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Being Poor in Maine

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Introduction

There is a traditional image of Maine people -- sturdy men, women and children toughing it out with a lot of Yankee ingenuity in a nice rural setting -- piecing together seasonal work, growing food, and tinkering with old cars to keep them on the road.

I found a Lewiston Journal clipping about poverty from the 1960s that really captures this image. It shows a picture of two strapping young guys hauling lobster traps. The caption is titled: "Lucky Boys Having Fun." And it reads, "These Maine boys live on the coast and their families no doubt gain much of their living from the sea as well as from growing vegetables in their garden – but still, the family may be one of those considered at the poverty level if their yearly income is in the \$3000-\$4000 bracket. At least the youngsters are luckier than slum children for they enjoy fresh air, warm sun and the nearby sea as they prepare to cart the family lobster traps to the water."

This idyllic image hangs on even today but all along it has masked a grinding level of poverty that many Mainers simply have not been able to escape.

Tonight, I want to address these questions:

What does it mean to be poor in Maine today and who is poor?

Why aren't people earning enough to get by?

What is the social cost of poverty?

What has been government's role in reducing poverty?

What does it mean to be poor in Maine today?

What it means to be poor has changed with the times. In the 1950s only about half of Maine homes had plumbing and a telephone, let alone a television. Now, even most poor households have all of these. Today having a car is considered a necessity rather than a luxury. The mass production of clothing and the informality of modern styles have had an equalizing effect so people with low incomes look and dress much like everyone else. These advances have made poverty less visible but no less present.

Being poor is about what you do not have relative to everyone else. Here are some scenarios of what poverty is like today. You don't have financial security. You work in a series of low-wage, part-time or seasonal jobs with a layoff just around the corner. You work two or

three jobs in order to stay afloat and don't have much time with your kids. Your budget drives you to buy cheap food with low nutritional value or you run out of food altogether before the next paycheck.

You have more debt than assets. Your car is old and unreliable and the next breakdown could cost you your job - again. Your residence needs major repairs you can't afford, or the landlord won't pay for. You are trying to pacify bill collectors to keep the lights on. You lost your housing this year because you got so behind and you had to move in with your sister and then you had to take the whole family to live at a shelter. You have no savings for an emergency let alone for your children's college education or your retirement. You have no health insurance. You cannot afford even over-the-counter medicines for a chronic skin rash or an asthma attack. And after years of dealing with the stress of poverty and the lack of regular health care, you have more health problems than your well-to-do neighbors.

You feel like you are living outside the mainstream. There is not enough money for the kids to go on school trips, to take a family vacation, or to pay for the gas or child care necessary for you to join a club or to attend community meetings.

In short, being poor means lacking the resources to meaningfully participate in the society in which you live, and experiencing each day the toll this deprivation takes on you and your family.

The statistics you hear in the news about poverty increasing or decreasing are based on a measurement called the federal poverty level. In 2003, that's \$15,000 or less for a three-person family. If that sounds absurdly low to you, it should. Many researchers estimate that a family that size requires at least twice that income to meet basic needs in today's economy. But the federal poverty level is what we have to look at trends and so, as I talk about poverty rates for the next few minutes, just remember that they represent a consistent underestimation of the number of people struggling to get by.

Who is poor in Maine today?

Several major changes have occurred since 1960. There has been a significant reduction of poverty among the elderly. The creation of Medicare, Medicaid and the automatic inflation adjustments in Social Security benefits (1972) have been the most important elements in dropping the rate of poverty among the elderly from one in three (30%) prior to 1960 to one in ten (10%) today.

The second change is both demographic and cultural. One in four Maine households now have only one person living in it, and nearly half (45%) of those households are below poverty. In some counties the elderly account for half of the poor single-person households, which is related to the aging of our population. These households might include a widow who lives on a minimal Social Security income because she and her husband had low earnings throughout their working lives. It might be a disabled person living on SSI (Supplemental Security Income).

The third change is the significant increase in female-headed households, which began in the 1970s. Today, one in five Maine households below poverty is headed by a single mother. In fact, well over a third (36%) of all female-headed households with children in Maine are living below poverty. Many of these women have needed public assistance for periods of time.

