Maine Council on Poverty and Economic Security
Overview of Poverty in Maine

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For far too long we as a nation and a state have accepted the premise that poverty is inherent to the structure of our economy; and that while we could mitigate the most serious of its symptoms, we could never fully cure the condition. That mentality has stood in our way – stunting our full potential. Though we are a small group of people working in our little corner of the country, I have no doubt that if we harness the ambition and energy of this council we can make a difference to those people living in Maine who struggle to make ends meet day after day.

I'd like to give an overview that covers three areas in an effort to create a starting point for understanding poverty in Maine.

1. The demographics of poverty in Maine
2. The way we define poverty
3. Income inequality

The Demographics of Poverty:

According to Census Bureau, Mainers were not likely to be earning much more last year than when the last recession bottomed out in 2001. The income of the typical Maine household was slightly higher in 2007 than in 2001, but not high enough to reflect the expected difference between the bottom of a recession and a period of economic growth.

The poverty rate in Maine increased from 10.6 percent in 2001 to 12 percent in 2007 and then to 13 percent by 2008 (according to March 2007 Census data and 2008 CPS data). The situation is more drastic for children than for any other groups. In Maine, child poverty has reached an astounding 17 percent while elderly poverty stands at 10 percent. Adults age 19-64 have a poverty rate of 13 percent. The discrepancy between poverty rates among age groups can be explained by safety net programs that offer relief to elderly people such as social security and the additional resources needed to raise children. It should be noted that there is no end of data to remind us of the long-term damage and costs to our whole economy of leaving so many children in poverty; not the least of which are the over 180,000 Maine individuals receiving food stamps, which are inadequate to meet a basic diet.

The percentage of Mainers without health insurance declined during 2006 and 2007 relative to the end of the last recession in 2000 and 2001. Using two year averages from the Current Population Survey, 9 percent of Mainers were uninsured in 2006-2007 compared to 10.3 percent of Mainers uninsured in 2000 -2001. This is a tribute to Maine's investment in health care. We continue to be ahead of national figures in the proportion of our population with health coverage even when we lag in incomes.

If Maine's economy falters in proportion to the estimated national decline, we will see something like $3 billion in lost activity annually in each of the next three years and possibly beyond. Lost economic activity translates into lost jobs. During 2008, the ranks of the unemployed in Maine grew by 15,000 people, with the unemployment rate jumping from 4.9% to 7.0%. More pain is in store; estimates are that Maine will not reach bottom much before 2011. Climbing back to our previous employment highs will take years beyond that, quite likely out into 2014, 2015 or beyond. This will certainly impact the number of people with health care coverage as we rely on employer based coverage to deliver health care to so many households.

Defining Poverty

The poverty thresholds are the primary version of the Federal poverty measure - the other version being the poverty guidelines. The thresholds are currently issued by the Bureau of the Census and are generally used for statistical purposes; for example, estimating the number of persons in poverty and tabulating them by type of residence, race, and other social, economic, and demographic characteristics. The poverty guidelines, on the other hand, are issued by the Department of Health and Human Services and are used for administrative purposes for determining whether a person or family is financially eligible for assistance or services under certain Federal programs.

The formula for determining the federal poverty guideline is based on estimates of an annual "basic needs" family food budget, adjusted to reflect the number of people in the family and annual Consumer Price Index (CPI) cost increases. The formula assumes that families spend one third of their total income on food - as was broadly the case in the 1960s - and simply multiplies that food budget by three to arrive at a figure for poverty level income. In the 21st century, however, the underlying assumption about food costs as a percentage of family budgets no longer holds true.

Today, Americans spend far more on housing, childcare, healthcare, and energy costs than in years past. As a result, the FPL grossly underestimates the true requirements for a basic family budget in today's economy. The FPL also fails to adjust for the large differences in living costs from region to region, amplifying the shortcomings of the original methodology. Despite longstanding criticism, as well as pending federal legislation, this methodology has not been adjusted in over 40 years.

Because of the widely-recognized inability of the FPL to estimate modern American income requirements, many state and federal government agencies along with non-governmental organizations now use 200 percent of FPL as a better estimate of incomes below which families cannot be expected to provide for themselves.

