

**Access to
Education and
Good Jobs:
The Way Life
Should Be
in Maine**

MECEP

Maine
Center for
Economic
Policy

Frank O' Hara
Lisa Pohlmann



MECEP

The Maine Center for Economic Policy is an independent, nonpartisan research organization. Our mission is to advance public policy solutions to achieve a prosperous, fair, and sustainable economy. Our primary topic areas are fair budgets and taxes, livable wages and family support, affordable health care, and sustainable development. MECEP is one of twenty-eight state groups funded through the State Fiscal Analysis Initiative. The SFAI is funded by the Ford, Charles Stewart Mott, Annie E. Casey and Stoneman Family Foundations and the Open Society Institute.

MECEP Board of Directors

Kate Dempsey, The Nature Conservancy,
Maine Chapter

Carla Dickstein, Coastal Enterprises, Inc.

Daryl Fort, Office of Governor Baldacci

Nancy Fritz, Coastal Community Action Program

Eleanor Goldberg, Maine Alzheimer's Association

Susan Hammond, Four Directions Development Corp.

Michael Hillard, University of Southern Maine

Sherry Huber, Maine Tree Foundation

William Knowles, Retired Bank CEO

Esther Lacognata, Development Consultant

Kevin Mattson, Harper's Development

Ken Morgan, Maine AFL-CIO

Fred Pease, Retired Minister

Kay Rand, BSSN Resources

Barbara Reinertsen, United Way of Mid Coast Maine

Peter Schwindt, Retired Businessman

Joan Sturmthal, Civil Liberties Advocate

David Vail, Bowdoin College

Elizabeth Ward Saxl, Maine Coalition Against
Sexual Assault

Lee Webb, Margaret Chase Smith Center,
University of Maine

Sam Zaitlin, Consultant

MECEP Staff

Christopher St.John, Executive Director

Lisa Pohlmann, Associate Director

Denis Thoet, Development Director

Judy Ward, Administrative Assistant

The cover of this report is printed on Strathmore Grandee 80 lb. Cover, a sheet with the highest available quality of recycled fibers and 20% post-consumer waste paper. The inside pages are printed on Astrolite PC 100, 70 lb. Text, a 100% recycled process chlorine-free sheet containing 75% post-consumer waste paper.

About the Authors

Frank O'Hara is the Vice President and co-owner of Planning Decisions, specializing in strategic planning, community and economic development, labor policy, and public communication. Lisa Pohlmann is Associate Director of the Maine Center for Economic Policy. She has written on welfare, health care, direct care workers in long-term care, and livable wages.

About the Working Poor Families Project

This report is part of a national, multi-state effort called the Working Poor Families Project. The project is funded by the Annie E. Casey, Ford and Rockefeller Foundations. MECEP is grateful to the Annie E. Casey Foundation for its support for our Maine report.

The project, involving 15 states to date, supports local organizations to assess state policies and programs that help low-income families reach economic self-sufficiency. The project is managed by Brandon Roberts + Associates and consists of a team of Brandon Roberts, Andrew Reamer and Steve Ressler. Kerri Rivers and Jean D'Amico of the Population Reference Bureau conducted the analysis of U.S. Census data.

© Access to Education and Good Jobs: The Way Life Should Be in Maine

October 2004

Maine Center for Economic Policy

P.O. Box 437 - 124 Sewall Street

Augusta, ME 04332

Tel: 207-622-7381 - Fax: 207-622-0239

info@mecep.org - www.mecep.org

Executive Summary

Maine is on an economic roller coaster. In the 1980s the economy boomed; we moved ahead in per capita income, and it seemed we had left the stagnant days of the past behind. Then the bottom fell out in the early 1990s and Maine slipped back in national rankings. Maine grew faster than other states in the late 1990s; it seemed that the “new economy” was at hand, but then we slipped again in rankings of good jobs and income.

How do we get off the roller coaster? How does Maine step out of this economic cycle and make long-term progress? And, in particular, how can we help Maine’s many low-income working families get ahead?

There are three kinds of state public policies that can help:

- 1) Creating education and training programs that are accessible, affordable, and relevant.
- 2) Using employment policies to encourage education and economic stability.
- 3) Raising the wages of Maine workers through tax, income, and benefit strategies.

But how can Maine afford to do innovative public policies? We’re too poor, right? This is where the problem lies more in our heads than in our wallets. The boom-bust economic cycle is fed by attitudes that say, “The economy is out of our control, there’s nothing we can do about it, just enjoy the good times and grit your teeth through the bad.” We argue for a different posture.

We argue that Maine can undertake a systematic investment effort to raise education and income levels over the long term, and to get the state off of the up-down roller coaster ride. We are not the first to make this argument. The Maine Compact for Higher Education has put forward a convincing case and a powerful program to dramatically raise education levels in Maine in the next 15 years. The *30 and 1000* report of the Maine State Planning Office makes a strong case for greatly increasing research and development in Maine. This report echoes their concerns and fills in some of the short-term details, with a special focus on low-income working families.

So where is Maine today?

Many Maine families with working parents are not making ends meet. One in four working families does not earn enough to pay for basic housing, transportation, education, and food. Our economy is not creating and maintaining enough good paying jobs.

National figures show that the more education you have, the more money you make. Maine has the highest rate of high school graduation in the country, but we are well below the national average in the proportion of adults with a four-year college education. Not enough students go to college; not enough stay in college once they go; not enough go back when they're older. One major problem is that public higher education costs so much in Maine. The National Center for Public Policy and Higher Education estimates that if you are in the 40% of the population with the lowest incomes in Maine—precisely the group in the most need of higher education—it will cost you 50% of your income *after financial aid is factored in* to pay tuition, room and board at Maine's public four-year colleges. The Center gives Maine a grade of "F" for college affordability.¹

There has been some economic progress in Maine in recent years, but it has been uneven. Rural counties have lost jobs and people. People with disabilities are not fully participating in the workforce. The gap between rich and poor is growing. Maine women make three-quarters of what men earn for jobs that require the same level of skill, effort and responsibility. Almost one in four Maine workers are dissatisfied; 5% are unemployed, and another 17% want another job.

Maine employers can do more to help. Jobs should pay more—one in four jobs don't pay enough to keep a family of four above the poverty level. Over half of our jobs have no pensions. Over 40% of our jobs provide no sick leave. And government can do more as well. Currently state and local government taxes take 25 cents out of every dollar earned by a low-income working Mainer, and only 9 cents out of every dollar earned by the highest-income Maine residents. We need to level the playing field.

These facts are explained further in the report that follows. In addition, throughout the text, there are stories of successful programs already in existence in Maine, and some ideas for what public policy can do to help further. These recommendations are not exhaustive, nor are

they definitive; they are intended to provoke thinking and discussion. The answer does not lie in any one sector or program. Education and training providers, economic development programs, employers, and policymakers all have a role in helping low-income working families succeed and contribute to a Maine that has long-term stability and success.

Below is a summary of the recommendations made in the report.

Education Recommendations:

1. Maine should implement the action strategies in the Maine Compact for Higher Education report *Greater Expectations*, which include scholarship funding and transitional support for low-income adult workers seeking postsecondary education.
2. Maine should re-evaluate its Workforce Investment Act priorities and leverage opportunities in order to provide additional training funds to low-income workers.
3. The CareerCenters should ensure that their clients who are low-income workers are fully informed of all state assistance programs that could help support their educational goals.
4. Maine should provide more state funding for direct training and supportive services for low-income workers.
5. Maine's workforce development systems should better coordinate with adult education and Maine Centers for Women, Work and Community, and the state should adequately fund them.
6. Maine should develop a uniform procedure for measuring training participants' outcomes in order to hold the University and Community College Systems, Workforce Investment Act programs, and other public workforce development programs accountable for helping participants achieve economic self-sufficiency.
7. The Parents as Scholars program should be expanded to serve low-income working families up to 200% of the federal poverty level.

8. The Governor's Workforce Cabinet should develop a strategy to better coordinate course offerings, credits, and access points among Maine's education and training providers in order to improve the prospects for low-income workers to achieve their educational objectives and to ensure that quality employers have the workforce that they need.