In some ways regional poverty has not changed much since the 1960s. Washington County still has the highest rate of poverty (19%) followed by other northern and western counties, while southern counties have the lowest rates. Cumberland County's poverty rate of 8% hides the fact that Portland's poverty rate is 14% and that half of the state's homeless population lives in Portland. Meanwhile, poverty has decreased significantly in Knox, Lincoln, Waldo, and Hancock counties due to coastal development.

The most dramatic change of all is the rise in number of the working poor. This began in the 70s and accelerated in the 80s when Maine began to lose good paying, often unionized manufacturing jobs that were replaced with low-wage service sector jobs. To give you a clearer idea, from 1982 to 2000, we lost 22% of our manufacturing jobs. They had an average weekly wage of \$665. At the same time we had a 72% increase in retail sales jobs. They had an average weekly wage of \$310. (1999 dollars)

So now, the poor are working hard all around us. They are hanging up shirts on department store racks; ringing up gas at quick stops; wiping down cafe counters; making hotel beds for your out-of-town guests; taking care of our aging parents so they can stay at home; and taking care of our children so we can go to work. In some cases, their wages are so low that they still qualify for and need welfare assistance.

Why aren't people earning enough to get by?

Barbara Ehrenreich, a well-known national journalist, recently came to Portland to live for a few weeks, posing as a low-skilled worker. In her acclaimed book, "Nickel and Dimed" she describes her experience as a maid cleaning plush homes during the week and as a nursing home dietary aid serving meals and loading dishwashers on the weekends. This brief foray into low-wage life on two jobs with no days off, and not enough income to cover food and housing, led her to conclude, "Something is wrong," she says, "very wrong, when a single person in good health, a person who in addition possesses a working car, can barely support herself by the sweat of her brow. You don't need a degree in economics to see that wages are too low and rents are too high."

Let's talk about wages. The value of the minimum wage, for starters, has not kept pace with inflation. If there was a time when a family could actually make ends meet on the income of one minimum wage earner, it was in the late 60s. Since then, the value of the minimum wage has continued to decline due to lack of regular raises by Congress. The last federal increase - to \$5.15 an hour - was in 1997 — and since then it has lost 10% of its buying power. Like many states, Maine has raised its minimum wage above the federal minimum, and it is currently at \$6.25. While a step in the right direction, minimum-wage workers in Maine still do not have anywhere near the buying power they had in the 60s. And, by the way, most of these workers are adults supporting families, not teens who are just getting their feet wet in the job market.

Over the last decade researchers across the U.S. have been estimating what a so-called “livable wage” should be, based on today’s actual living expenses. In Maine it is estimated that a livable wage for a single-parent with one child is nearly \$14.00 an hour. Let’s do the math. That’s over twice the current minimum wage and nearly two and half times the federal poverty level.

If it seems to you like many Maine families are struggling, you’re right. The median wage in Maine for all occupations is less than \$12.00 an hour (2001). That means well over half of Maine workers earn less than a livable wage. And those who are the sole earner in their household are probably struggling to get by.

Maine’s transition away from a manufacturing base has also meant that wages have become much more segregated by education. Even in the early 80s, a young person could graduate from high school, get a job at a mill, and support a family in Maine. But that probability is pretty much gone. Since that time, the income of college graduates has grown; the income of high school graduates has slowly declined; and the income of high school dropouts has declined substantially.

There is a common belief that everyone can make it up the ladder to success in America, even if you start out at the bottom. It’s true that some families only have low income for a few years, such as a young couple just graduating from college that has a very good chance of moving quickly into the middle class. But many more families do not see their income rise over time.

One way that we analyze income distribution is to put families on a continuum from lowest to highest income, divide by five, and then compare the 20% segments. Between the late 60s and the mid 90s (1969 and 1994), a little less than half (41%) of those earners who started out among the bottom 20% of families on the basis of income were still at the bottom 25 years later. Another 25% had only moved up to the next rung, or into the second lowest 20% of families. In fact, the chances of starting at the bottom and staying there have increased since the late 60s.