The Panel on Poverty and Family Assistance at the National Academies' Committee on National Statistics recommended that the official U.S. poverty threshold should comprise a budget for food, clothing, shelter, and utilities, and a small additional amount to allow for other common needs (e.g., expenditures for personal care, household supplies, and non work-related transportation). Actual expenditure data, rather than expert judgment about diets or other needs, should be used to develop a threshold. The reference threshold should *exclude* nondiscretionary expenses that are incurred by certain types of families or that are too variable to be included in the threshold—these expenses include taxes, out-of-pocket medical care expenditures (including health insurance premiums), day care for working parents, other work related expenses, and child support payments, all of which the panel recommended be subtracted from gross income.

It takes little more than common sense to figure out that $18,310 a year (2009 federal poverty guidelines) is inadequate to support a family of three or that less than $26,000 a year will mean extreme hardship for a family of 5. We all know people earning twice these amounts who are still trying to figure out which bills to pay each week – maybe alternating between needed prescriptions and heating oil.

In Maine there are approximately 142,000 working families. Of these working families - families that rely on salary or wages to meet their household expenses - slightly more than one quarter have incomes below 200 percent of the federal poverty level (FPL). These 39,000 families are defined here as "low-income working families" and include about 9,000 working families that are officially "in poverty", having incomes below 100 percent of the federal poverty level. Three-quarters of these 39,000 low-income working families earn between 100 and 200 percent of the federal poverty level.

These low incomes, however, are not due to limited work effort but instead are due to the prevalence of jobs with low and stagnant wages. On average, these families are working more than 2400 hours a year, or the equivalent of 1.2 full-time jobs. But despite significant work effort, low and stagnant wages keep these families below 200 percent of the federal poverty level. Between 2000 and 2007, average hourly wages for the bottom 20 percent of workers have increased less than 3 percent after adjusting for inflation. Average hourly wages for this income group rose from $9.45/hr to $9.74/hr, which translates into an increase of just $11.60 in take-home pay for a 40 hour work week. Income gains are indeed occurring in the American economy, but they are not trickling down to the working families most in need.

Even while supplying more than full-time hours, low-income working families in Maine cannot afford the basics of a self-sufficient life. The Maine Department of Labor provides estimates of "Living Wage" incomes, based on family size and differences in cost-of-living by county. They attempt to place a dollar figure on the basic, real-world needs of a fully self-sufficient Maine household.

In order to pay for food, housing, healthcare, childcare, clothing, transportation and energy costs, a family of four with two adults working full-time would need to earn close to $50,000 annually in pre-tax dollars. Stated another way, each adult would need a full-time job paying $12.46/hour. This state-wide average of a basic needs budget exceeds the federal poverty level by some $30,000 for the same family and is $10,000 more than the commonly used "low-income" measure of 200 percent FPL. Thus, despite more than fulltime work effort, some 39,000 Maine families are still earning thousands of dollars less than required to supply themselves with life's basics.

Income Inequality

Income and wealth inequality has grown both over the last 30 years and even more rapidly over the last five years. While aggregate wages and salaries grew *less than half* as fast after 2001 as they did in the average postwar economic expansion, corporate profits grew almost 30 percent faster. In 2006 the share of pre-tax income flowing to the top 1 percent of households reached its highest level since 1928. Second, the gap between the after-tax income of people at the top of the income distribution and the after tax income of people in the middle or at the bottom continued to widen."

The problem at the heart of our economic troubles is the failure to share the nation's strong economic growth broadly among the working families who helped create it. We have had increasing productivity and rising national economic output and income, but that growing income hasn't been shared fairly with the middle class and working families. In fact, in recent years it has hardly been shared at all. Instead, it has been captured by a smaller and smaller group, leaving 90% of Americans squeezed – forced to finance their consumption with borrowing. From 1989 to 2006, the top 1% received 59% of the increase in national income. The top 10 percent received 91% of the increase in national income. The bottom 90% of Americans got only 9%.

Beyond Numbers

Lastly, I would like to take a moment to emphasis that even with the all of the compelling research and data available to us, there is no way to express the true realities of poverty through numbers. Poverty is about a system that affords some more opportunity than others and about the lack of resources, social or financial, when those opportunities are not realized. It is about the father who works two or three jobs, rarely seeing his children so that he can support them. It is about the mother who has not eaten for two days to ensure that her children have had enough. It is about the elderly woman watching her husband reach a slow death because they can't afford the medications to keep his condition stable and sadly, and it is also about the stereotypes that divert us from making real change. We will need to get beyond that here in this setting so that we can move forward and create more opportunities for Maine people to gain economic security.