On April 24, 1964, the day President Lyndon Johnson declared war on poverty, he was photographed with Tom Fletcher’s family on the porch of their home in Martin County. That image, which appeared in newspapers across the country, became an icon of the 1960s’ efforts to eradicate poverty. In his declaration, Johnson stated that his administration was “just not willing to accept the necessity of poverty.” They would fight poverty, he stated, “in all its forms, in all its causes, and we intend to drive it underground and win that war.”

At the time, Martin County epitomized much of what indigent communities suffered from: isolation, poor education, lack of employment, and, of course, very low incomes. The county’s per capita personal income was about 35 percent of the national average. Today, although its poverty rate is less extreme than it was in the 1960s, Martin County is still one of the poorest in the United States and continues to face many of its historical challenges.

In the early 1800s, settlers migrated from the Virginias and Carolinas to settle a remote, desolate wilderness in eastern Kentucky. They farmed the land and built schoolhouses in hopes of sustaining a prosperous life in the mountainous area. Traders ferried goods to the settlers by way of the Tug Fork of the Big Sandy River. In 1870, settlers lobbied the Kentucky state legislature to establish Martin County, named for Congressman James P. Martin, a native of Prestonsburg.
Located in far eastern Kentucky, Martin County is part of the federally designated Appalachian region; it is bordered by Johnson, Floyd, Pike, and Lawrence counties. The city of Inez is the current county seat. The county’s remoteness, mountainous topography, and inadequate infrastructure isolate residents from each other and from the surrounding communities and resources. Though Martin County’s elevation is not particularly high (it ranges from 550 to 1,606 feet above sea level), little flat land exists in the extremely rocky area, making development difficult. Streams and tributaries of the Tug Fork River run through the narrow valleys, called “hollers,” that mark the landscape in Martin County. Much of the lower-lying area, found mostly at the base of these narrow valleys, is prone to flooding.

Martin County’s population of approximately 12,600 is clustered in many very small communities, each made up of several dozen to several hundred people. Unlike many rural counties, Martin County has not suffered significant population loss. (See Table 1) Between 1970 and 2000, its population grew from 9,377 to 12,578, although 2005 estimates show a slight decline, to 12,215, since 2000. Racially, Martin County is almost entirely white (98.9 percent).

### Table 1

<table>
<thead>
<tr>
<th>Comparison Statistics</th>
<th>Martin County</th>
<th>Kentucky non-metro</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Poverty Rate</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty rate 1970</td>
<td>55.9</td>
<td>33.9</td>
</tr>
<tr>
<td>Poverty rate 2000</td>
<td>37.0</td>
<td>21.1</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median household income</td>
<td>$18,279</td>
<td>$27,275</td>
</tr>
<tr>
<td><strong>Demographics</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population 2000</td>
<td>12,578</td>
<td>1,756,697</td>
</tr>
<tr>
<td>% Population change, 1970 - 2000</td>
<td>34.1</td>
<td>26.3</td>
</tr>
<tr>
<td>Racial/ethnic composition, 2000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% White</td>
<td>98.9</td>
<td>94.6</td>
</tr>
<tr>
<td>% Hispanic/Latino</td>
<td>0.3</td>
<td>0.9</td>
</tr>
<tr>
<td>% Black/African-American</td>
<td>0.1</td>
<td>3.3</td>
</tr>
<tr>
<td>% Residents under age 18</td>
<td>28.1</td>
<td>24.1</td>
</tr>
<tr>
<td>% Single-parent households</td>
<td>13.6</td>
<td>8.1</td>
</tr>
<tr>
<td>% Foreign born, 2000</td>
<td>0.1</td>
<td>0.9</td>
</tr>
<tr>
<td>% Population in same house as five years ago</td>
<td>69.2</td>
<td>60.8</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Adults without a high school diploma, 2000</td>
<td>46.0</td>
<td>34.2</td>
</tr>
<tr>
<td>% Adults with a college degree, 2000</td>
<td>9.0</td>
<td>11.3</td>
</tr>
<tr>
<td>% Students proficient in reading, 2005</td>
<td>22.5</td>
<td>57.0</td>
</tr>
<tr>
<td>% Students proficient in math, 2005</td>
<td>29.1</td>
<td>71.9</td>
</tr>
<tr>
<td><strong>Labor Market</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment rate, 2000</td>
<td>12.8</td>
<td>7.0</td>
</tr>
<tr>
<td>% Adults in the labor force</td>
<td>37.4</td>
<td>54.6</td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homeownership rate, 2000</td>
<td>79.4</td>
<td>75.2</td>
</tr>
<tr>
<td>% Renters with a housing cost burden</td>
<td>46.3</td>
<td>37.7</td>
</tr>
<tr>
<td>Median value for owner-occupied units</td>
<td>$62,100</td>
<td>$66,911</td>
</tr>
<tr>
<td>Median year structure built</td>
<td>1980</td>
<td>1977</td>
</tr>
<tr>
<td><strong>Access to Credit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Credit files that are thin, 2004</td>
<td>22.8</td>
<td>19.6</td>
</tr>
<tr>
<td>% Credit files with high credit scores</td>
<td>48.3</td>
<td>53.0</td>
</tr>
<tr>
<td>% Mortgage originations that are high cost, 2005</td>
<td>46.9</td>
<td>32.4</td>
</tr>
<tr>
<td>Mortgage denial rate, 2005</td>
<td>43.0</td>
<td>29.0</td>
</tr>
</tbody>
</table>
over this period, albeit from a very small base (from 5,370 to 15,784).

