

Families OUT of **BALANCE**

How a living wage helps working families move from debt to stability





Families OUT of BALANCE



Making ends meet can be difficult for any low-wage worker, but for households saddled with debt, supporting a family on low wages can be next to impossible.

Across the country, families are finding that the amount they need to earn to make ends meet — or a living wage — far exceeds minimum-wage incomes. And, when you factor in the debt loads many households face, it is clear that our nation's families are falling short of meeting their basic needs.

A family balance sheet is comprised of income, assets and liabilities. Non-wealthy families are witnessing a steep decline in real earnings, while living wages remain out of reach for many. Meanwhile, systemic inequities allow the affluent to accumulate more wealth, as the rest of America finds itself with fewer assets and more debt, reducing their ability to climb the economic ladder.

As net worth for the non-wealthy declines, families across the nation face increasingly stressful kitchen table conversations, as they must choose what to cut to survive. Ultimately, when off-balance families are unable to gain a firm fiscal foothold, they cannot build a strong financial foundation that allows them to weather financial storms and pursue a life of prosperity.

On a national level, the study examined the Federal Reserve's 2010 Survey of Consumer Finances, specifically examining two groups: those whose incomes amount to \$15 per hour of full-time income or lower, and those with higher incomes.

The study finds that low-income households bear a disproportionate debt burden relative to income; higher-income families have 2-3 times more income per dollar of debt, depending on the type of debt examined, making them better able to pay off their balances. Despite this, the vast majority of

low-income earners continue to prioritize their debt payments.

The 2014 study's key national findings include:

- ▶ When measuring ability to pay, low-income households comparatively lack the resources to handle their debt loads, relative to income. This group bears a disproportionate debt burden.
- ▶ Low-income households have little to fall back on in case of emergencies, and live on the brink of financial insolvency.
- ▶ Nine of 10 low-income households make debt payments a priority, not reporting payments more than 60 days past due.

Getting by on less than a living wage is challenging enough, but, as this study shows, it can be even more difficult when debt is added to the equation. As large as our living wage numbers are, the methodology employed to calculate them does not factor in as a variable debt payments; we examine basic needs only. Debt has become a wide-spread, pervasive and structural phenomenon in the United States, and low-income workers are not exempt.

It is up to Congress and state legislatures to address the pervasiveness of debt and the lack of state investments to help working families by raising the wage floor, strengthening safety net programs, and making investments that help working families thrive.

VIEW NATIONAL FINDINGS & METHODOLOGY

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STATE SUMMARY • MAINE

| STATEWIDE 2014 Monthly Family Budgets | Household 1: Single adult | Household 2: Single adult with a school-age child (age 6-8 years) | Household 3: Single adult with a toddler (12-24 months) and a school-age child (6-8 years) | Household 4: Two adults (one of whom is working) with a toddler and a school-age child | Household 5: Two adults (both of whom are working) with toddler and school-age child |
|--|-------------------------------------|---|--|---|---|
| Food | \$205 | \$391 | \$516 | \$752 | \$752 |
| Housing & utilities | \$686 | \$854 | \$854 | \$854 | \$854 |
| Transportation | \$631 | \$577 | \$577 | \$1,260 | \$1,407 |
| Health care | \$143 | \$344 | \$468 | \$518 | \$518 |
| Household, clothing & personal (18%) | \$416 | \$541 | \$603 | \$846 | \$882 |
| Savings (10%) | \$231 | \$301 | \$335 | \$470 | \$490 |
| Child care | — | \$377 | \$1,031 | — | \$1,031 |
| State/federal taxes (annually) | \$5,159 | \$6,327 | \$7,428 | \$7,019 | \$9,894 |
| Gross income needed (monthly) | \$2,743 | \$3,911 | \$5,003 | \$5,283 | \$3,379* |
| Gross income needed (annually) | \$32,914 | \$46,936 | \$60,032 | \$63,396 | \$40,549* |
| LIVING WAGE (HOURLY) | \$15.82 | \$22.57 | \$28.86 | \$30.48 | \$19.49* |

