



POVERTY IN MAINE UPDATE

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Dear Readers,

We are pleased to present the second Poverty in Maine Update newsletter, produced by the Margaret Chase Smith Policy Center, University of Maine, with the support of the state's ten Community Action agencies. Our periodic newsletters aim to present a picture of poverty in Maine, based on the most current and reliable data available from state and federal sources. This issue focuses on the latest trends in regional poverty patterns, income and employment.

In the past several years, and especially in this most recent year, costs for gasoline, fuel oil, and food have risen at remarkably high rates while statewide median incomes have risen at a much slower pace. In assessing immediate trends, this combination of cost increases with very little offsetting income growth presents all of us with the very frightening possibility that many Maine families will go without heat this winter.

As this newsletter goes to publication there is no other more critically dangerous trend facing Maine's leaders than this issue of food and fuel. There are thousands of Maine families that will not have enough income to sustain themselves during this upcoming winter.

We hope that you find this newsletter useful in understanding the issues and scope of poverty and economic distress within the state. We also hope that the state's leaders will use this information to design policies and programs that are most responsive to the needs of Maine's most vulnerable citizens.

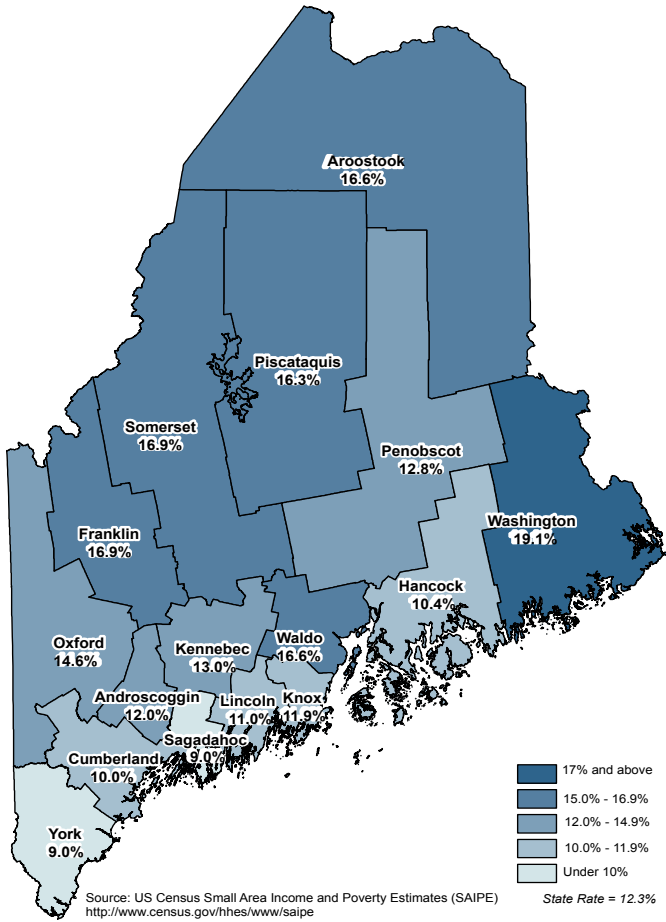
Matthew Smith, President
Maine Community Action Association

REGIONAL POVERTY DISPARITIES CONTINUE

The marked regional disparities in poverty that have persisted for decades continue in Maine. In 2005, the most recent year for which county-level poverty rates are available, individual poverty rates ranged from a high of 19.1% in Washington County, followed by Somerset and Franklin counties (16.9%), and Aroostook and Waldo counties (16.6%).

Lowest poverty rates in 2005 were in York and Sagadahoc counties (9%), followed by Cumberland County (10%) and Hancock County (10.4%).