Economic Development Recommendation:

Maine's state economic development system should set a goal to help low-income working families achieve economic self-sufficiency. A targeted strategy and an accountability system to monitor program outcomes are needed to implement this goal.

Work Support Recommendations:

1. Maine should adapt Unemployment Insurance to facilitate worker training and make UI more flexible to help workers gain college degrees.
2. Maine should increase state funding for child care and advocate for increases in federal funding for child care to meet the needs of all eligible families who seek assistance.
3. Maine should implement a pro-family law requiring employers to provide paid sick leave to their employees.
4. Maine should level the playing field for working families by expanding the State Earned Income Tax Credit and by making it refundable. Maine should also support outreach efforts that help more eligible families access the federal EITC.
5. Maine should peg its minimum wage to inflation and raise it on a regular schedule.
6. Maine should move towards a livable wage standard for state contractors and provide enough funding for workers who are paid with public funds to earn a livable wage.
7. Maine should educate employers about its pay equity law and streamline the process of complaint for employees.

Chapter 1: Helping the Maine Economy to Work

In the late 1990s, not long after starting his bakery in the basement of the Pine Cone Restaurant in Waldoboro, owner Jim Amaral made a fateful decision. He decided to pay his bakery workers \$8 an hour rather than the minimum, \$5.15 an hour, which was closer to the norm in the service industry in midcoast Maine. Since then Borealis Breads has grown to more than 60 employees and added three new locations in Maine.²

About the same time, a few miles down the road in Boothbay Harbor, David and Anne Palmer made a different decision. They decided to close their Burger King franchise, right at the opening of the lucrative summer tourist season. The reason? They couldn't find enough minimum-wage workers to keep their restaurant open.³

This is an example of what economists David Vail of Bowdoin College and Michael Hillard of the University of Southern Maine call the “two paths” of economic development. The “high road” is one of trained and skilled workers, earning good wages and benefits. The “low road” is one of untrained workers earning low wages.⁴

It's been seven years since Vail and Hillard's work was published, and since Amaral and Burger King made their choices. There have been many changes in the Maine economy over this period. Manufacturing jobs have been lost. Service jobs have increased. There has been a recession and recovery. Through all of this, how are Maine's working families doing? What would help them achieve economic security? And how are these concerns connected to Maine's overall economic development? This report will explore these questions.

First, some definitions are in order.

This report uses terms like “working families” and “livable wage.” Here is what the terms mean.

A *family* is defined by the U.S. Census Bureau as: “a group of two people or more (one of whom is the householder) related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family.”

A *working family* is a family where the members over 15 have a combined work effort of at least 39 weeks in the past year, or 26 weeks if there is a currently unemployed parent looking for work in the previous four weeks.

The *poverty level* is the level of income below which the federal government defines an individual or family to be “poor”. The federal poverty guideline varies according to the number of individuals in the family, but otherwise is the same nationwide. This poverty measure was designed in 1964 by the Social Security Administration to be approximately three times the cost of a “thrifty food basket”⁵ because at that time about one-third of the average family’s expenditures were for food. Since then the poverty measure has been regularly updated for general inflation, but not to reflect changing lifestyle and expenditure patterns. Today a Maine family of three spends only one-eighth of its income on food; transportation, housing, and health care take up far larger portions of the family budget than was true in 1964.⁶

Because the federal poverty level does not accurately reflect today’s living expenses, some researchers have created new measures of what it takes a family to get by. Using a *livable wage* approach that includes updated estimates for food, transportation, housing, health care, and taxes, it has been estimated that a Maine family in 2002 would need more than twice the amount of income at the federal poverty level to meet basic needs. For example, as a statewide average, a family with one earner and one dependent would have needed to make at least \$13.94 per hour in a full-time job to make ends meet, which was 243% of the federal poverty level wage (\$5.74/hour) for a family of two in 2002.⁷ Basic needs expenses also vary regionally. A single parent with one child could expect to meet their family’s needs on \$23,004 a year in Washington County (193% of the poverty level), but in Portland that family would need \$33,938 (284% of the poverty level). Therefore, in addition to reporting on the situation of families below the federal poverty level, data on families with income below 200% of the federal poverty provide a more accurate estimate of how many families are struggling to get by.

**Figure 1: Family Income Benchmarks for
Maine Family of Three, 2002**

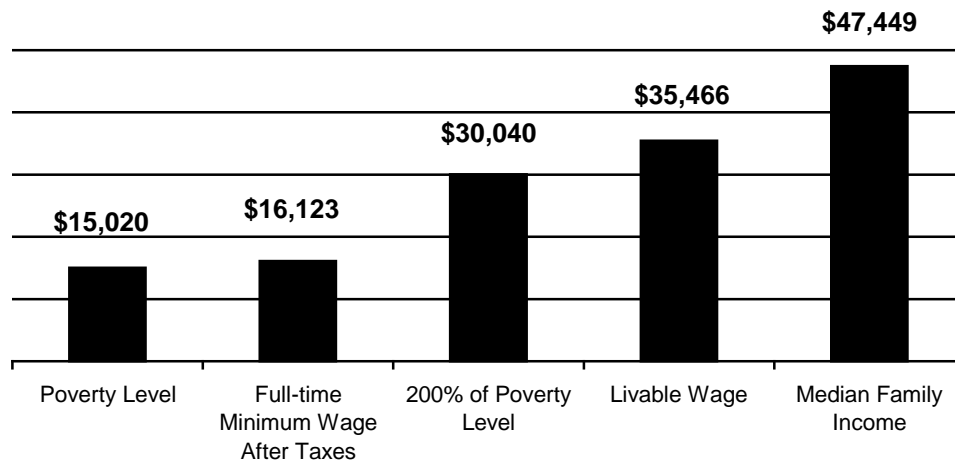


Figure 1 shows that a family with three members would have been considered poor or “below poverty” in 2002 if its income had been below \$15,020. If one of the parents held a minimum wage job (\$5.75 in Maine in 2002 plus the net effect of the federal and state Earned Income Tax Credits), the family would have \$16,123 in annual income—enough to bring the family out of the technical definition of poverty but well short of the actual amount of money needed to pay the bills for basic shelter, food, clothing, health care, and transportation. That amount is \$35,466, as displayed by the income from an estimated livable wage, which is over twice the poverty level, but still a quarter less than the median family income in Maine that year of \$47,449.

With this as background, how are working families doing in Maine economically? There are two ways of looking at the question. First, one working family out of four does not earn 200% of the poverty level (23.2%).⁸ Put another way, at least one working family out of four has employment that does not provide enough money to pay the bills for basic food, clothing, health care, and transportation.

A second perspective is gained from looking at all families under poverty. One family out of three below the poverty level is a working family (33.6%).⁹ In other words, the typical preconception that people living in poverty are not working is untrue. One in three such families has at least one full-time worker.

What else can we say about working families below poverty? Three out of four pay more than a third of their income for their rent or mortgage. One in five is self-employed, without the supports of an established employer. One in four lacks essential health insurance. One in five has at least one parent without a high school degree (see Table 1).

Table 1: Characteristics of Maine Working Families Below the Poverty Level¹⁰

Spent over a third of their income on housing.	74.4%
Have a self-employed worker.	19.0%
Have at least one uninsured parent.	26.8%
Have at least one parent without a high school degree.	20.3%

These are causes of poverty and results of poverty. For example, poverty can make housing hard to get. On the other hand, the lack of a permanent home address can lead to employment disruptions and eventually to job loss, which keeps families in poverty.

The gap in Maine between those who are well off, and those who are not, is widening. The gap is evidenced between north and south, between rich and poor, between men and women, between workers with disabilities and the rest. Consider:

- **Poverty in Maine rose from a three-year average of 10.4% from 1998-2000 to 11.8% from 2001-2003.**¹¹
- **Per capita income in Maine's poorest counties is only 60% of that of Maine's wealthiest counties.**¹²
- **Maine women earn, on average, 76 cents for every dollar a man earns for full-time year round work, slightly less than the national average of 78 cents.**¹³

- **Over the last 20 years the ratio of average income in Maine of the wealthiest households (the top 20%) to the poorest households (the bottom 20%) has increased by 25%.¹⁴**
- **Only 42% of disabled people participate in the Maine workforce.¹⁵**

In summary, some Maine employers are not paying their workers enough to afford the basic necessities of life such as housing, health care, transportation, and child care; and some workers have been left out of the workforce altogether.