Martin County flourished in the 1970s because of increased coal production and skyrocketing coal prices. By 1980, per capita personal income had increased to 80 percent of the national average, up 46 percent from 1970. New businesses opened in Inez and roads were improved, accommodating greater travel into and out of the county. As a result, Martin County experienced a decline in its poverty rate from 56 percent in 1970 to 27 percent by 1980. (See Figure 1)

The county’s relative prosperity was short-lived, however. Along with a national recession, the 1980s brought a near-collapse of the coal industry, undoing much of the previous decade’s economic growth. Businesses in Inez began to close, coal production slowed, and unemployment rose steadily. By 2000, the county’s per capita income had dropped to roughly 55 percent of the national average, and the poverty rate had risen to 37 percent. More than half (53.3 percent) of its households had incomes of less than $20,000, and about 30 percent of its households had incomes of less than $10,000.

Economically, Martin County still relies heavily on coal production. In 2004, 40 percent of the county’s wage income came from mining. As illustrated in Figure 2, the number of jobs and the total volume of coal production in eastern Kentucky have been decreasing steadily. In addition, advances in technology have led to greater coal production with less labor. As a result, the productivity of eastern Kentucky’s mines reached an all-time high in 2000 of 3.86 tons per miner per hour, more than double the 1981 rate of 1.76 tons per miner per hour.

**ISSUES TO CONSIDER**

A number of interconnected, complex issues affect Martin County residents’ ability to move out of poverty. Apart from the declining coal industry, Martin County residents have extremely limited employment options, and many lack the skills and training to find and keep the jobs that are available. The effects of multigenerational poverty also loom large; many residents are the second or third
generation in their families to be on welfare. In addition, the county’s remote location means that many residents feel cut off from opportunities that exist in the wider region.