Figure 1: Individual Poverty Rates, 2005

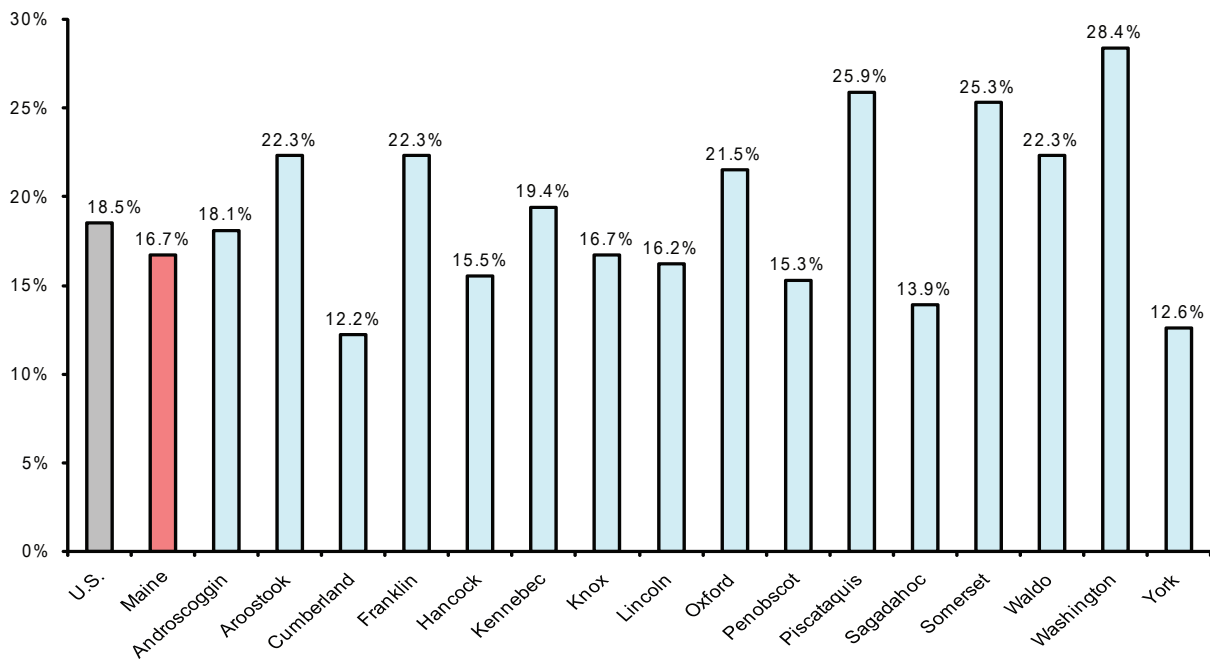


Nine counties had poverty rates above the state's rate of 12.3% in 2005 (Figure 1). In 2004, the state's individual poverty rate estimate was 11.5%. Compared with 2004, the poverty rate in 2005 increased in every county except Penobscot and Androscoggin; greatest increases were in Franklin, Oxford, and Piscataquis counties.

Poverty differentially impacts children. In 2005, an estimated 16.7% of Maine children age 17 and under were below poverty, compared with the national rate of 18.5% (Figure 2).

Regional disparities are also evident in child poverty rates. Highest rates of child poverty were in Washington (28.4%), Piscataquis (25.9%) and Somerset (25.3%) counties. Lowest child poverty rates were in Cumberland (12.2%) and York (12.6%) counties.

Figure 2: Age 0-17 in Poverty, 2005: U.S., Maine, and Maine Counties (Percent under 18 below poverty)