Unfortunately, these are also national trends. However, there are differences between Maine and the nation in two particular areas.

First, Maine does twice as well as the national average in providing health insurance to working families who are below the poverty level (26.8% uninsured vs. 48.4% nationally), and will likely do even better in the future when Maine's new universal health care plan—the Dirigo Health Program—is implemented.

Second, Maine has one-third more poor families with a self-employed worker (19% compared to the national average of 12.4%). In rural Maine, as mills have closed and farming, fishing, and logging opportunities have contracted, self-employment has become a necessity of life for many families. Rural entrepreneurship may be a contributor to economic renewal in Maine, but the fact that so many self-employed workers are living below poverty shows that more needs to be done to help them succeed.

This is a snapshot of where Maine is today. We seek the high road as an economic development goal, but we must improve our state policies and private employment practices if we are to reach that goal. In the following chapters we will look at the picture in more detail, and identify public policy changes that could help more working families achieve economic security.

Chapter 2: Education and Skills Training

The surest way to secure a job and to make more money is to get more education. Table 2 below shows that, on average, your chance of being unemployed falls, and your chance of earning more rises, the more education you have.

Table 2: Education Level and Unemployment, Income, 2003¹⁶

U.S. unemployment rate of persons age 25 and over, 2003		U.S. median weekly earning of full-time wage and salary workers age 25 and over, 2003
8.8%	Less than a high school diploma	\$396
5.5%	High school diploma, no college	\$554
4.8%	Some college, less than a Bachelor's degree	\$639
3.1%	Bachelor's degree or higher	\$964

This relationship is not automatic. It is not true for all occupations; a skilled construction worker can earn more than a teacher, for example. Nor is it true over every short-term economic cycle; recent college graduates have not done as well in the last few years as they have in the past. The general correlation, however, has proved to be reliable over the long term.

In terms of educational performance, Maine has the highest rate of high school completion in the U.S.¹⁷ In 2002 89% of Maine people of working age (18-64) had at least a high school degree or GED in 2002 compared to 84% for the nation.¹⁸

However, Maine does not do nearly as well in helping its high school graduates move to the next level.

- **Only about half of Maine high school graduates attend college, compared to 64% nationally.¹⁹**

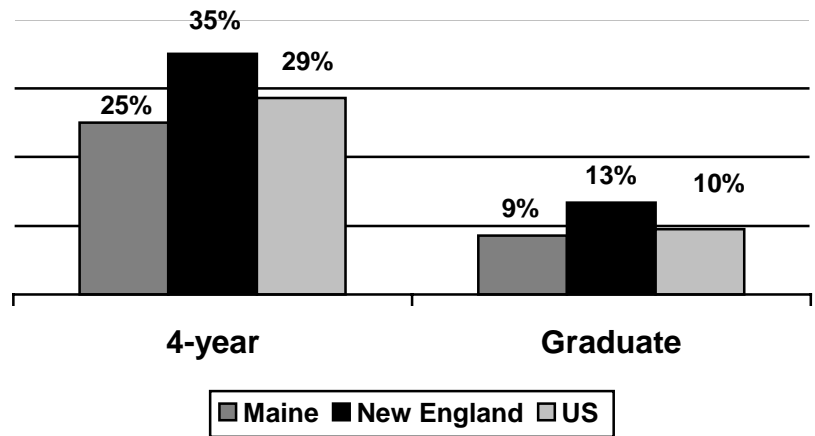
- **Of those who do attend public four-year college institutions in Maine, only 43% graduate within six years.**²⁰
- **Of Maine adults aged 25-64, only 25% have a four-year college degree compared to 35% for New England and 29% for the nation as a whole.**²¹ (See Figure 2)

In other words, Maine does not provide the supports needed to help its talented young students to aspire to, enroll in, or complete higher education. Beyond young people needing to attend college, there are also thousands of adults already in the labor market who would like increase their education and skills. A recent Maine Community College System survey identified 90,000 Maine adults who indicate a desire to pursue further education, but are not doing so because of cost, access, or other factors.²²

Maine has a lot at stake in helping these adults. Our workforce is older and there are fewer young people entering from school. Therefore if we are to increase the overall education level of our workforce, much of the progress must come from helping workers who are already in the market to grow their skills.

Efforts are underway to raise Maine’s educational achievement. The Maine Economic Growth Council has set a goal of reaching the New England proportion of higher education enrollment by 2013.²³ The Maine Compact for Higher Education has adopted the same general approach (meeting the New England average), but has set the date for 2019, and has also set out a detailed strategy to achieve the goal.²⁴ Governor Baldacci and the

Figure 2: Higher Education Degrees, for population age 25-64 (2002 CPS)



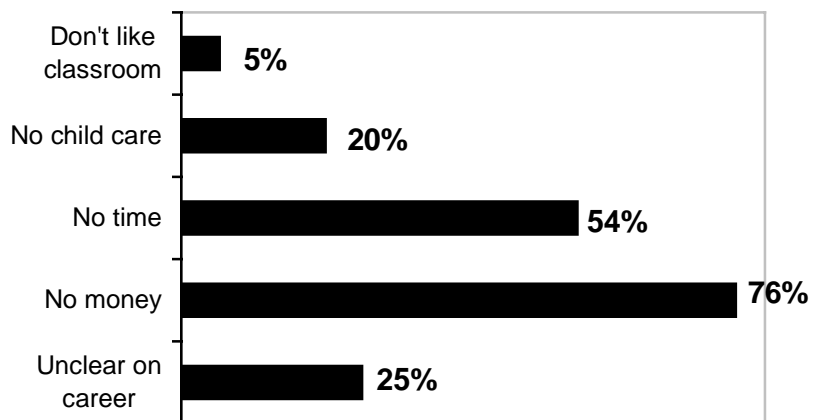
legislature have transformed the Technical College System into the Maine Community College System, with a broader mandate.

The Maine Economic Growth Council has set a goal that 70% of Maine adults should participate in lifelong learning each year through educational seminars, programs, or courses. The actual figure has hovered near 50% for the past nine years.²⁵ The Council also set a goal that half of front-line employees should receive employer-sponsored training in Maine. The actual rate has fluctuated between 7% and 35% per year.

The goals are sound, but obstacles to implementation remain. A 2001 survey of 400 Mainers interested in going to college—but not attending—found that three in four reported money to be an obstacle.²⁶ But money alone is not the solution. Half reported “no time” to go to school. If going to school means not going to work, then school is not an option for many working families in Maine who are just getting by.

There are also information and cultural obstacles. One in four of those who want to go back to school need help in clarifying career goals. One in five need help with child care. One in twenty had negative experiences in school as a child, and do not want to get back into the classroom. (See Figure 3) All of these obstacles must be addressed if low-income adult workers are going to increase their educational attainment.

Figure 3: Obstacles to college
Maine Community College Survey, 2001



In short, the effort to raise college attendance must be comprehensive, and address the range of issues involved. But it will cost money. Money is the top obstacle identified by prospective students. They are right about their concerns. Higher education is more expensive in Maine, relative to income, than in other states.

- **From 1994 through 2001, average in-state tuition and fees at Maine’s public colleges and universities were 50% higher than the U.S. average.²⁷**
- **In 1999-2000, the average cost of a two-year degree in Maine was the fourth highest in the country.²⁸**
- **Net college costs for low- and moderate-income students to attend public four-year colleges represent nearly half of their family income.²⁹**

To be more specific, the National Center for Public Policy and Higher Education found that the 40% of Maine’s population with the lowest incomes (on average about \$17,800 annually) would need to pay 50% of their income for tuition, room and board—after financial aid—to attend a public four-year college and 44% to attend Maine’s Community Colleges. The center gives the State of Maine a grade of “F” for higher education affordability.³⁰

This difficult situation exists even though the Maine Community College System has gone for 6 years without increasing tuition, which has moved it closer to the national average in costs for a community college system (\$2,600 average tuition and fees per year compared to the national average of about \$1,900).³¹ With tight state budgets in coming years, the affordability problem is not projected to improve substantially.

