/2002	\$5.75	\$6.63
1/1/1975	\$2.10	\$8.09	1/1/2003	\$6.25	\$7.04
10/1/1975	\$2.30	\$8.86	10/1/2004	\$6.35	\$6.97
1/1/1978	\$2.65	\$8.43	10/1/2005	\$6.50	\$6.90
1/1/1979	\$2.90	\$8.28	10/1/2006	\$6.75	\$6.94
1/1/1980	\$3.10	\$7.80	10/1/2007	\$7.00	\$7.00
1/1/1981	\$3.35	\$7.64			



## 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 U.S. Census Bureau has begun reporting information on unemployment by educational attainment as part of the annual American Community Survey. Chart 21 shows these data for people age 25 and older in the workforce for 2007.<sup>21</sup>

**Chart 21. Unemployment Rate by Educational Attainment, Maine and U.S., 2007**



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, particularly in Maine. As educational attainment rises, unemployment decreases. Those with a bachelor's degree or higher in Maine have a 2.8% unemployment rate compared with 5.5% for those with only a high school diploma.

**Chart 22. Earnings by Educational Attainment, Maine and U.S., 2007**

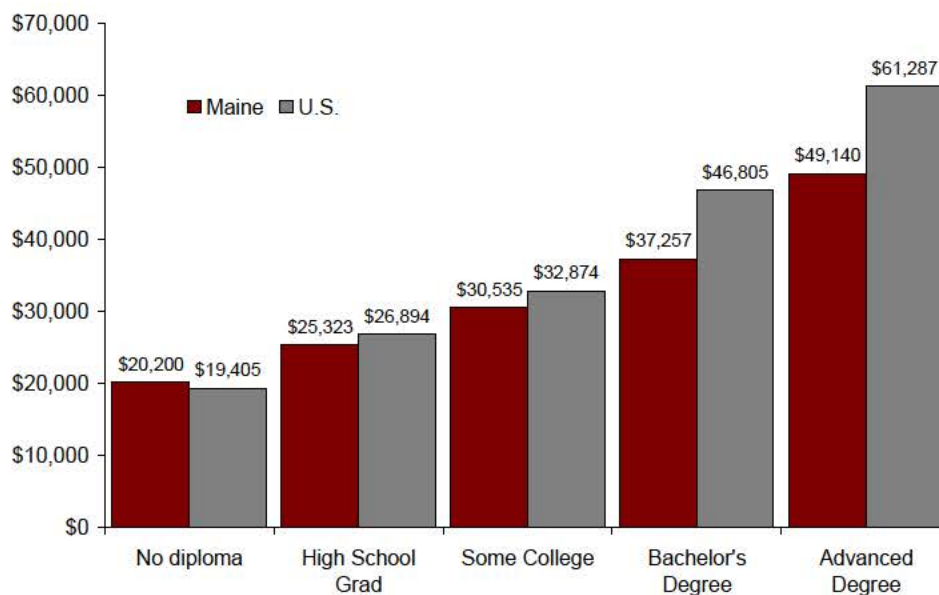
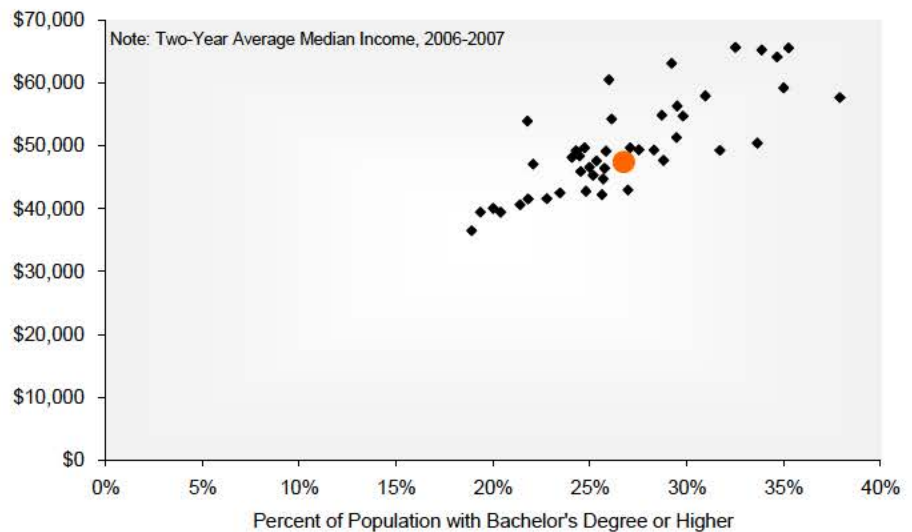


Chart 22 shows earnings and educational attainment for Maine and the nation in 2007. That year, most Maine workers earned less than their peers nationwide. Maine workers without high school diplomas bucked this trend; on average they made more than their national peers.