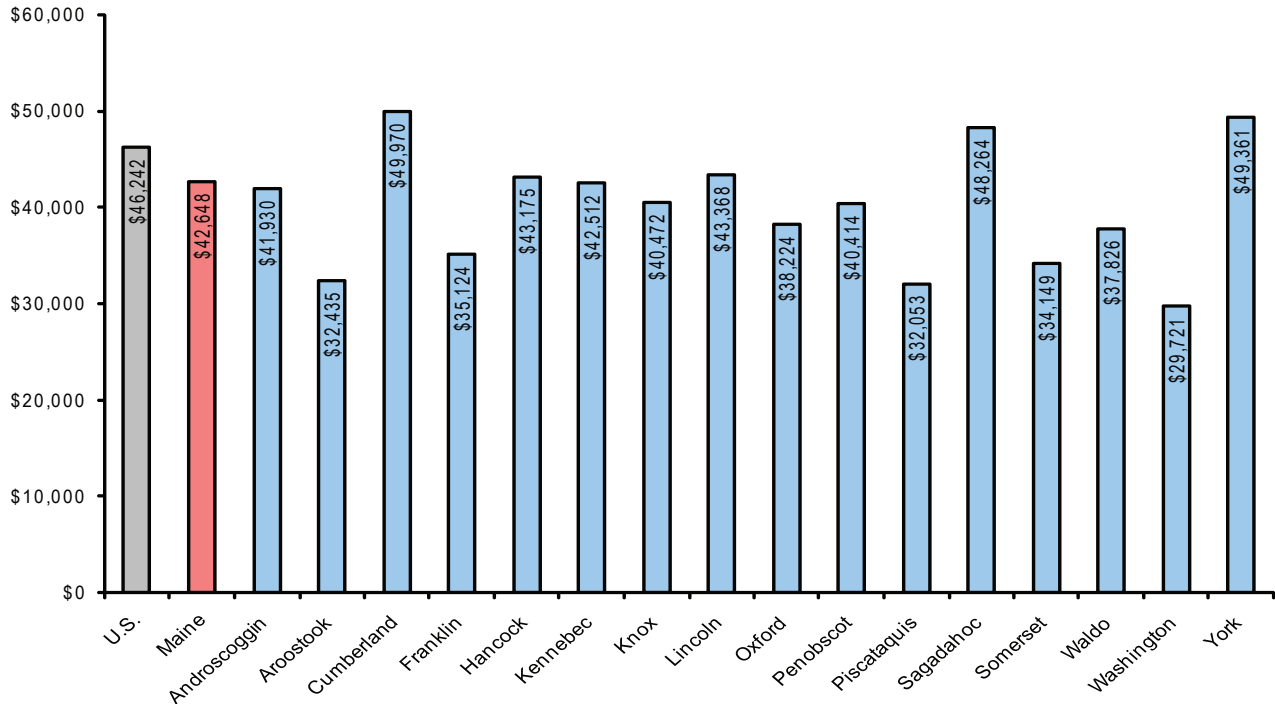
Source: U.S. Census, Small Area Income and Poverty Estimates (2007)

INCOME

Census-reported Income Estimates

Maine is consistently in the lower tier of states in median household income. Maine's median household income averaged over the 3-year period from 2003 to 2005 was \$42,000, placing it as the 36th lowest state in the country (i.e., only 14 states had lower household incomes) (U.S. Census 2006).