Maine’s only state-funded scholarship program is called the **Maine State Grant Program**. It provided scholarships to 13,000 mostly low-income students in 02-03, both full- and part-time students. The maximum state grant is \$1,000 for a public institution. That’s a small amount of a total bill of \$12,800 at the University of Maine for the academic year 04-05.³² Additionally, this state appropriation has declined by \$1 million over the last three years, to \$11.5 million for FY 04-05.

Maine needs to be investing more, not less, in tuition assistance for low-income students of all ages who want to pursue higher education. The Maine Compact for Higher Education recognizes this. The Compact estimates that a program of scholarship assistance for students in families with income below 200% of the poverty level would increase enrollment in this income group by 33%—and, over ten years, help 6,300 Maine residents “break the cycle of poverty.”³³

Many students need more than help with finances to get started in college. They need support and encouragement as well as refresher courses in writing, reading and math. The **Onward Program** at the University of Maine is one good example of on-campus student support services. The Onward Program is designed to assist non-traditional students, low-income students, and students with disabilities to achieve their educational goals. They offer college preparatory courses, individual and group counseling, and tutoring. At the heart of the Onward Program is a one-to-one personal relationship between students and staff.³⁴ Almost all (98%) of the participants are low-income or first-generation college students. The program is funded through the U.S. Department of Education and also through a University of Maine appropriation. In the last several years they have served between 1,250 and 1,400 students per year.³⁵

But remedial programs such as this at the at the university and community college campuses and in adult education are still not coming close to meeting the overall need. It is estimated that more than 125,000 Maine adults in various adult education programs need effective college transition programs.³⁶

Another major challenge is to help low-income adults to see themselves as college material. Jerry Ellis, Executive Director of the Onward Program, observes: “*My greater concern is that more people don’t understand that college is possible. We need more people saying, ‘Have you thought about college? Are you known to be one who leads in the work place, and have you thought about getting a college degree?’ I would like to see more people, the Governor and others, encouraging Maine people to consider college in their plans. Then we will need more financial aid to assist them in attaining their newfound aspirations.*”³⁷

The Maine Compact for Higher Education, a partnership of education, government, community and business leaders, has been working for several years to find ways to expand higher education opportunities in Maine over the long term. The Compact recognizes that advancing higher education goals means working on multiple fronts to change Maine's educational culture.

The Compact has adopted a five-step action plan for raising college enrollment. It is ambitious and comprehensive. It includes increasing scholarship funding for low-income students (including adults) so that they come out of college debt-free; providing better transition support to adults who are academically unprepared for college-level work; providing incentives to employers to assist their employees to attain higher education through tuition assistance, flexible scheduling, and career counseling; and instituting a public education campaign to encourage greater postsecondary attainment among Maine residents.

Maine Compact for Higher Education Recommendations

1. Create a Promise Scholarship Program that ensures that no Maine student is denied a college education for financial reasons.
2. Expose high school students to college courses and experiences.
3. Provide support to adults seeking college degrees.
4. Enlist employers to help 10,000 workers gain college degrees.
5. Market higher education opportunities to the public.

Education Recommendation 1:

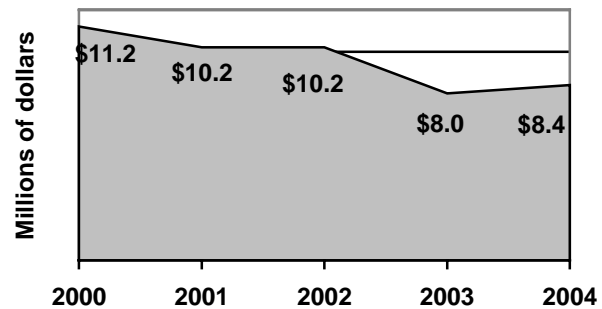
Maine should implement the action strategies in the Maine Compact for Higher Education report *Greater Expectations*, which include scholarship funding and transitional support for low-income adult workers seeking postsecondary education.

There are various programs to help Maine workers, including the Workforce Investment Act, adult education, Maine Centers for Women, Work and Community, and the Parents as Scholars program under TANF (Temporary Aid to Needy Families). Each is discussed below.

The major federal public worker training program in Maine is funded through the **Workforce Investment Act (WIA)**. This is the heir to its much better funded predecessors, the Job Training Partnership Act (JTPA) and Comprehensive Employment Training Act (CETA). And WIA has seen a 20% funding decline in the last four years (see Figure 4).

Through the enactment of WIA the federal government shifted its emphasis away from the direct provision of training services to low-income workers towards information and referral for the general population. In the years just prior to the enactment of WIA, the Maine Department of Labor opened 23 new “one-stop” CareerCenters across the state where WIA-funded services are now provided. Nearly 50,000 Mainers received help with career or job training information and referrals through the CareerCenters in 2003. However, only about 8,600 adults who came through the Centers actually received funding for training through various government programs, including Trade Adjustment Assistance and National Emergency grants that help train dislocated workers.³⁸ This is a drop in the bucket in a state with a labor force exceeding 600,000 people.

Figure 4: Federal Workforce Investment Act Funding in Maine



Source: Maine Department of Labor

There are competing demands upon the limited Workforce Investment Act funds. On the one hand there is a desire to provide more funding to train low-income people; on the other hand funds are needed to operate the CareerCenters and provide career counseling services. In fact, both are needed. Maine should re-evaluate its use of WIA dollars and explore all other opportunities to leverage additional training funds in order to ensure that there are training funds

available for low-income workers. Maine's success at bringing in National Emergency Grants is one example of this kind of leveraging.

Education Recommendation 2:

Maine should re-evaluate its Workforce Investment Act priorities and leverage opportunities in order to provide additional training funds to low-income workers.

The CareerCenters could also be used more effectively to maximize other sources of support for low-income adult workers. An important development in the past year is that Maine has been selected as one of seven states to work with the National Governor's Association to create new educational opportunities for working adults. One promising idea that is being pursued is to provide additional training to CareerCenter staff so they can help people "package" various types of assistance—from TANF to Medicaid to child care subsidies—to create individual plans that can help them access training and move towards self-sufficiency. In other words, if education is the need, then child care, transportation and income supports are packaged through different programs to help the individual reach his or her education goal. This would be a new and broader role for Maine's CareerCenters than they now play.

Education Recommendation 3:

The CareerCenters should ensure that their clients who are low-income workers are fully informed of all state assistance programs that could help support their educational goals.

Maine receives funds through the federal Trade Act, which provides **Trade Adjustment Assistance (TAA)** funds to people who have lost their jobs due to imports. Maine led the nation in the rate of lost manufacturing jobs between 2000 and 2003, and thus many workers are eligible for such help.³⁹ Over \$4.5 million in Trade Adjustment Act funds were provided to the state for FY 03, of which most went directly to training. But these funds have limitations. Many workers experience job losses that do not make them eligible for TAA. In addition, TAA funding

cannot be used for training before jobs are lost. The funds only arrive after the crisis has hit and workers are laid-off; they cannot be used to help workers in threatened industries anticipate future needs and prepare in advance.

In 2003, 2,174 Maine workers received Trade Assistance training.⁴⁰ (These participants are included in the 8,600 total workers receiving funded training as reported above.) Relative to the net loss of nearly 20,000 manufacturing jobs during the last four years, this program is still probably reaching only a small proportion of all those who have been affected by trade-related job losses in Maine and need new skills training. More could be done to encourage eligible workers to take advantage of the full benefit and flexibility of this training option. In fact, if any workers have qualified for this benefit—going all the way back to 1972—but have not accessed it, they are still eligible to participate. This information should be a part of the training assessments and packaging done at the CareerCenters.