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. 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 2007, 26.7% of people over age 25 had a bachelor's degree or higher in Maine, compared with 27.5% in the nation. On the other hand, Maine has a better rate for high school graduation, with only 10.6% of residents age 25 and older lacking a high school diploma compared to 15.5% nationally.<sup>22</sup>

**Chart 23. Relationship Between Educational Attainment and State Median Income, 2007**



In recent years, the number of Maine people with college experience has increased. Degree enrollment in Maine's community colleges increased by 55% from 2002 through 2007, and the number of students transferring into Maine's public universities increased 50%.<sup>23</sup> If sustained, these trends may help close the educational gap between Maine and the U.S.



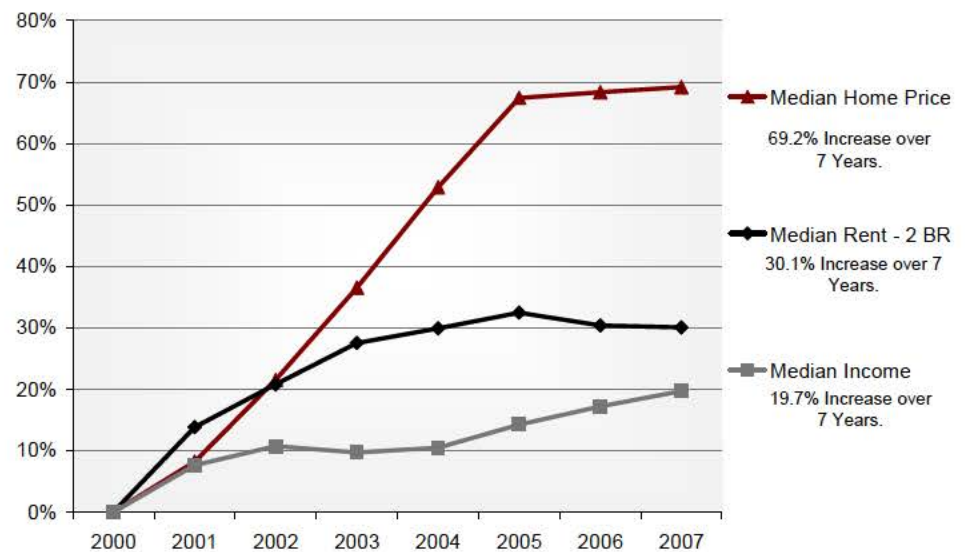
## Contributing Costs

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 MaineHousing show that the cost of housing has outpaced the rise in median income in the last six years (see Chart 24).<sup>24</sup> The median home price in Maine rose 69.2% between 2000 and 2007, while the median rent for a 2-bedroom apartment rose 30.1%. Meanwhile, median income rose only 19.7%. (Housing costs and income have not been adjusted for inflation.)

Chart 24. Percent Increase in Housing Costs vs. Median Income, 2000 – 2007



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 the area’s median income could not cover the payment of rent using 30% or less of gross income. Statewide, the affordability of homeownership and rentals decreased from 2002 through 2004/2005 before beginning to rebound slightly. As shown in Table 6, from 2006 to 2007, both homeownership and rental affordability increased slightly by 0.01.

<b>Year</b>	<b>Affordability Index, Homeownership</b>	<b>Affordability Index, Rent</b>
2002	0.89	0.89
2003	0.81	0.82
2004	0.73	0.80
2005	0.70	0.81
2006	0.73	0.84
2007	0.74	0.85

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 2007 affordability index for all Maine counties. Some counties with higher poverty rates, such as Aroostook, Piscataquis, 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 and coastal counties tended to have affordability rates that were slightly better than the state average. Only one county, Aroostook, scored 1.00 or higher, meaning that rental units were “affordable” for median income earners. Many counties with poverty rates above the state average scored below 0.90 for rental affordability, including Franklin, Penobscot, Piscataquis, Waldo, and Washington. Washington had the lowest affordability score and the highest rate of poverty. These data show that housing in some poor areas of Maine is unaffordable for local residents even though it is less expensive.