Figure 3: Median Household Income, 2005: U.S., Maine and Maine Counties

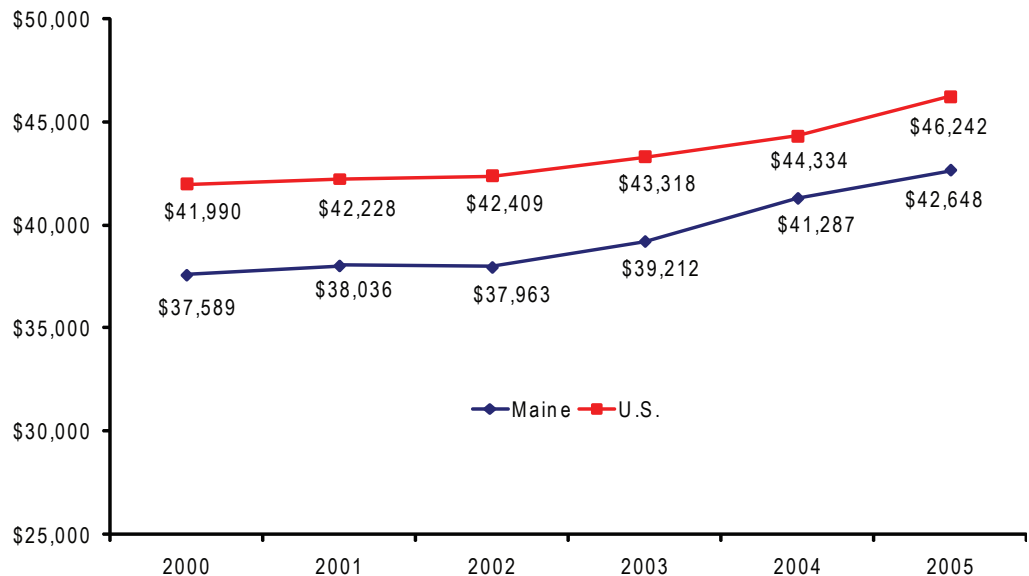


Source: U.S. Census, Small Area Income and Poverty Estimates (2007)

There are marked disparities in income from one county to another (Figure 3): Aroostook, Piscataquis and Washington counties' 2005 median household income was more than 24% lower than the state median of \$42,648. However, the State Planning Office suggests that comparison between Maine and other states and between counties within the state should be done with caution, as there are major differences in cost of living that can affect purchasing power.

On a more positive note, the gap between Maine's median household income and that of the country as a whole has narrowed somewhat in the period from 2003 to 2005 (Figure 4). In 2002, Maine's median household income was 89.5% of the U.S. median, and by 2005 it had improved to 92% of the national figure.

Figure 4: Median Household Income Trends, Maine and U.S., 2000-2005



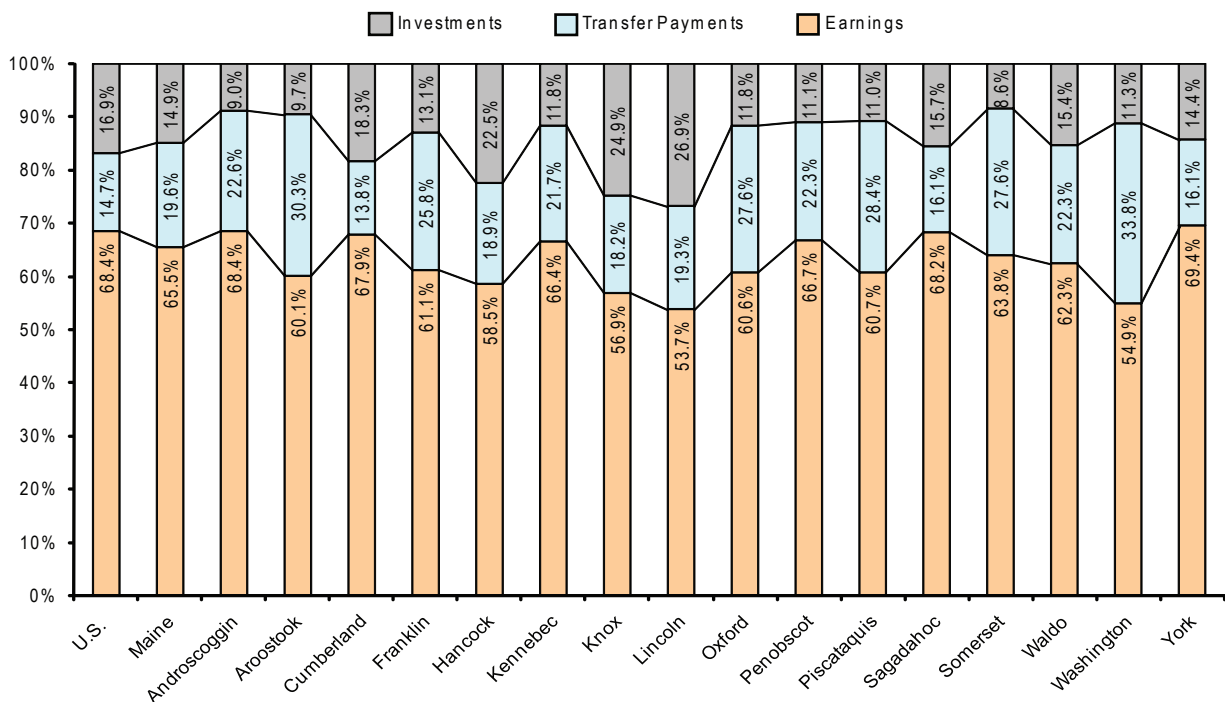
Source: U.S. Census, Small Area Income and Poverty Estimates (2007)