Overall, current federal funding is not adequate to provide the CareerCenter infrastructure *and* offer enough funding for job training to meet the needs of all of Maine’s low-income working adults. And there does not appear to be more federal training funding on the horizon. Maine must provide additional state funding for direct training and related supportive services—such as child care and transportation—to help low-income working families gain economic self-sufficiency.

Education Recommendation 4:

Maine should provide more state funding for direct training and supportive services for low-income workers.

One of Maine’s best-kept secrets, and one of its most successful and most cost-effective public education programs, is **Adult Education**. In FY 2002 125,000 Maine people participated in some type of adult education programs in 200 communities. Included in this number were 2,500 workers who had been laid off from 63 different companies. Another 30,000 took courses in literacy, high school completion, or college preparation. This is a program that reaches people where they live, provides all levels of programming, and costs, on average, \$35 a course. Maine

spends \$1 million of federal money on this program and provides an additional \$4 million of state funds and \$6 million locally. The result is a great educational bargain. Adult educators can bring literacy and other training direct to the factory floor; they can deliver innovative programs such as laptop training to adults quickly and on a broad scale; and they can cost-effectively provide the supplemental English and math people need before they go to college. Maine has barely tapped the potential in adult education programs.

Maine is fortunate to have an organization that helps Maine women to achieve their postsecondary education aspirations. **Maine Centers for Women, Work and Community (WWC)**, with offices throughout the state, targets services to women in transition by providing training, advocacy, and assistance in four areas: workforce development, microenterprise development, asset development, and leadership development.⁴¹ WWC is administered through the University of Maine at Augusta, and 11 of their 18 sites are co-located on campuses and centers within the University of Maine and Community College Systems. WWC has developed an innovative program that helps individuals gain a clearer understanding of the income potential of their career choices, helps them gain financial management skills, and develops a plan to achieve their education and employment goals. In addition, WWC participates with ten Community Action agencies in Maine's Family Development Account Coalition, which helps low-income Mainers to save for education through a matched savings program. The program provides financial literacy training that helps account holders to know what they own and owe, and to set realistic goals for increasing their assets.

More should be done to support and incorporate the adult training and transitional programs of adult education and Women, Work and Community into Maine's entire workforce development system.

Education Recommendation 5:

Maine's workforce development systems should better coordinate with adult education and Maine Centers for Women, Work and Community, and the state should adequately fund them.

The **Maine Community College System** has been another success story. In the last decade enrollment has doubled, from 4,300 to 8,900 degree students.⁴² Enrollment under the new community college system has risen 26% in the last year alone. Even with these good results, however, in 1999 Maine enrollment in two-year public colleges was only one-third the U.S. average.⁴³ Maine still has a way to go to bring its community college enrollment up to national averages.

The Community Colleges also serve business. Last year 136 Maine employers and 3,200 employees received customized instruction. Through Maine's Quality Centers program, 182 companies have created over 9,000 new jobs; the 8,700 workers trained through the program have started at an average wage of \$10.60 an hour (full-time with benefits).

In short, there are many organizations involved in promoting job training in Maine who can point to some positive results. Unfortunately, these organizations do not uniformly collect outcome data so it is impossible to chart our progress as a state in helping low-income working families achieve economic self-sufficiency. Without a system of collecting uniform outcome data, we cannot compare our programs nor hold them accountable for achieving this goal.

Maine has used wage records as part of cooperative research projects with education and training institutions to evaluate the labor market and earnings experiences of graduates and program participants over time. These efforts are being carried out in full compliance with confidentiality protections that apply when wage and student records are used for such research purposes. This kind of research can provide the basis of a coordinated system of data collection.

Education Recommendation 6:

Maine should develop a uniform procedure for measuring training participants' outcomes in order to hold the University and Community College Systems, Workforce Investment Act programs, and other public workforce development programs accountable for helping participants achieve economic self-sufficiency.

Maine's current program of family assistance, called **Temporary Assistance for Needy Families (TANF)**, was developed as part of federal welfare reform in the late 1990s. Federal guidelines now require work participation from families receiving assistance with only 12 months of any training or education counting towards that work effort. Therefore, Maine's ASPIRE program, the training component of TANF, can offer only short-term training and education support.

Without education and training, many TANF families have little prospect of ever achieving economic self-sufficiency. The Maine Center for Economic Policy did a survey in 2001 of families that had received assistance after the 1996 federal reforms. They found that of those who were working and no longer receiving assistance, half (49%) had household income of less than 200% of the poverty level for a family of three (\$28,300 in 2000). Of families with those incomes, eight out of ten (81%) had only a high school degree or less.⁴⁴

Recognizing the limits on educational advancement created by the federal program, Maine took a bold step and created the **Parents as Scholars (PaS)** program. This state-funded program provides the same cash benefits and supports as TANF (such as transportation, child care and health care) to eligible parents (mostly mothers) who want to pursue two- or four-year college degrees. Approximately 800 parents each year participate in the program. A longitudinal study of PaS participants by university researchers found outstanding rates of success. Ninety percent had left welfare behind; on average, they had achieved wages 50% higher than women in comparable situations who had not received the educational benefit; and over 70% found jobs with health benefits.⁴⁵

In addition, a message is being sent to the next generation. In the words of one participant: *"Attending and graduating from college is one of the best things I have ever done for myself and my family. I have become a positive role model for my children by undertaking this endeavor and succeeding with great results. My daughter is now in her first year of college. My son, who is 13, is now eager to do well so he can go on to college too."*⁴⁶

What helps this program to work, as is the case with many other successful programs, is that it deals with each person's specific situation. A college loan or grant is generally not sufficient to get a low-income, single mother through school. What will she do with her

children? What if the car breaks down? By helping the woman address her needs for income, health care, transportation and child care, PaS provides the resources she needs to successfully complete a college degree. Right now, this program predominantly serves single parent families well below the federal poverty level. This successful program could be improved by increasing access to low-income working families up to 200% of the federal poverty level.

Education Recommendation 7:

The Parents as Scholars program should be expanded to serve low-income working families up to 200% of the federal poverty level.

Finally, Maine needs to do more to bring this whole picture into one clear focus. There are numerous providers of education and training services in the public and private sectors in Maine. But the geographic coverage of the state is uneven; the ability to move credits from one institution to another is not uniform; course offerings are fragmented, and meanwhile, there are quality employers who are unable to find enough workers to fill their jobs. Maine needs to move towards building a *system* for education and training. Governor Baldacci has set up a Workforce Cabinet that can address these issues, chaired by the Commissioner of Labor, and including the Commissioners of Education and Economic and Community Development, the University Chancellor, and the Community College President.

Education Recommendation 8:

The Governor's Workforce Cabinet should develop a strategy to better coordinate course offerings, credits, and access points among Maine's education and training providers in order to improve the prospects for low-income workers to achieve their educational objectives and to ensure that quality employers have the workforce that they need.

None of the recommendations in this section are dramatic. None will produce one thousand jobs next year. But they are part of the long run answer for Maine's economy. By expanding education and skills for Maine workers, Maine can attract and support well-paying jobs, and get off the economic roller coaster of the last 15 years.

Chapter 3: Getting a Job in Maine

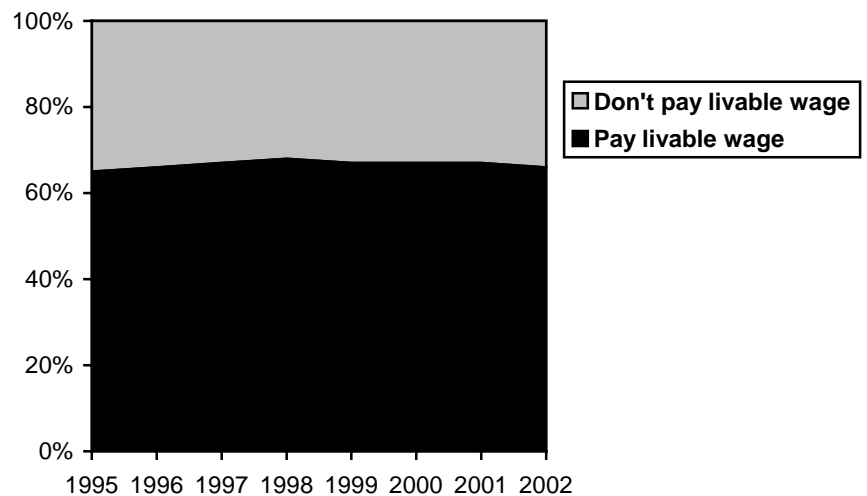
Fort Kent, Maine, up in the northernmost corner of the state, has been a leader in educational reform and innovation. The entire community has been involved, from parents to students to educators to businesspeople. After one community meeting a few years ago, a logger commented to a friend, *“It’s great that we’ve done so much to improve our schools, but now when our kids graduate they’re overqualified to work around here. They have to leave.”*

This is the other half of the jobs/education equation. Maine needs to educate its workers to do the highest level of work. At the same time, we also need to generate and attract the kinds of high level jobs where the workforce can apply its skills.