* Per working adult

DEBT IN MAINE, BY THE NUMBERS

| | | | |
|--|--|---|---|
| \$29,352 | 18% | \$4,797 | 38,000 |
| AVERAGE DEBT AT GRADUATION, 2012 | CHANGE BETWEEN 2008 AND 2012 | AVERAGE CREDIT CARD DEBT, 2013 | POTENTIAL UNINSURED BY LACK OF MEDICAID EXPANSION, 2014 |
| <i>Source: The Project on Student Debt</i> | <i>Source: The Project on Student Debt</i> | <i>Source: TransUnion, as reported by the Washington Post</i> | <i>Source: Henry J. Kaiser Family Foundation</i> |

MAINE'S WORKING FAMILIES NEED A RAISE TO MAKE ENDS MEET

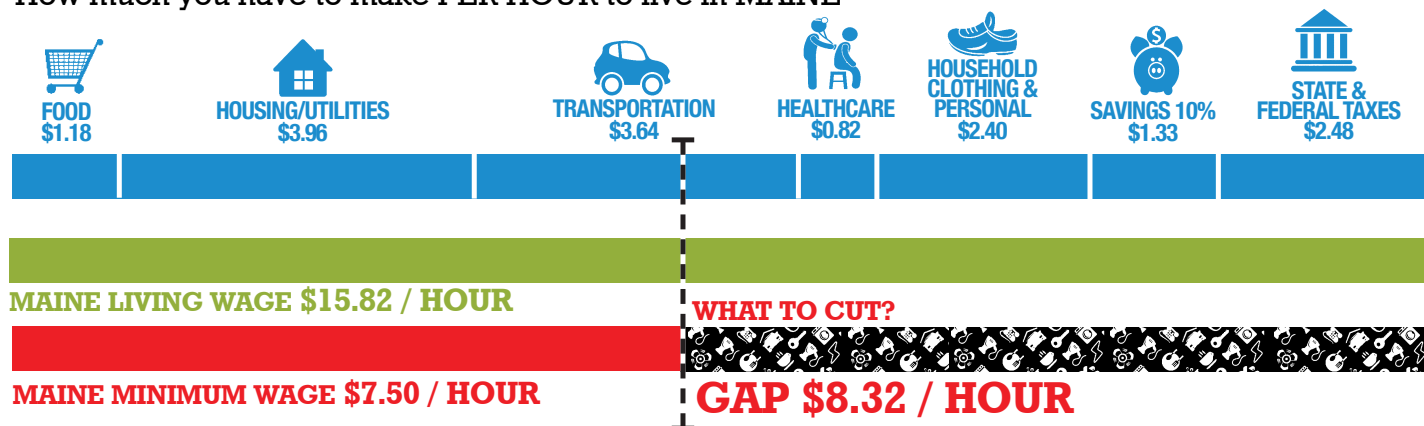
It has been five years since Maine's minimum wage has increased, with inflation steadily eroding its buying power for low-wage workers and their families. The state's minimum wage of \$7.50 provides less than half of the living wage for a single adult, and only a quarter of the wage needed for a single parent with two children to make ends meet.

At the same time, what income increases have occurred have primarily gone to high wage earners, resulting in some of the largest increases in income inequality in the country. Income inequality often means that economic gains go to those at the top, rather than having low-income workers see the full value of their labor.

Workers who must rely on tips to supplement their income face an even more difficult time getting by, as tips earned often only go toward getting their income up to the non-tipped minimum wage, with actual wages

\$15.82 LIVING WAGE for single adult

How much you have to make PER HOUR to live in MAINE



being significantly less. Without addressing income inequality and increasing wages for low-income workers, working families will fall further and further behind.