Personal Income

Economists generally use the measure of “personal income” as the most accurate indicator of income and economic activity in a metropolitan area, county, state, or region. It is a composite measure, derived from a number of different sources, while the Census uses self-reported household income and does not include all income categories. The three components of personal income are: wages and self-employment; investments (dividends, interest, rent); and transfer payments.

Transfer payments are defined as payments for which no current services are performed and are primarily given by federal, state and local governments, for example, government retirement and disability benefits (e.g., social security, military pensions); medical payments to providers (e.g., Medicare, Medicaid); income maintenance benefits (e.g., food stamps, TANF); and unemployment insurance benefits.

Figure 5: Percentage of Personal Income by Type, U.S., Maine, and Maine Counties, 2006



Source: U.S. Bureau of Economic Analysis, Regional Economic Information System

A higher proportion of income from transfer payments in an area is generally an indicator of higher levels of poverty or near poverty, presence of an older population, or both.

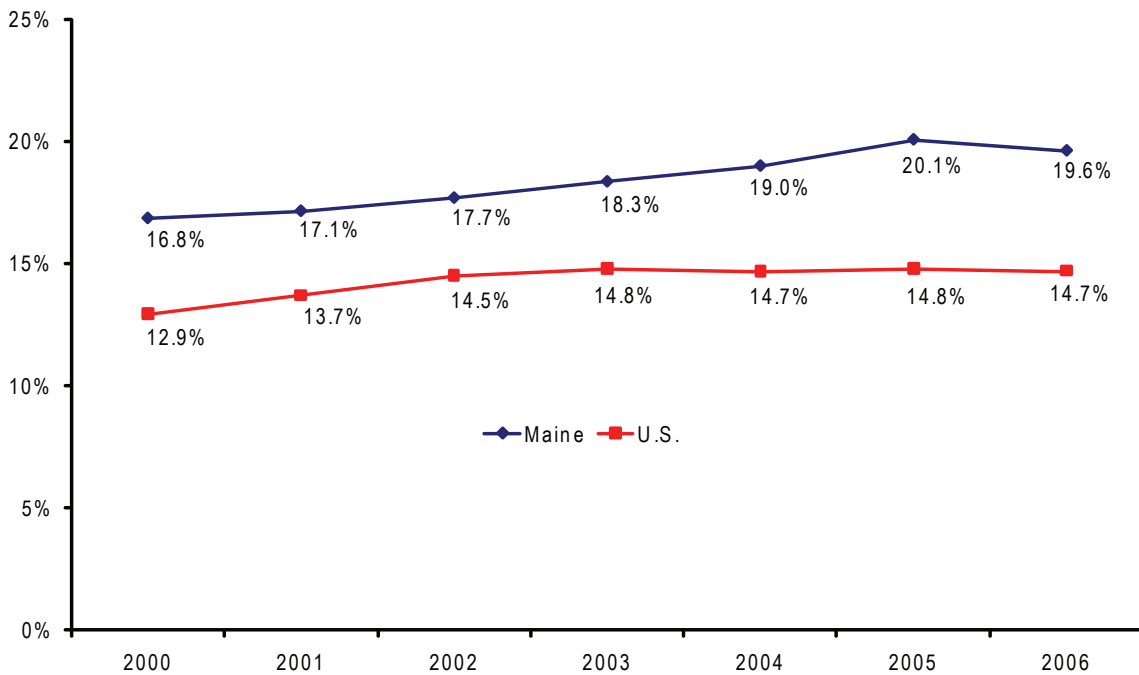
Nationally and in Maine, government medical benefits comprise the largest proportion of transfer payments. In most Maine counties, close to half of transfer payments are medical payments made to providers. As the population ages, we would expect to see medical benefits constituting an increasing share of transfer payments.