Many have suggested that training and education, presumably for highly technical or professional jobs, is the key to assuring livable wages for workers. But for better or worse, most of the service occupations that have become the bulk of Maine’s job opportunities require little advanced education. Unless we raise those wages, we cannot reduce poverty among the large working poor population.

This issue of wages has been the chief factor in the growth of Maine’s overall income inequality over the last 30 years. In this way we have mirrored the nation. The economic prosperity following World War II, fueled by Roosevelt’s New Deal and Johnson’s Great Society, led to greater equality as Americans with low, middle, and high incomes all saw their incomes rise significantly through the 1970s. Those at the bottom gained the most. But income growth has slowed and inequality has grown ever since, fueled by economic restructuring and President Reagan’s program cuts for the poor and tax cuts for the wealthy.

Since the late 70s in Maine, the average income of the bottom 20% of families along the income spectrum has increased 22%, while the average income of the top 20% of families has increased 55%. Now the average family income for the top fifth of families in Maine is \$133,000 while in the bottom fifth it's \$16,000. The exceptionally low unemployment rates during the boom of the late 90s brought some gains to low-wage workers, but high-income families still gained the most by far.

Public policies have contributed to the increase in wage and income inequality, including deregulation and trade liberalization; inadequate minimum wage increases; the weakening of the social safety net; the failure to have effective labor laws regulating the right to collective bargaining; and changes in federal, state, and local tax structures.

What is the social cost of poverty?

So why should we care about growing income inequality and poverty? Because the social cost for all of us is tremendous. This is what I want you most to hear.

Maine remains to a large extent a place where people of all incomes interact. That's because our income divide is still relatively low. Take a ride down most rural roads and you will see mobile homes next door to new split levels next door to old farmhouses under endless repair. Go to town meetings and you will see people from all walks of life gather to assert their opinions – loudly and colorfully. Almost all of our kids attend classes together in public schools. This kind of shared community has been to our great benefit as a state, but times are changing. As the income gap widens, there is more class separation and that will have many negative impacts.

Income inequality is bad for our health. Researchers have shown that income and status, work environments, education, and other social indicators are the greatest predictors of our health status. Social exclusion that diminishes participation in common activities and civic decision making contributes to poor health. People living in states with a high level of income equality live longer than people living in states with high income inequality. This goes for the wealthy, too. It appears that the level of inequality matters even more for life expectancy for everyone than how much wealth a state has. Maine is a case in point. Despite our relatively low per capita income, the Fordham Institute for Innovation in Social Policy recently ranked Maine fourth among all the states on numerous indicators of “social health.” But we cannot rest on our laurels.

Poverty and income inequality can harm our children. Young kids from low-income families exhibit poorer cognitive and verbal skills because they are generally exposed to fewer toys and books, stimulating experiences, and successful role models. Parents' income influences their children's level of social status and the amount of respect they receive from peers. Conflict between economically stressed parents and the pressure of debt provokes anxiety and weakens self-esteem in their kids. Regional segregation by income increases disparities in the quality of education available to poor children, as we have certainly seen in Maine. Patterns of social interaction created by the neighborhoods and quality of schools that kids grow up in structure the opportunities and constraints they perceive when it comes time to decide the relevance of

continuing their education beyond high school. Clearly Maine's economic future is at grave risk if we tolerate this reduction in human capital among our children.

This growing income inequality is damaging to our community life and our social cohesion. As people segregate more and more by income, fear and resentment grow. We are more likely to be concerned about the well-being of a family down the street that we know and see everyday, and to take both private and public actions to help them, than we are likely to be concerned about a vague notion of the "poor" or "rich" living in some part of town or some region of our state that we never see. The poor are becoming concentrated in neighborhoods and communities. And while we have yet to see gated communities in Maine, the wealthy enclaves at the end of southern coastal roads are not much different.

As more people have slipped from the middle class to the ranks of working poor, they have become more resentful toward those at the very bottom, particularly if they require public assistance. A bumper sticker on an old pick-up stating, "Just Another Slave to the Welfare State" indicates the misplaced anger that builds when people feel they are competing in scarcity, which keeps them from noticing that the real problem is that so few have so much. And those at the top can become so far removed from everyone else that their only impression of community well-being is that things would be okay if the stock market would just pick up again.