ADDRESSING INCREASING INCOME INEQUALITY

Income inequality can have significant negative effects on workers and the greater economy. When the wealthy get wealthier but lower- and middle-income workers do not see the same gains, workers may not be benefiting fully from their labor. Additionally, increased income inequality can lead to less stable economies that can “stumble into gridlock” when external shocks occur, arguing over zero-sum politics rather than seeing common ground solutions.¹

Income inequality has been increasing across the United States, but in Maine the growth has been particularly drastic.² A recent study found that out of 357 metropolitan areas, Lewiston-Auburn, ME was in the top ten for increase in income inequality. This measure found a 13.7 percent difference between the increase in average income and median income, which indicates that recent income gains went mainly to people who were already high earners.³

RAISING THE MINIMUM WAGE

At \$7.50, Maine’s minimum wage does not allow workers to support themselves and their families. Working full time, a single adult needs to make \$15.82 per hour to cover basic necessities, more than

twice the minimum wage. For an adult with two children, the living wage rises to almost four times the minimum wage, at \$28.86 per hour. With such a gap between earnings and expenses, many families have to make difficult choices between essentials like food and health care in order to pay the bills.

Maine’s minimum wage rose each year between 2002 and 2009, but has remained stagnant at \$7.50 since. Living expenses, however, have continued to increase since then, which means that \$7.50 covers less and less of workers’ cost of living. The Maine Legislature passed legislation to increase the minimum wage to \$9 per hour by 2016 and include annual increases for inflation thereafter⁴. However, Gov. LePage vetoed the bill.

DON’T LEAVE TIPPED WORKERS BEHIND

Tipped workers in Maine are only required to be paid \$3.75 per hour⁵ — half the non-tipped minimum wage. The remaining \$3.75 is supposed to come from tips, with the employer paying the rest if tips fall short.⁶ However, in practice this is hard to track, and investigations have shown that violations are common.⁷ Additionally, this leaves customers to subsidize the wages of tipped workers, rather than requiring businesses to pay their workers fairly.

Tipped workers are twice as likely to live in poverty compared to non-tipped workers, but in states where servers receive the full minimum wage, poverty rates are much lower.⁸ When the economy is slow or when

weather keeps customers at home, tipped workers see their hours cut and tips shrink, causing many to turn to public support just to stay afloat. Food servers collect food stamps at twice the rate of the U.S. workforce as a whole, and are three times more likely to live below the poverty line.⁹

SOLUTIONS

Working families in Maine need a raise. The state's minimum wage hasn't increased since 2009, leaving workers earning minimum wage worse off than they were 5 years ago. To counter inaction at the state level, the mayor of Portland, Maine, has proposed enacting a citywide minimum wage floor. The initial proposal would increase the minimum wage to \$10.68 by 2017, and tie it to inflation in the future.¹⁰ Proposals like this, as well as action at the state level, would bring workers closer to a living wage and prevent later erosion of buying power from inflation.

Like all workers, tipped workers like servers need wages that allow them to make ends meet, and the current tipped minimum wage falls well short. Rather than relying on customers to pay half of tipped workers' income, the tipped minimum wage should be abolished to put the onus on businesses to ensure their workers are actually earning at least a minimum wage, if not more.

Increasing wages for low-income workers will help to ensure that they are paid fairly for their labor, and that gains from productivity are not concentrated at the top. Additionally, the state must keep rising inequality in mind when considering cuts to programs that low-income families depend on to bridge the gap between wages and the cost of living.

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'FACING MY REMAINING \$17,000 OF STUDENT DEBT WITHOUT A JOB, AT THE AGE OF 36, I MOVED BACK IN WITH MY MOTHER JUST TO HAVE A PLACE TO LIVE.'

I graduated with a degree that I hoped would lead to doing administrative work for non-profits. I worked as security personnel at a hospital while I pursued my degree and became disenchanted with the field after seeing the corruption and abuse that occurred by hospital administrators.