The Scarcity of Good Full-Time Jobs

As noted earlier, Martin County’s economy is still driven largely by coal production, yet today only 20 percent of employed residents work in the natural resources and mining sector. Consider that less than 30 years ago, in 1980, when mining employment peaked, half of the county’s employed adults worked in that sector. Indeed, the county has experienced a decline of nearly 400 jobs since 2003, mostly in the natural resources and mining sector.\[11\] Only two areas, both service related, showed employment growth between 2001 and 2005.\[12\]

As the mining sector’s share of jobs has decreased, jobs in service industries and in trade, transportation, and utilities have risen in prominence. In 2000, the largest proportion (27 percent) of employed county residents worked in schools, the home healthcare industry, clinics or doctors’ offices, and child-care facilities, followed by 25 percent in trade, transportation, and utilities. This shift has meant a decline in average wages. In 2000, for example, mining jobs paid an average annual wage of about $58,800, compared with $16,140 for service-sector jobs.\[13\]

Unlike many other non-metropolitan Kentucky counties, where manufacturing accounts for nearly 20 percent of jobs, Martin County’s manufacturing accounts for only about 4 percent of employment opportunities. In most cases, jobs lie outside Martin County. As one resident said, “If you want a good [paying] job, you have to go somewhere else.” The opening of a new federal prison in 2001 raised hopes for new jobs, but only a few of the prison’s 400 positions went to county residents. Some were new hires who lived in the region, but many were already prison employees who were transferred from other facilities and settled in surrounding counties. “I’m sure less than 10 percent of all [prison] employees are actually from Martin County,” noted one economic development stakeholder.

Ready and Able Workforce

Martin County unemployment rates are higher than in other parts of the state, reflecting in part the lack of a broad range of employment opportunities. In 2000, 13 percent of the labor force in Martin County was unemployed, compared with 7 percent unemployment in all of Kentucky’s non-metro counties and 6 percent statewide.

Even more striking, however, is the extremely low labor-force participation rate in Martin County. In 2000, only 37 percent of the population age 16 and over participated in the labor force. This is significantly lower than the labor-force participation rates in non-metro counties in Kentucky (55 percent) and in the state (61 percent).

One reason for these low labor-force participation rates is the high rate of disability affecting the Martin County workforce. (See Figure 3) Although having a disability does not preclude individuals from holding a job, it does make them less likely to be employed or participate in the labor force and more likely to have lower incomes,
receive income through government assistance programs, and live in poverty. In 2000, nearly 44 percent of the county’s working-age males (16 to 64 years old) had a disability; of those, just 16 percent were employed. Thirty-five percent of the county’s working-age females were disabled and, like their male counterparts, only 16 percent of the disabled were employed. Nationally, the counties with the highest disability rates were concentrated in the coal mining areas of Kentucky, West Virginia, and Virginia, according to a 2003 Census Bureau report. Martin County also had a comparatively high number of workers’ compensation claims from non-fatal occupational injuries (229), representing approximately 2 percent of its population, a higher rate than any of the surrounding counties and more than double Kentucky’s rate (0.9 percent).

Health issues are also a concern. Regional data show a high incidence of chronic disease as well as behavioral risk factors that contribute to the onset of illness. Thirty-seven percent of residents in the Big Sandy Area Development District (BSADD)—composed of Martin and the nearby counties of Johnson, Floyd, Pike, and Magoffin—characterize their general health as fair or poor, compared with 24 percent in Kentucky and about 15 percent nationally. The incidence of some chronic illnesses is also higher for residents of the district. Approximately 13 percent of them report suffering from asthma and 10 percent with diabetes, higher than the percentages in Kentucky (9.5 percent asthma and 7 percent diabetes) and national figures (7.5 percent asthma and 6.8 percent diabetes).

Overall educational attainment is lower in Martin County than in non-metro counties across Kentucky, further limiting employability. Nearly half of Martin County residents aged 25 and older lack a high school diploma, compared with 34 percent of the state’s non-metro counties. Only 9 percent of Martin County residents hold a bachelor’s degree. At the elementary and secondary levels, the county ranks at or below average on several tests: No Child Left Behind, Commonwealth Accountability Test, and national-norm-referenced instruments such as the California Test of Basic Skills. The county met only six of 13 goals under No Child Left Behind. All the surrounding counties met 11 or more goals.