In 2006, wage and self-employment income was a smaller proportion of personal income in Maine than in the nation. In Maine 65.5% of personal income was from wages, while in the U.S. it was 68.4% (Figure 5). Personal income from investments in Maine was likewise lower than in the U.S. as a whole. However, personal income from transfer payments was substantially higher in Maine (19.6%) than in the U.S. (14.7%).

Within the state, there are marked differences between counties in the proportion of personal income from various sources. In 2006, in Aroostook, Franklin, Oxford, Piscataquis, Somerset and Washington counties over one quarter of county personal income was from transfer payments, with Washington County having the highest proportion at 33.8% (Figure 5). These are among the oldest and poorest counties in the state.

Over time, transfer payments have constituted an increasing proportion of Maine's total personal income, compared with the U.S. as a whole, where the proportion has remained relatively the same since 2002 (Figure 6). This is perhaps to be expected, given Maine's demographic trends, particularly its increasing proportion of elderly and lower-income residents.

Figure 6: Transfer Payments Trends, Maine and U.S., 2000-2006
(Percent of total personal income)



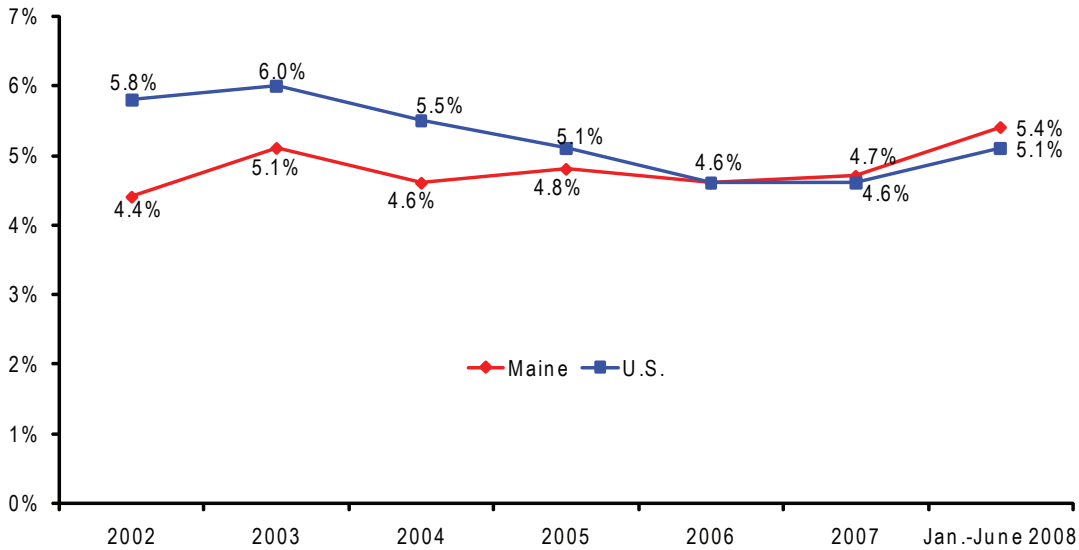
Source: U.S. Bureau of Economic Analysis, Regional Economic Information System

The largest proportion of transfer payments are not means-tested benefits, but are “entitlements” such as Social Security and Medicare. However, in the near term as Maine and the nation face difficult economic times, we are already seeing an increase in the amount of transfer payments in needs-based “safety net” programs such as food stamps, free and reduced school lunch, and Medicaid.