Changing my career trajectory entirely, I worked as a part-time librarian until I learned about opportunities to teach English as a second language, which led to me accepting a position in northern China. The job was a great experience; however, I chose to return home to help my family care for my ailing father and attend to mounting debt back home. As a consequence, I had to accept a position as a car-washer to help make ends meet.

An opportunity for advancement at a growing local marketing firm turned into unemployment, as the managerial position folded. Facing my remaining \$17,000 of student debt without a job, at the age of 36, I moved back in with my mother just to have a place to live. To decrease the financial burden I imposed on my mom, I applied for and began to receive food stamp benefits while I continued to search for jobs.

After eight months of searching for and being rejected for jobs ranging from marketing to working as a janitor, I finally found work with the State of Maine with the Maine Conservation Corps. I now work maintaining the trail ways of Maine's state park system. While the pay is very modest, my room and food expenses will be covered as part of my pay. I don't mind living simply, and, as part of my job, my outstanding student loans will enter forbearance and Maine will assist me in paying them down while I work.

If I hadn't been fortunate enough to find this job with these specific benefits, I know I would still be living with my mother to help lower costs. I can't imagine what I would have done if my mom hadn't been willing to take me back in. Bill collectors don't



stop demanding payment just because you're down on your luck.

I have no idea what people who aren't as fortunate as I am would do if placed in a similar situation.

It's not possible to afford to live on your own in Maine on the minimum wage, even without any sort of loan debt. Our safety net system needs to be improved both here and nationwide. Without my mother being willing to take me in, there is no way I would have been able to make it back onto my feet.

MAINE COUNTIES • 2014 FINDINGS

| ANDROSCOGGIN 2014 Monthly Family Budgets | Household 1: Single adult | Household 2: Single adult with a school-age child (age 6-8 years) | Household 3: Single adult with a toddler (12-24 months) and a school-age child (6-8 years) | Household 4: Two adults (one of whom is working) with a toddler and a school-age child | Household 5: Two adults (both of whom are working) with toddler and school-age child |
|---|-------------------------------------|---|--|---|---|
| Food | \$205 | \$391 | \$516 | \$752 | \$752 |
| Housing & utilities | \$647 | \$841 | \$841 | \$841 | \$841 |
| Transportation | \$631 | \$577 | \$577 | \$1,260 | \$1,407 |
| Health care | \$143 | \$344 | \$468 | \$518 | \$518 |
| Household, clothing & personal (18%) | \$406 | \$538 | \$600 | \$842 | \$879 |
| Savings (10%) | \$226 | \$299 | \$333 | \$468 | \$488 |
| Child care | — | \$370 | \$966 | — | \$966 |
| State/federal taxes (annually) | \$4,957 | \$6,236 | \$7,110 | \$6,957 | \$9,581 |
| Gross income needed (monthly) | \$2,671 | \$3,878 | \$4,892 | \$5,260 | \$3,324* |
| Gross income needed (annually) | \$32,049 | \$46,541 | \$58,707 | \$63,116 | \$39,889* |
| LIVING WAGE (HOURLY) | \$15.41 | \$22.38 | \$28.22 | \$30.34 | \$19.18* |

| CUMBERLAND 2014 Monthly Family Budgets | Household 1: Single adult | Household 2: Single adult with a school-age child (age 6-8 years) | Household 3: Single adult with a toddler (12-24 months) and a school-age child (6-8 years) | Household 4: Two adults (one of whom is working) with a toddler and a school-age child | Household 5: Two adults (both of whom are working) with toddler and school-age child |
|---|-------------------------------------|---|--|---|---|
| Food | \$205 | \$391 | \$516 | \$752 | \$752 |
| Housing & utilities | \$805 | \$1,001 | \$1,001 | \$1,001 | \$1,001 |
| Transportation | \$631 | \$577 | \$577 | \$1,260 | \$1,407 |
| Health care | \$143 | \$344 | \$468 | \$518 | \$518 |
| Household, clothing & personal (18%) | \$446 | \$578 | \$640 | \$883 | \$919 |
| Savings (10%) | \$248 | \$321 | \$356 | \$490 | \$511 |
| Child care | — | \$431 | \$1,233 | — | \$1,233 |
| State/federal taxes (annually) | \$5,732 | \$7,352 | \$9,258 | \$9,808 | \$11,384 |
| Gross income needed (monthly) | \$2,956 | \$4,256 | \$5,562 | \$5,720 | \$3,644* |
| Gross income needed (annually) | \$35,466 | \$51,071 | \$66,739 | \$68,641 | \$43,733* |
| LIVING WAGE (HOURLY) | \$17.05 | \$24.55 | \$32.09 | \$33.00 | \$21.03* |