Recent increases in drug activity in the county may be exacerbating employment difficulties. One stakeholder believes that greater emphasis on workplace drug testing in mining and the service sector has led to many job applicants failing the required tests. Drug arrests in Martin County rose from three per 1,000 persons in 2003 to 14 per 1,000 persons in 2005. Over this three-year period, the incidence of drug offenses increased more in Martin County than in the surrounding region. Although the increase in drug arrests may result from regional initiatives’ tougher enforcement standards, some of the county’s residents perceive an escalating prescription drug problem. One resident commented, “Almost every week since January, somebody’s died of a drug overdose in this county.”

Efforts to help connect Martin County residents to jobs are under way, but their scale is limited. Training and development for the county’s workforce is provided by two agencies: the Big Sandy Community Action Partnership and the Kentucky State Office of Employment and Training. The latter provides assistance through a program called Kentucky Works. As of April 2007, 60 residents were involved in that program, which engages individuals in group job searches and work-readiness activities. The success rate among the Martin County participants, however, has been low. Since 2005, just three of them have been placed in permanent employment.

**Isolation and Multigenerational Poverty**

The county’s topography is partly responsible for its limited development opportunities. The mountains, coupled with the area’s many streams and other waterways, make site preparation for facilities costly. Denise Thomas, a community and economic development associate with the Big Sandy Area Development District, noted that developable land is limited “just by the nature of the terrain.” In addition, much of the county is only indirectly accessible from the two main roadways and lies on land that cannot be reached by public water and sewage lines. The scarcity of developable land and the lack of infrastructure also hamper new housing construction. “One thing that’s happened to us in Martin County is that access to utilities has prevented a lot of development,” observed Eric Ratliff, a housing planner with Mountain Housing Corporation.

The county’s mountainous topography also serves to isolate residents physically. Few roads connect Martin County with surrounding communities, limiting the flow of people into and out of the county and contributing to residents’ overall sense of disconnection from the world outside. “Kids grow up and they have not been out of Martin County to see what life is like,” noted Phyllis
Vanhoose, community services coordinator for Big Sandy Community Action Program. They just grow up and follow in their parents' footsteps. I see a lot of [families with] three generations coming in here for the same thing—they need more exposure to different ways of life. Some residents believe the extension of State Route 645 across Martin County into West Virginia, currently under way, will help increase the county's exposure and accessibility.

The county has few of the amenities that might attract outsiders. Its restaurants and small, locally owned retail business are mostly clustered in and around the towns of Inez and Warfield. Sit-down dining choices are extremely limited. The shopping landscape includes three grocery stores, a few convenience stores, dollar stores, a video store, and a hardware store; there are no department or clothing stores. Many residents said they use facilities and businesses outside the county for their shopping, entertainment, and recreational needs. “You have to go outside Martin...[we] go to Wal-Mart in Paintsville for stuff,” explained one married female resident. “We feel like we're the forgotten county,” noted another resident. Community leaders hope that such feelings of isolation may be mitigated by the amenities available in the new Roy F. Collier Community Center in Inez. The center, which provides a state-of-the-art movie theater, fitness center, children's indoor play area, and a venue for residents' entertainment, is also attracting regional users.

In 2000, roughly 70 percent of Martin County residents five years of age and older were living in the same house they'd occupied in 1995; 89 percent had been living in the county since then. This lack of mobility—coupled with the scarcity of jobs for lower-skill residents—has contributed to the perception that poverty is a “fact of life” in the county.

While little data exist to show how many successive generations are trapped in poverty, anecdotal evidence from stakeholders and residents indicates that multigenerational poverty is an important issue. “Growing up here there's always been poverty,” noted Christi Kirk, executive director of the Martin County Economic Development Authority. “You'll find there are certain families [where] nothing has changed."

“It's generational,” added Phyllis Vanhoose. “[There's a perception that] 'Mommy and daddy got by without working so I can get by without working.' We have a lot

Mountainous topography and a paucity of roads leading into and out of Martin County contribute to residents' sense of isolation.
of people who come in here who are 18 to, let’s say, 30 who have zero income, who receive food stamps. We give them assistance to heat their house; they just live like that.”26 Anecdotal information also suggests that members of extended families depend on each other for financial support. As one resident admitted, “My mama and [family] they do help pay my bills, but I feel guilty for what I take from them.”