EMPLOYMENT

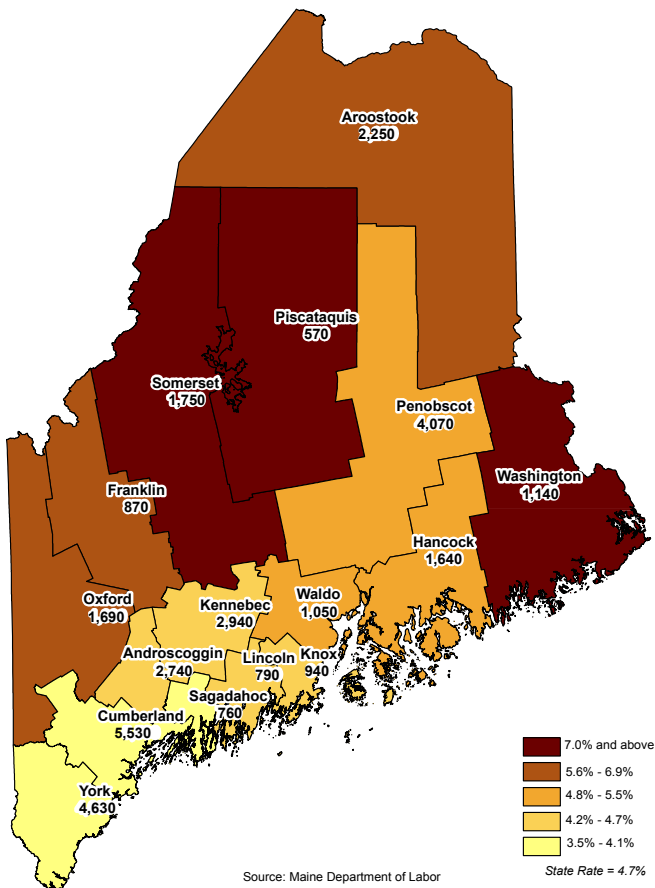
Maine's recent employment picture remains mixed, with a continued decline in jobs in manufacturing and natural-resource based industries. The recent *Measures of Growth in Focus* report (Maine Economic Growth Council 2008) notes that through 2006, the number of jobs in Maine has continued to grow, though slowly, with greatest growth from 2005 to 2006 in the sectors of professional and business services, construction, educational services, and health care and social assistance.

Figure 7: Maine and U.S. Annual Monthly Average Unemployment Rate Trends, 2002 – June, 2008



Source: Maine Department of Labor

Figure 8: Monthly Average Unemployment, 2007



Source: Maine Department of Labor

The report also notes that the proportion of Mainers holding multiple jobs (8.2% in 2006) continues to be higher than the U.S. rate (5.2%), and that the gap has been widening over the past several years. The Growth Council report notes that the rate of multiple job holding suggests that “many jobs are not paying a livable wage or providing adequate benefits to meet basic needs” (2008: 9).

Maine unemployment increased from 2006 to 2007 (Figure 7). The state's average annual unemployment rate of 4.7% exceeded the national average of 4.6% for the first time in a number of years. The trend in increasing unemployment is continuing so far in 2008. For the first six months of 2008 (January-June), there was a fairly marked increase in the unemployment rate in both Maine and the nation. In this time period, the monthly average unemployment rate in Maine was 5.4% and in the U.S. it was 5.1%.

If the first six months of 2008 are any indication, it appears that this year will see another increase in Maine's unemployment rate.

As in previous years, there were major differences in unemployment between Maine's counties (Figure 8, Table 1).

Highest unemployment rates were in Washington (7.7%) and Piscataquis (7.6%) counties, with Somerset County following close behind (7.0%). Lowest unemployment rates were in Cumberland (3.5%), Sagadahoc (4.0%) and York (4.1%) counties.