Growing income inequality has reduced our trust in government. Hard working families who are slipping behind recognize that something is wrong with the "system." The poor have experienced the reduction in public assistance as welfare rules have tightened and subsidized housing has diminished. It is frustrating and frightening for a parent to get a low paying job and then lose all assistance long before they make enough to meet expenses. It is easy for that parent to feel that the system is working against them.

Many have lost sight of the fact that public assistance to struggling families puts cash in the hands of people who need it – and will spend it – during economic downturns. It's not just families that need the safety net – the economy needs fiscal policies that sustain demand when unemployment rises so employers will have an incentive to maintain production. Welfare and other income maintenance programs such as unemployment insurance and food stamps help smooth out the economy's ups and downs. But that's not what most people think of when they think of welfare these days.

The anti-tax fury in Maine has made an ironic alliance between the people at the bottom and those at the top because both groups think that their taxes are too high. The reality is that taxes are too high for those at the bottom precisely because taxes have become relatively lower for those at the top. But we don't hear about that nuance in the headlines about Maine's tax burden.

So government is now more often seen as the problem rather than the solution. But that was not always so.

What has been government's role in addressing poverty?

In the 1960s, government fostered ideals of shared prosperity. When Lyndon Johnson announced the War on Poverty, he declared that the poor were not to blame for poverty and that the nation was responsible for giving them a lift up. The welfare reform movement of that time was about helping more poor families get assistance. Community Action agencies, with federal funding, like PROP in Portland, KVCAP in Augusta, and Penquis CAP in Bangor began in the 60s, working to organize low-income neighborhoods and provide services. Pine Tree Legal Assistance, with federal funding, helped many low-income parents to enroll in AFDC and represented poor people's interests to the state. In fact, one of Pine Tree Legal's early victories in 1967 brought about the end of debtors prison in Maine, exemplifying a turn away from penalizing people because they were poor.

The War on Poverty did reduce poverty among the elderly. But in retrospect, it can be said that the policymakers of the time, despite their honorable intentions to eradicate poverty for all, did not recognize the enormity of the challenge and the kind of investment it would really take.

Conservative administrations that followed attacked social welfare programs on the premise that they were encouraging dependence on the federal government, marital breakups and "out-of-wedlock" childbearing. The poor, especially single mothers, came under attack. There was a growing emphasis on "fraud and abuse" within the system and distinctions made between the "deserving poor" and those who were assumed to be "lazy" and "taking advantage." This rhetoric has remained an entrenched part of the public discourse about welfare ever since, despite mounds of evidence to counter these claims.

By the 90s, welfare reform meant reducing eligibility and cutting back assistance. In 1996 President Clinton fulfilled his vow to "end welfare as we know it" by turning AFDC into a block grant program that ended the federal guarantee of family assistance for states. Now there is a five-year lifetime limit on receipt of cash assistance. And for the first time, welfare recipients are required to work, no matter what their circumstances, in order to receive benefits. Maine's welfare caseload dropped by half in the years that followed, as occurred across the country. Most of these single mothers went into the low-wage job market with few skills and have simply expanded the number of the working poor. Many have come back on the rolls when their job ended or a sick child or broken down car led to the loss of their job.

In the late 90s the longest economic expansion since WWII produced another time of plenty. But the federal government did not dedicate itself to trying to share this prosperity and eradicate poverty as it had done during the 60s. Quite the contrary.

It is remarkable, and discouraging, that in the 21st century, we find the Bush Administration pressing for even more hours of work from single parents receiving welfare assistance. Workforce training programs have been cut again. Equally disturbing is that these assaults on the poor have received so little public attention. The prominent policy debates of the day revolve around reducing taxes for the wealthiest Americans instead of broadly distributing

benefits for all. When it comes to addressing the plight of the poor, the ideology of federal policy leaders is paramount and, in that way, we are much further behind than we were in 1960.