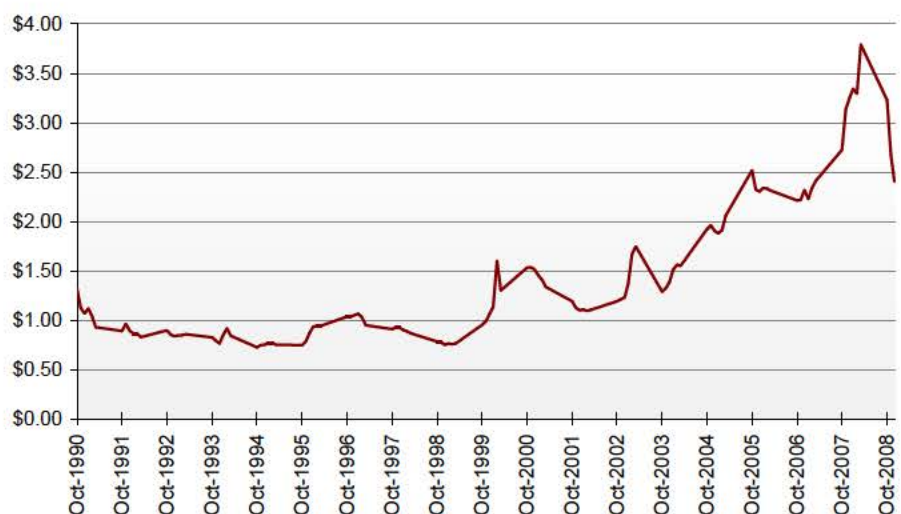
**Table 7. Affordability of Homeownership and Rent, All Counties, 2007**

County	Affordability Index, Homeownership	Affordability Index, Rent
Androscoggin	0.79	0.91
Aroostook	1.27	1.00
Cumberland	0.69	0.85
Franklin	0.84	0.80
Hancock	0.70	0.83
Kennebec	0.92	0.92
Knox	0.71	0.90
Lincoln	0.66	0.79
Oxford	0.88	0.96
Penobscot	0.91	0.79
Piscataquis	1.02	0.87
Sagadahoc	0.81	0.93
Somerset	1.13	0.94
Waldo	0.81	0.88
Washington	0.81	0.63
York	0.72	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.<sup>25</sup> After remaining fairly stable during the 1990s, heating oil prices began increasing in the early months of 2000. In December 2007 heating oil prices reached an all-time

**Chart 25. Cost of Heating Oil at Mid-month, Oct. 1990 to Dec. 2008 (all heating months)**





high in Maine of \$3.25 per gallon. Since then heating oil prices have experienced a sharp decline, returning to 2005/2006 levels.

The price of gasoline has followed the same trend. Chart 26 shows the price of gasoline in New England from January 1995 to December 2008. Gasoline prices began to creep up in early 2000, reaching \$3.29 per gallon in early September 2005 (following Hurricane Katrina). Gasoline prices have been very volatile since then and reached a new peak of \$4.19 per gallon in July 2008 before dropping back to 2004 levels.

**Chart 26. Gas Prices, New England, First Week of All Months, January 1995 to December 2008**



The Consumer Federation of America (CFA) estimates that U.S. families spent, on average, \$2,000 on gasoline in 2005. This was 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.<sup>26</sup>

### 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.<sup>27</sup>

**Chart 27. Percent Change in Per Capita Healthcare Spending and Percent Change in Per Capita Income, Maine, 1998-2004**

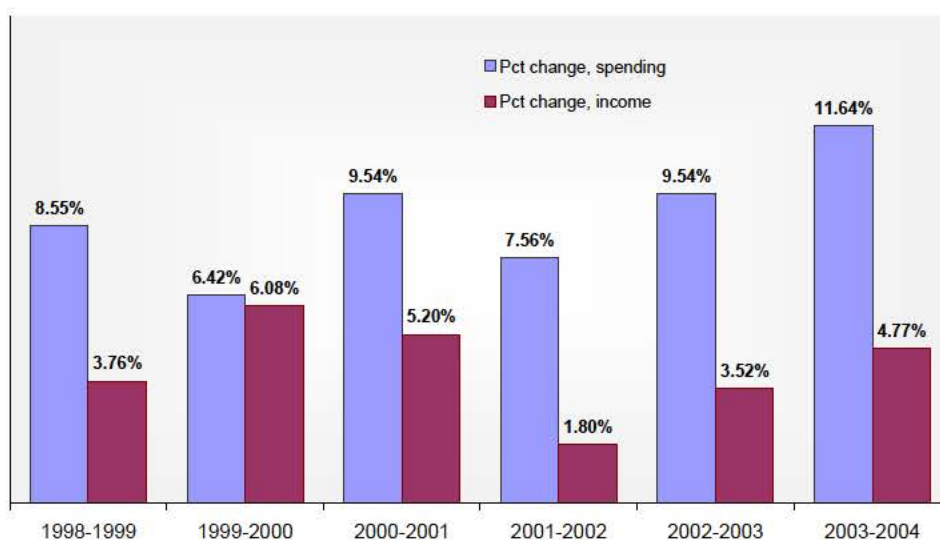


Chart 27, on the preceding page, shows the percent increase in per capita personal health care spending for each year between 1998 and 2004 (not adjusted for inflation).<sup>28</sup> For the sake of comparison, the chart also shows the yearly percent change in per capita income in Maine from 1998 to 2004. From 2003-2004, per capita healthcare spending increased 11.64%, while per capita income increased 4.77%.