* Per working adult

MAINE COUNTIES • 2014 FINDINGS

| LINCOLN 2014 Monthly Family Budgets | Household 1: Single adult | Household 2: Single adult with a school-age child (age 6-8 years) | Household 3: Single adult with a toddler (12-24 months) and a school-age child (6-8 years) | Household 4: Two adults (one of whom is working) with a toddler and a school-age child | Household 5: Two adults (both of whom are working) with toddler and school-age child |
|--|-------------------------------------|---|--|---|---|
| Food | \$205 | \$391 | \$516 | \$752 | \$752 |
| Housing & utilities | \$739 | \$928 | \$928 | \$928 | \$928 |
| Transportation | \$631 | \$577 | \$577 | \$1,260 | \$1,407 |
| Health care | \$143 | \$344 | \$468 | \$518 | \$518 |
| Household, clothing & personal (18%) | \$429 | \$560 | \$622 | \$864 | \$901 |
| Savings (10%) | \$239 | \$311 | \$346 | \$480 | \$501 |
| Child care | — | \$415 | \$1,043 | — | \$1,043 |
| State/federal taxes (annually) | \$5,411 | \$6,871 | \$7,843 | \$7,379 | \$10,314 |
| Gross income needed (monthly) | \$2,836 | \$4,097 | \$5,152 | \$5,416 | \$3,454* |
| Gross income needed (annually) | \$34,036 | \$49,169 | \$61,823 | \$64,988 | \$41,447* |
| LIVING WAGE (HOURLY) | \$16.36 | \$23.64 | \$29.72 | \$31.24 | \$19.93* |

| PENOBSCOT 2014 Monthly Family Budgets | Household 1: Single adult | Household 2: Single adult with a school-age child (age 6-8 years) | Household 3: Single adult with a toddler (12-24 months) and a school-age child (6-8 years) | Household 4: Two adults (one of whom is working) with a toddler and a school-age child | Household 5: Two adults (both of whom are working) with toddler and school-age child |
|--|-------------------------------------|---|--|---|---|
| Food | \$205 | \$391 | \$516 | \$752 | \$752 |
| Housing & utilities | \$635 | \$782 | \$782 | \$782 | \$782 |
| Transportation | \$631 | \$577 | \$577 | \$1,260 | \$1,407 |
| Health care | \$143 | \$344 | \$468 | \$518 | \$518 |
| Household, clothing & personal (18%) | \$403 | \$523 | \$585 | \$828 | \$864 |
| Savings (10%) | \$224 | \$291 | \$325 | \$460 | \$480 |
| Child care | — | \$370 | \$983 | — | \$983 |
| State/federal taxes (annually) | \$4,899 | \$5,933 | \$6,881 | \$8,323 | \$9,347 |
| Gross income needed (monthly) | \$2,649 | \$3,771 | \$4,809 | \$5,292 | \$3,282* |
| Gross income needed (annually) | \$31,791 | \$45,258 | \$57,706 | \$63,502 | \$39,386* |
| LIVING WAGE (HOURLY) | \$15.28 | \$21.76 | \$27.74 | \$30.53 | \$18.94* |

* Per working adult