Ready for some good news? Despite the federal cutbacks in social welfare over the years, Maine has remained a bright light, and sometimes has been a shining star. With our limited state resources, Maine's policy leaders by and large have retained a deep commitment to helping their fellow citizens in need. In the most recent round of welfare reforms, Maine implemented one of most compassionate and effective welfare reform programs in the country. It includes state-funded access to two- and four-year college degrees for women on welfare called the Parents as Scholars program and a state commitment to continue benefits beyond the 60-month federal limit for needy families who are trying but are not succeeding in the economy. Maine expanded Medicaid coverage for low-income children and their parents, and the promise of health care access to even more working poor families has been made with the passage of Dirigo Health.

Other recent examples of our commitment to help reduce poverty include a \$10 million housing bond to help the homeless; expanded eligibility for unemployment benefits to part-time workers; investments in early childhood development; and the creation of a low-cost community college system.

Equally important, Maine has maintained a relatively progressive tax system compared to other states. This means that we recognize the logic that people with greater financial capacity should contribute more to public resources than those with the least ability to pay taxes. In recent years various efforts have helped maintain Maine's tax fairness, including strengthening the property tax refund program, or the circuit breaker, reducing the sales tax, increasing the threshold of liability for income taxes to \$10,000, and enacting a state Earned Income Tax Credit.

But there are big challenges ahead. Maine like most states is now experiencing budget shortfalls as the impact of federal tax cuts and the slowing economy settle in. Federal deficits are predicted for the foreseeable future and will likely result in spending cuts. If recent history repeats itself, programs for the poor will take the biggest hits and states will be faced with making up the difference. In the years to come we will have to decide again and again how much we are willing to collectively invest to make sure that all Maine people have equal access to opportunities that will build our shared future.

Another challenge is that Maine, like the rest of the country, will become more ethnically diverse. The stability of our commitment to taking care of the poor is due in part to the relative homogeneity of Maine's population. In many other states, ethnic minorities make up a much larger proportion of the population and, as such, are a more significant portion of the poor. Black women on welfare have been the targets of "welfare-bashing" for many years in this country. Since the poor are mostly from the racial majority in Maine, it is not so easy to separate them out as "the other." Still, the fact that ethnic minorities in Maine are already at least twice as likely to be poor than their white neighbors indicates that we are not exempt from institutional racism in this state. The recent affront to the Somali immigrants in Lewiston gave us a blatant indication of what can happen if a population of a different race is perceived to be competing for public welfare resources.

Conclusion

So what have we learned about poverty in Maine over the last 40 years? I hope that you will take these thoughts with you:

- To be poor means not having enough to get by in today's economy and being much less able to participate in community life than those with more income.
- The increase in numbers of the working poor has been the most dramatic change in this period. This has been driven by a changing economy and the erosion of earning power among those with less than a college education.
- The impact of poverty on our children and communities creates a terrible social cost for all of us and the growing income gap has grave implications for our way of life in Maine.
- The federal government has moved away from the principles of shared prosperity and poverty reduction and has contributed to the widening income gap between the wealthy and the poor.
- Maine has done a lot to address the needs of the poor but looking ahead, our compassion will be more seriously tested.

Each one of us will have to work harder to reach across the income divide. We have a responsibility as good citizens to generate public understanding of the terrible effects of poverty that permeate our communities. With the help of our Congressional delegation, we must break through the ideological blockade in Washington that blames the poor for being poor and continues to unravel the safety net. And in Augusta, we need to maintain and strengthen our commitment to help the poor in all the ways we can.

Heidi Hart was a welfare recipient who participated in the parents as Scholars program and graduated from the University of Southern Maine in 2001. She says, "I feel really lucky that I lived in Maine where people agreed that education should be part of welfare reform. The day that I graduated, my eight year old daughter walked across the stage with me. I felt so proud!"

Carry this image of Maine people with you.

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Lisa Pohlmann is Associate Director for the Maine Center for Economic Policy, an independent, nonpartisan research organization. MECEP's mission is to advance public policy solutions to achieve a prosperous, fair and sustainable economy. Lisa has written on livable wages, welfare reform, affordable health care, and sustainable development. She previously directed a domestic violence project in Midcoast Maine and did rural economic development in Bangladesh. She has a Masters degree from the School for International Training in Vermont and a Masters in Public Policy and Management from the Muskie School of Public Service. She is currently a PhD student at Muskie. Lisa comes from a working class background in the Midwest and has lived and worked in Maine for 23 years.