Dependency on social welfare programs is high in the county. Forty-eight percent of its households report no earned income, compared with 33 percent for rural Kentucky. Almost 13 percent of the county’s households receive public assistance income and 19 percent receive supplemental security income (SSI). By comparison, just under 4 percent of all Kentucky households receive income from public assistance. Nearly 50 percent of county residents are eligible for Medicaid benefits, compared with about 21 percent in the state.27 Thirty percent of county residents received food stamps in 2002, compared with 20 percent in the non-metro counties and 11 percent statewide.28

The issues of welfare dependency and overcoming multigenerational poverty were raised in interviews. “I think a lot of people are used to [poverty] and they’re comfortable with it,” observed Denise Stepp, coordinator of the Warfield Elementary School’s Family Resource Center. “It’s like they’re comfortable where they’re at. They’re satisfied with drawing welfare. I don’t know how to break that cycle.”29

The combined lack of opportunity and hope also manifests itself in residents’ limited participation in community activities. “Most people are just not active in the community. So how do you gauge what people want and what people need if they’re not active, if they don’t talk, if they don’t look for options and all of these things? They just stay where they are and just continue down their little road and nothing ever changes,” stated Kirk.30 At least one resident saw a distressing lack of dreams and aspirations among the county’s residents to live beyond what they have experienced their entire lives. “Where are Martin County’s poets, writers, artisans, and musicians?” lamented longtime resident Linda Booth.31 “I can’t believe God distributed talent based on geography.”

### Housing and Asset Development

Unlike several of the urban communities described in this report, Martin County’s housing and credit issues revolve around a preponderance of mobile housing units, rather than a high proportion of publicly subsidized rental housing. Indeed, most of the county’s households (79.4 percent) own their homes—a larger percentage than the non-metro counties of Kentucky (75.2 percent) and the state (70.8 percent). Nearly 40 percent of these Martin County homes are mobile, or manufactured, homes.32 Despite a longstanding negative perception, mobile homes can offer an affordable means of homeownership to many low-income rural families.33

In fact, most of the homeowners in Martin County do not carry a mortgage. According to the 2000 census, about 68 percent of the county’s residents owned their homes outright, a substantially higher rate than that of the region (57 percent). According to HMDA data, Martin County residents who wish to finance the purchase of a home appear to have access to credit. They tend to request loans for mobile homes more often than residents in Kentucky’s non-metro counties as a whole. In 2005, there were 458 home loan applications in the county: 59 percent of them for one- to four-family houses and 41 percent for manufactured housing. In contrast, 85 percent of the home loan applications in the non-metro counties of Kentucky were for one- to four-family houses and only 15 percent were for manufactured housing. In Martin County, more than half the applications for mortgage loans for manufactured housing (54 percent) were denied; of the loans that were originated, two-thirds were high cost.34 (Results do not reflect lending activity for Martin County’s two local financial institutions, since neither financed any loans reportable under the Home Mortgage Disclosure Act for this period.) Curiously, of the county’s successful applicants for manufactured housing loans, almost 19 percent did not take the loans after being approved by the lending institutions.35

Martin County residents enjoy relatively good access to financial services. Two local financial institutions—Inez Deposit Bank and Family Savings Bank—provide Martin County residents with access to a range of additional financial services. H&R Block also operates a facility in Inez. No credit unions or check-cashing establishments are located in the county.

### CONCLUSION

The ongoing challenge for Martin County is to find ways to expand its economy. Coal production, though declining overall, continues to drive the economy. “We try to expand,
but it's harder than you think," noted one business leader. "[We've] got the crutch of coal to rely upon."