Maine is struggling to create those jobs. Nine years ago the Maine Economic Growth Council adopted a benchmark that the proportion of jobs in Maine that paid a livable wage (which the council set at 185% of the federal poverty level) would grow from 65% to 85% by the year 2005. The benchmark year comes in just a few months, and to date there has been no real progress in meeting the goal (see Figure 5).⁴⁷

The changes in the Maine economy make the uphill climb even steeper. Maine had serious losses in manufacturing jobs in 2002 and 2003. Overall, nearly 9,000 manufacturing jobs were cut in major layoffs during those two years. These were jobs that averaged \$40,000 a year in pay, 25% over the state average.⁴⁸

Figure 5: Jobs paying livable wage in Maine



Source: Measures of Growth 2004

Meanwhile the service sector, which is the fastest growing, includes jobs of a wide pay range, starting at minimum wage in the retail sector. The Maine Department of Labor provides data showing that average annual wages among the industries that lost net jobs between 2000 and 2003 was \$35,940 while the average annual wage among the industries that gained net jobs was \$27,291.⁴⁹

This explains why one in four Maine workers (27.6%) are not earning enough to keep a family of four out of poverty;⁵⁰ why so many workers are holding multiple jobs; why so many are self-employed and in poverty; why so few can afford the time or money for higher education.

One measure of the quality of jobs is whether or not benefits are provided. The data here are illuminating with regard to the ways public policy can influence the labor market.

For example, in Maine 56.2% of workers over 18 are not receiving employer-provided pensions.⁵¹ This is higher than the national average, and is probably to be expected given the number of “non-livable-wage” jobs in the economy.

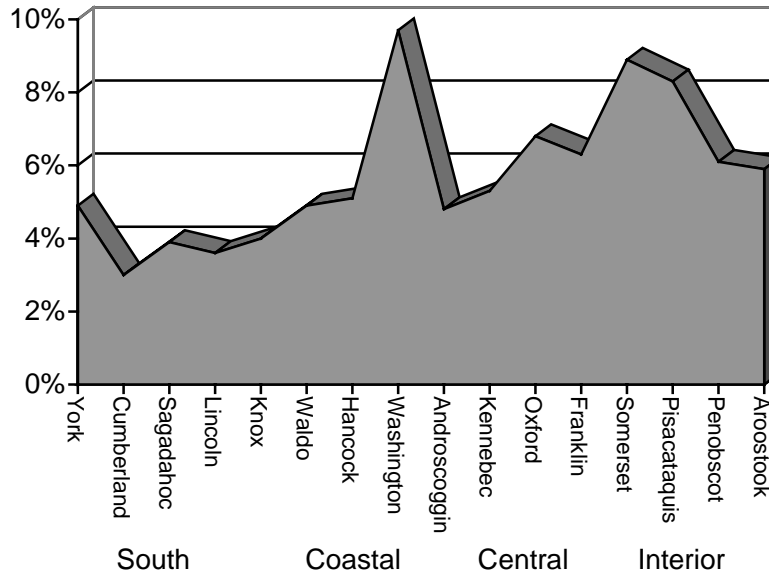
On the other side of the coin, Maine has only 15.5% of workers aged 18-64 that lack health insurance,⁵² a rate below the national average, and below the rate of wealthier states like California and New York. Why are we doing better? Because over the years, Maine’s governors and legislatures have significantly expanded Medicaid coverage to working people with low wages.

In addition, Maine’s Dirigo Health Program, enacted in 2003, should lower this number even further in the years ahead. Through this comprehensive health care system reform, the state is addressing health insurance access by also addressing cost containment, prevention, and health care quality improvement. The program will offer a lower cost health insurance option to small businesses and individuals. This is a case where wise and aggressive public policy can allow a small state like Maine to buck the national trend and to provide more, not less, health coverage.

There are distinct regional differences in job growth and loss. The job losses have been disproportionately in the natural resource sector—farming, fishing, logging, wood processing, food processing. These are concentrated in the northern, western and Downeast parts of the state.

Similarly, unemployment rates in Maine in the past year are low in southern Maine (see Figure 6), then rise gradually going up the coastline until they spike in Washington County. They are also higher along the interior northern and western counties.

Figure 6: Unemployment Rates by Maine County, 2003



In the meantime, Maine’s tourist industry, metals industry, and health sector are all experiencing worker shortages. The labor market is not performing as efficiently as it can.

One way of looking at who is not fully employed is to consider the number of working-age (18-64) adults who are unemployed, employed part-time but want full-time work, or who work in casual labor jobs. In Maine one in 11 workers⁵³ are not fully employed in this sense.

Another way is to ask workers themselves. A survey of 4,700 workers in Maine in 1999-2000 found that 1 in 6 are “actively looking for another job.”⁵⁴ The reasons for their dissatisfaction with their current job varied:

- 40% said they wanted additional pay (note that 26% of those who *weren't* looking for a job said the same thing!)
- 10% wanted better benefits
- 11% wanted to make better use of their skills
- 7% needed a more flexible schedule

By this measure, 17% of Maine workers are dissatisfied, mostly for reasons of lack of adequate pay and underuse of skills.

The U.S. Bureau of Labor Statistics also records “underemployment”, which includes unemployed, discouraged workers (people who looked for work at some point over the past year, but have given up due to lack of job opportunities); involuntary part-timers (part-time workers who would prefer full-time work); and people who want to work but face barriers such as lack of transportation or child care.

In Maine the “underemployment” rate was 9.3% in 2003, under the U.S. rate of 10.1% but over the New England rate of 9%. Underemployment in Maine was even higher for men (9.8%), and for people with only a high school education (10.6%). Underemployment was particularly acute—at 22.1%—for those with less than a high school education. As people give up looking for work, the “labor force participation rate” declines. Maine’s unemployment rate would be much higher if the additional people represented in the underemployment rate were counted as both in the potential labor force and seeking more work.⁵⁵

To meet the needs of these workers, Maine’s economy needs to generate better jobs. Right now:

- **One in 12 Maine workers holds more than one job, and the number is growing (nationally the ratio is 1 in 20).**⁵⁶
- **One in five jobs in Maine (19.1%) is in a low-wage occupation.**⁵⁷

There are many possible answers. One is to turn to workers themselves and to help them start their own quality jobs.

Maine's support for worker generated job creation is illustrated by the strong response to layoffs in Millinocket in the last year. As recently as in the 1980s, Great Northern Paper Company employed 4,300 workers in its two mills in Millinocket and East Millinocket. By spring of 2003 that number had declined to 1,500, as a result of cutbacks and productivity improvements. So things were already difficult when the company announced that May that it was selling the Millinocket plant, thus jeopardizing 900 of the remaining jobs.

The response of Maine's economic development and education community was swift and effective. Immediately, 30 of Maine's leading nonprofit, government, university, and private organizations combined to set up Katahdin Entrepreneurial Education Programs (KEEP). Within just four months, 400 local residents were participating in workshops about e-commerce, how to get government contracts, customer service, and many other topics. Sixteen entrepreneurs went through FastTrac intensive business planning. The high demand engendered a second round of activity. By the end of the year 211 clients had received 1,014 hours of one-on-one business counseling. When the program started, in the spring of 2003, unemployment in the area was 39.7%. Today, a little over a year later, the unemployment rate is down to 14.8%. There are many reasons for the improvement: some people have moved away; the mill has hired some people back; the state economy has improved. But there is no question that the burst of entrepreneurial energy unleashed by these workshops has contributed to the economic improvement of the region.