Even after adjusting for inflation, medical costs have increased each year since 1998, with the largest increase, of 8.75%, seen in 2004. Table 8 shows the estimated per capita cost for health care spending between 1998 and 2004, adjusted for inflation.

<b>Table 8. Per Capita Personal Health Care Spending, in 2004 Dollars, 1998-2004</b>	
1998	\$4,553
1999	\$4,836
2000	\$4,979
2001	\$5,303
2002	\$5,616
2003	\$6,014
2004	\$6,540



## Footnotes and Data Sources

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<sup>1</sup> 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.

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

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

<sup>4</sup> Table 1: U.S. Department of Health and Human Services; published annually in the Federal Register

<sup>5</sup> Chart 1: Bureau of Economic Analysis

<sup>6</sup> Chart 2: U.S. Census Bureau, Current Population Survey

There are 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.

<sup>7</sup> U.S. Census Bureau, Housing Vacancy Survey

<sup>8</sup> 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.

<sup>9</sup> Charts 3 and 4: U.S. Census Bureau, Current Population Survey; recession dates from National Bureau of Economic Research

<sup>10</sup> Map 1: U.S. Census Bureau, Small Area Income and Poverty Estimates

<sup>11</sup> Table 2 and Chart 5: U.S. Census Bureau, Current Population Survey

The Current Population Survey is a sample-based survey that primarily collects labor force data from the U.S. civilian noninstitutionalized population. An annual social and economic supplement collects additional information, including poverty statistics. Because the Current Population Survey is sample-based, each estimate has an associated standard error. Standard error is a measure of an estimate’s variability. The greater the standard error in relation to the size of the estimate, the less reliable the estimate. (Definition from the U.S. Census Bureau.)

<sup>12</sup> Table 3 and Chart 6: Brookings Institution, <http://www.brookings.edu/projects/eitc.aspx>, accessed Dec. 2008  
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 6, 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 6 both as the number of filers for the EITC and the percent of all filers in the county this number represents.

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<sup>13</sup> Table 4: U.S. Census Bureau, Current Population Survey

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.

<sup>14</sup> Charts 7 and 8: Maine Department of Health and Human Services

<sup>15</sup> Charts 9 and 10: Maine Department of Education, Child Nutrition Services

Maine's Department of Education posts information on use of this program at

<http://www.maine.gov/education/sfsr1.htm>. Currently, data for fiscal years 2000 to 2009 are available.

<sup>16</sup> Chart 11: Maine State Housing Authority, sent via email from Bob King, December 2008

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.

<sup>17</sup> Charts 12 through 15 and Map 2: Maine Department of Labor, Center for Workforce Research and Information; recession dates from National Bureau of Economic Research

<sup>18</sup> Charts 16 and 17: U.S. Bureau of Labor Statistics

<sup>19</sup> Charts 18 and 19: U.S. Bureau of Economic Analysis

<sup>20</sup> Chart 20 and Table 5: Maine Department of Labor, Wage and Hour Division

<sup>21</sup> Charts 21 through 23: U.S. Census Bureau, American Community Survey

<sup>22</sup> U.S. Census Bureau, American Community Survey

<sup>23</sup> Maine Community College System, *2007-08 Fact Sheet*, 2007, <http://www.mccs.me.edu/press/pdf/factsheet.pdf>, accessed December 2008

<sup>24</sup> Chart 24 and Tables 6 and 7: Maine State Housing Authority, sent via email from Bob King and *Maine Homeownership Facts 2007* and *Maine Rental Facts 2007*, <http://www.mainehousing.org/DATAHousingFacts.aspx>, accessed 12/30/08

<sup>25</sup> Charts 25 and 26: U.S. Department of Energy, Energy Information Administration

<sup>26</sup> 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](http://www.consumerfed.org)

<sup>27</sup> 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

<sup>28</sup> Chart 27 and Table 8: Centers for Medicare and Medicaid Services; National Health Expenditures Data. <http://www.cms.hhs.gov/NationalHealthExpendData/downloads/res-us.pdf>, accessed 12/30/08; Bureau of Economic Analysis income data