Table 1: Labor Force and Monthly Average Unemployment Rates, 2007

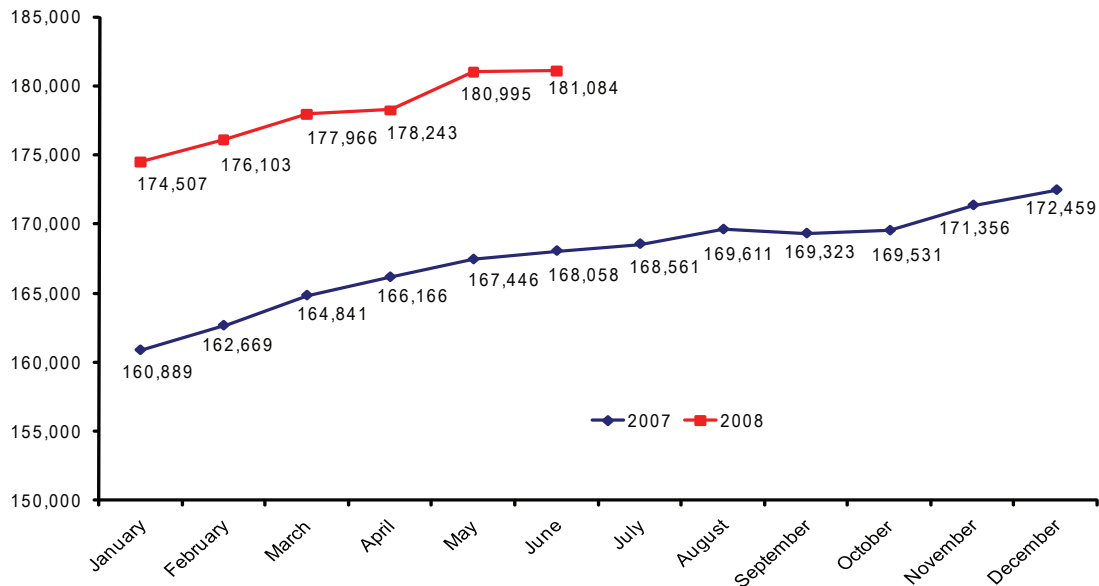
	Civilian Labor Force	Unemployed	Unemployment Rate
Androscoggin	58,480	2,740	4.7%
Aroostook	35,400	2,250	6.4%
Cumberland	158,040	5,530	3.5%
Franklin	14,270	870	6.1%
Hancock	29,630	1,640	5.5%
Kennebec	63,150	2,940	4.6%
Knox	21,390	940	4.4%
Lincoln	18,450	790	4.3%
Oxford	28,580	1,690	5.9%
Penobscot	77,880	4,070	5.2%
Piscataquis	7,530	570	7.6%
Sagadahoc	19,110	760	4.0%
Somerset	25,140	1,750	7.0%
Waldo	19,020	1,050	5.5%
Washington	14,710	1,140	7.7%
York	113,930	4,630	4.1%
STATE	704,700	33,400	4.7%

Source: Maine Department of Labor

FOOD STAMP PROGRAM NEWS

We reported in our earlier newsletter (February 2008) on annual figures and trends for the food stamp program through FY2007. Normally, monthly average annual figures are the most useful measure for analyzing year-to-year trends, since this approach evens out any month-to-month fluctuations. As we reported previously, participation in Maine's food stamp program has been increasing for a number of years.

Figure 9: Trends in Maine Food Stamp Use by Month, January 2007 - June 2008
(Number of individuals receiving food stamps)



Source: Maine DHHS monthly reports

DHHS figures indicate that the upswing in enrollment in the food stamp program in the first six months of 2008 continues at a sharp rate (Figure 9). While we will not know the full extent of the trend until the end of the year, the increase in food stamp use may be an "early warning" indicator of the impact of difficult economic times in Maine. Rapid cost increases for home heating and gas, rising food costs, and a relatively flat job market differentially impact Maine's lower-income population.

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