This is an example of a bottom-up approach to economic development, using the skills of the local labor force as a major asset for economic growth. The statewide Maine Entrepreneurial Working Group has a proposal to implement this kind of coordinated approach to economic

development in every region of the state called “Business First” and is working to attract national grant funds for its implementation.

The Millinocket case may exemplify a situation where more highly skilled workers were able to achieve quality self-employment rather than having to turn to low-wage work. The case may be different for workers with less training and skills. Many currently self-employed workers are not being able to get their families out of poverty, as noted above. As Maine considers self-employment job creation, it is important to monitor whether these self-employment opportunities are helping families actually achieve economic self-sufficiency.

There are other programs underway that are designed to address disparities in the job market:

Governor Baldacci’s recently enacted **Pine Tree Zone** program provides tax breaks and a wide range of other incentives for employers who choose to locate in high unemployment areas. The program has only been in place a few months but already eight regions, 100 communities and 18 businesses are participating. To qualify, a community must show unemployment above the state average, show below-average wages, or have lost more than 5 percent of its population or work force over the last three years. Incentives include a refund of all corporate income and insurance premium taxes for five years, a 50 percent refund for another five years, exemption from sales tax on construction and operations purchases, and some wage reimbursements. The program is expected to cost the state a little less than \$1 million per year in foregone tax revenues.

The **Governor’s Training Initiative (GTI)** is a successful training program designed to assist businesses to expand or relocate in Maine. Through GTI businesses receive reimbursements for on-the-job training, competitive retooling, assessment, job-task analysis, workplace safety and literacy, specialized recruitment, high-performance skills, and customized technical training. The program favors those businesses that are willing to hire economically disadvantaged individuals, persons with disabilities, and dislocated workers. It also favors businesses that invest in lifelong learning and provide high-wage employment, employee benefits, and job security. At a minimum, workers participating in this program must receive wages equal to at least 85% of the median wage paid for that occupation in the labor market area,

and receive benefits that cover at least 50% of health insurance premiums. The program was originally funded with \$3 million in state funds but the funding has since been reduced to \$1.8 million.

The Maine Department of Transportation has worked successfully in conjunction with groups like Women Unlimited and Maine Centers for Women, Work and Community to recruit and train women for skilled jobs in the construction industry. Maine now leads the nation in its commitment to hiring women in federal road and bridge construction. Women currently represent 11% of this workforce in Maine compared to most other states that have hovered around 2% for years. This has not only helped address a workforce shortage, but has also increased the wages and benefits of many previously low-income women.

As the listing above shows, economic development is big business in Maine. A 1997 analysis for the Maine Center for Economic Policy estimated that the combination of federal, state, regional, town and private nonprofit investments in economic development programs and activities in Maine exceeded \$111 million annually.⁵⁸ Yet, as in workforce development, there is no overall analysis of the effect of these programs on jobs. The Maine Legislature in the late 1990s created an Economic Development Incentive Commission to look at the overall effectiveness of Maine's tax incentive programs. Some reporting systems from this initiative have been kept in place to track business's receipt of state tax incentives; however, the focus on evaluating the effectiveness of these incentives has not been sustained.

A new strategy needs to be developed to target economic development programs to workers most in need.

Economic Development Recommendation:

Maine's state economic development system should set a goal to help low-income working families achieve economic self-sufficiency. A targeted strategy and an accountability system to monitor program outcomes are needed to implement this goal.

In order to improve economic performance and raise the wages of working families in Maine, it is not enough to focus just on training programs and educational institutions. The economic development sector must also play its part in encouraging good jobs and good employer practices. Maine's economic development and workforce development communities work closely together already, and the challenge going forward is to make this cooperation more productive.

Chapter 4: Raising Incomes and Supporting Workers in Maine

It is not enough to have full employment. The jobs must pay enough to support a family.

There are public policies that Maine could pursue that would help address some of the weaknesses in job quality identified here. One important tool is **Unemployment Insurance (UI)**.

In certain respects, Maine's unemployment insurance program is progressive:

- Our law makes it easier for unemployed workers to qualify for UI benefits. Maine allows the use of an alternative base period. The structure of Maine's program permits many low-wage workers to meet the basic earnings requirement. And laid-off workers seeking part-time work with a previous part-time job or good cause to go part-time, who meet earnings requirements, are eligible.
- Maine's UI covers workers who leave work because of domestic violence or because they must care for a sick relative.
- Maine allows eligible UI recipients to use their benefits to support their efforts to become self-employed, referring them to counseling and training to help them get started. Nearly 1,000 laid off workers have availed themselves of this program, called the Maine Enterprise Option, since it was initiated in 1996.⁵⁹
- Maine is one of a small number of states that provides extended UI benefits to dislocated workers in retraining programs.

In other respects, Maine's UI law still has shortcomings:

- Benefit levels are low – last year the maximum weekly benefit (\$302) was just about at the federal poverty level for a family of three (\$301), hardly enough to support a household. The average weekly benefit actually collected in Maine, as of February 2004, is even less (\$233).

- Seasonal workers are often excluded from coverage due to complex program rules.
- About a third of all UI recipients (29% of males and 35% of females) run through their benefits without being able to find a full-time or permanent job.⁶⁰
- And this number may be a surprise to those unfamiliar with the workings of unemployment insurance –*fully 7 in 10 unemployed Maine workers (69%) as of the end of 2003 were not receiving any unemployment insurance—a rate higher than the nation (6 in 10).*⁶¹

There are many ways to use the unemployment insurance program in creative ways to help people get off the cycle of employment and unemployment, and to build permanent and competitive skills. This takes a re-thinking of the purpose of the program: rather than just a tool to cover emergencies, it becomes a tool to increase opportunities and future income. In fact 23 other states including New Hampshire, Massachusetts and Rhode Island in New England have implemented various mechanisms to use employer contributions to the UI system to fund their training programs.

In another example, Maine could allow workers on UI to spread their unemployment benefits out over a longer period of time to coincide with the period during which they are actually participating in an approved education program. For example, if a person eligible for UI benefits qualified for a total benefit amount of \$13,000 (26 weeks of unemployment insurance benefits and 26 weeks of dislocated worker benefits at \$250/week), he or she might be permitted to spread that same amount of benefits out over a period of 104 weeks at \$125/week for the same total cost. This would give the individual some modest amount of cash assistance to help support their families while they were completing an Associate's degree program.

Work Support Recommendation 1:

Maine should adapt Unemployment Insurance to facilitate worker training and make UI more flexible to help workers gain college degrees.

In order for families with children to work or to pursue training and education, they must have **child care**. This is an area where Maine has done well compared to the rest of the country in supporting working families:

- **Many families are eligible for child care assistance—families with incomes up to 85% of the state’s median family income (\$41,715 for a family of three in 2003).**
- **Low-income families (earning less than 150% of the poverty level) get priority.**
- **Child care rates are reasonable. Maine sets the maximum child care rate at the 75th percentile of the local market rate, adjusted by county and type of care.**
- **Co-payments are capped. Maine’s child care co-pay is based upon a sliding fee scale, with no family being required to pay more than 10% of gross family income for child care.**
- **TANF clients in an approved work or training program are guaranteed child care assistance with no co-pay. The child care subsidy with a co-pay continues after they leave TANF if they continue working and remain income eligible.**

But eligibility does not always mean service. While a relatively small number (2,400 families) were registered on the official waiting lists in late 2003, an analysis of Census data shows that as many as 35,000 children in Maine working families are eligible for subsidized child care but are unable to access it because of limited public funding.⁶² Maine serves around 10,000 children per day with child care assistance; however, due to flat state and federal child care funding, 2,000 fewer families are being served today than three years ago.⁶³ While subsidies have gone down, the number of working families eligible for help increased in the recent recession.