The state government is using the coal severance and non-coal mineral reimbursement tax to try to redirect some coal income to projects that diversify Kentucky's economy. Under this program, a portion of tax dollars paid to the state for extracting coal and non-coal minerals is returned to the producing counties to help diversify their economies. Martin County averages $4.4 million a year in allocated coal and mineral tax dollars. Its recent purchases and projects financed with coal severance tax dollars include new fire trucks, sewer improvements, and construction of a community center, public library, health-care clinic, and substance abuse center for women.

The Big Sandy Area Development District has also designed a comprehensive regional strategy for economic development in 2006. It includes several of Martin County's projects, such as sewer and water extensions, roadway improvements, office building construction, and fire safety enhancements. The county has also received help from the Appalachian Regional Commission, which is charged with assisting economic and social development in the impoverished rural areas of Appalachia. From 1966 to 2006, the commission awarded Martin County $2.3 million for development projects, most of which was spent on water and sewer infrastructure, followed by health, housing, and economic development. More important, these funds leveraged an additional $22.8 million for the county in federal, state, and local funds.

Still, a comprehensive strategy for economic development and alleviating poverty there remains elusive. As in President Johnson's day, Martin County remains one of the poorest areas in Appalachia and one of the poorest counties in the nation.

This case study was prepared by Jeff Gatica, senior community affairs advisor, Federal Reserve Bank of Cleveland.

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Endnotes


8 Jill Riepenhoff, "Homeward Bound Columbus Native Plants Roots in Birthplace of 'War on Poverty,'" Columbus Dispatch, September 26, 1999, 10A.


12 Kentucky Education Cabinet, Office of Employment and Training, May 14, 2007. Education and health services, not including public education, increased by 60 jobs. Leisure and hospitality employment increased by 40.

13 Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce, Tables CA25 and CA05.


18 CDC Behavioral Risk Factor Surveillance System (BRFSS) Report, 2004 (accessed online at the Kentucky Cabinet for Health and Family Services).


20 In April 2003, Operation UNITE (Unlawful Narcotics Investigations, Treatment and Education) was launched to address drug issues in several Kentucky counties, including Martin. UNITE works to rid communities of illegal drug activity through undercover drug investigations, provides support for substance abusers and their...
families, and educates the public about the dangers of drug use (more information available at http://www.operationunite.org).

21 Office of Employment and Training, Kentucky Works Program.

22 Denise Thomas, Community and Economic Development Associate, Big Sandy Area Development District. Personal interview in Martin County, February 14, 2007.

23 Eric Ratliff, Housing Planner, Mountain Housing Corporation. Personal interview in Martin County, February 14, 2007.


25 Christi Kirk, Executive Director, Martin County Economic Development Authority. Personal interview in Martin County, February 14, 2007.

26 Phyllis Vanhoose, Community Services Coordinator, Big Sandy Community Action Partnership. Personal interview in Martin County, January 9, 2007.

27 Kentucky Cabinet for Health and Family Services, 2002 County Health and Social Indicators.

28 Kentucky Cabinet for Health and Family Services, 2002 County Health and Social Indicators.


30 Christi Kirk, Executive Director, Martin County Economic Development Authority. Personal interview in Martin County, February 14, 2007.

31 Linda Booth, Resident. Personal interview in Martin County, January 2007.

32 By comparison, just over two-thirds (67.9 percent) of the housing stock is single-family homes in the other non-metro counties and nearly one-quarter (22.9 percent) is mobile homes. Similarly, single-family homes comprise 68 percent of the housing stock in the state of Kentucky, while mobile homes comprise a smaller percentage (14.1 percent) of the housing stock.


34 The number of originations for manufactured housing in Martin County was 24.

35 2005 Home Mortgage Disclosure Act data.

36 Two specific programs—the Local Government Economic Development Fund (LGEDF) and the Local Government Economic Assistance Fund (LGEAF)—allocate a portion of state-collected coal severance tax dollars back to the producing counties.

37 Kentucky Governor’s Office for Local Development.