Senator Olympia Snowe has led an important—but as yet unsuccessful—effort in Congress to increase child care funding for TANF families. More funding at the state level will also be needed if low-income working families are to be expected to participate productively in the workforce.

Work Support Recommendation 2:

Maine should increase state funding for child care and advocate for increases in federal funding for child care to meet the needs of all eligible families who seek assistance.

Public policies in other areas can encourage—and in some cases require—employers to give minimum benefits to workers. Take the example of **paid sick leave**. Fully 95% of Maine fathers and 72% of mothers with children under 18 are in the workforce. In addition, 17% of Maine adults reported in 1999 that they were caring for an elderly parent or relative.⁶⁴ Yet nearly 40% of Maine employers do not offer personal sick leave to their full time employees, and about 70% do not offer it to part time employees.⁶⁵ Nationally, over three-quarters (76%) of low-income workers have NO paid sick leave. And among these workers who have paid sick leave, less than a third (29%) can use it to care for a sick child.⁶⁶ The problem is particularly acute for working women, who are still predominately responsible for meeting family care-giving needs. Nationally, almost half (49%) of working mothers report that they must miss work when their child is sick with a minor illness, such as a cold or an ear infection. And of these mothers, nearly half (49%) do not get paid when they miss work to care for a sick child.⁶⁷ In one study, employers said that family issues and personal needs, such as caring for a sick child, accounted for a total of 46% of unscheduled employee absences in one year versus 28% for personal illness.⁶⁸

Businesses that offer flexible sick leave profit from lower turnover and training costs, and higher levels of productivity and customer satisfaction. Providing employees paid time off to tend to their own health care also ensures that they will be healthier in the long run, and leads to a stronger workforce.

Work Support Recommendation 3:

Maine should implement a pro-family law requiring employers to provide paid sick leave to their employees.

Then there are the direct things Maine can do to help its working families. While Maine's tax system is less regressive than many states, Maine's **state and local tax burden** for low-income families remains much higher than it is for well-off families. Preliminary estimates from the Maine Revenue Services indicate that in 2002 the effective state and local tax rate for the bottom 20% of Maine taxpayers (below \$12,401) was 25.1% compared to 9% for the top 20% of taxpayers (over \$72,746).⁶⁹ *In other words, lower-income families pay taxes at a rate two and a half times as high as well-off families in Maine!*

Earned Income Tax Credits provide tax reductions and wage supplements for low- and moderate-income working families. In the U.S. as a whole in 2002, more than 21 million families and individuals filing federal income tax returns—nearly one out of every six families who file—claimed the federal EITC.⁷⁰ The Earned Income Tax Credit is considered one of the most successful anti-poverty programs in the U.S.

Maine has joined 17 other states in enacting a **State Earned Income Tax Credit (EITC)**. Maine's credit is modest—5% of the federal EITC and nonrefundable—which means that most of the lowest income workers are not eligible or receive very little assistance because they pay little or no state income tax.⁷¹ In each of the years 2002 and 2003, there were well over 32,000 filers for the state EITC, with an average income of about \$23,100, receiving an average benefit of \$55.⁷² Maine Revenue Services estimates that 14,000 more workers were eligible in 2002 than actually applied; it is not clear whether this is due to lack of knowledge of the program or a judgment that the benefit was too small to bother.

To make the state EITC refundable, like the federal EITC and the credits of many other states, and to increase it to 15% or 20% of the federal benefit, would significantly lower the tax burden of many low-income families.

Additionally, many potentially eligible families do not know about the federal credit, which has substantially larger benefits, or do not know how to apply for it. Maine should support efforts to do more outreach and public education about the federal EITC so that more families will be able to take advantage of it.

Work Support Recommendation 4:

Maine should level the playing field for working families by expanding the State Earned Income Tax Credit and by making it refundable. Maine should also support outreach efforts that help more eligible families access the federal EITC.

Finally, the most direct way public policy can put dollars into working families' pockets is by raising the **minimum wage**. Currently Maine is one of 13 states with a minimum wage higher than the national minimum. Maine's is set at \$6.35/hour (as of October 1, 2004) and will rise to \$6.50 in the fall of 2005; the national rate (unchanged in 7 years) is \$5.15. Needless to say, both Maine's level and the national level are well below the livable wage estimates discussed above.

Assume that Maine raises the minimum wage further. It would immediately affect all minimum wage jobs in the state, which, if Maine follows the national average, would be about 5% of all jobs, or about 30,000. But then there would also be a ripple effect in the next tier of jobs up. The net effect would be to put millions of additional dollars in circulation in the Maine economy, to the benefit not just of the low-wage workers and their families but also to retail stores, government and housing.

Work Support Recommendation 5:

Maine should peg its minimum wage to inflation and raise it on a regular schedule.

The state could also use its contracting power to be sure that those doing work with taxpayer dollars receive a wage and benefit level that meets basic needs. This has particular applicability to women working in long-term care, and in child care settings. State government should model responsible employee policies, and require the same of state contractors.

Work Support Recommendation 6:

Maine should move towards a livable wage standard for state contractors and provide enough funding for workers who are paid with public funds to earn a livable wage.

In addition, in full-time, year-round work, Maine women earn, on average, 76 cents for every dollar a man earns, slightly less than the national average of 78 cents.⁷³ Under the Maine Equal Pay Act of 1965, all employers are required to pay equal wages to women and men for comparable equal work. This means that when two employees have different jobs but the skills, effort and responsibilities of the jobs are the same, they are to be paid equally. Only in the last few years have efforts been made to actually implement this law through rulemaking and generally, employers still do not know that they are required to examine their pay scales for this kind of inequity. In addition, the system of investigating complaints of inequity from workers is cumbersome. All in all, these efforts have not been effective in turning the tide on gender-based discrimination in employee's wages.

Work Support Recommendation 7:

Maine should educate employers about its pay equity law and streamline the process of complaint for employees.

To move Maine's economy in the direction of providing more good-paying jobs, it takes all three legs of the stool: affordable and accessible education, targeted economic development, and supportive workplace policies. This is the road to helping Maine's working families achieve a livable wage and a life of opportunity.

Conclusion

All of these recommendations present a chicken and egg quandary for Maine: we need to invest in people; we can't afford to invest in people. While we ponder and talk, the world economy is moving on without us. Maine cannot grow and compete—either today or tomorrow—without raising the skills of adult workers, particularly the many who are working hard but are not getting ahead because of their lack of training and education.

The reality is that there is no choice. We must invest in people. Solving our problems in Maine, in the end, will have as much to do with creativity as it has to do with money. We must target a significant portion of our current training and education resources, our economic development policies, and our work support policies to those working families who are struggling to get ahead. We must adapt our current programs to the realities of these families' lives so that they can succeed. We must invest new resources—both public and private—to ensure that every worker has the opportunity, skills and income they need to achieve the quality of life—the way life should be—right here in Maine.

Endnotes

¹ National Center for Public Policy and Higher Education, *Measuring Up 2004: The State by State Report Card for Higher Education*, at <http://measuringup.highereducation.org/docs/statereports/ME04.pdf>.

² Christ Penttila, “Who’s Paying?” *Entrepreneur*, December, 2001.

³ “Service Workers Scarce for Tourist Season,” *Portland Press Herald*, June 1, 1998.

⁴ Vail, David and Michael Hillard, *Taking the High Road: Human Resources and Sustainable Rural Development in Maine*. Maine Center for Economic Policy, 1997.

⁵ David Shipler, *The Working Poor*, Knopf, 2004, page 9.

⁶ Pohlmann, Lisa and Christopher St. John, *Getting By: Livable Wages in 2002*, Maine Center for Economic Policy, 2003, page 11.

⁷ *Ibid.* page 28.

⁸ U.S. Census Bureau 2002 Supplementary Survey.

⁹ *Ibid.*

¹⁰ *Ibid.*

¹¹ U.S. Census Bureau, Current Population Survey and Historical Tables.

¹² Maine Development Foundation, *Measures of Growth 2004*, page 18.

¹³ Maine Department of Labor, Issue Brief, Women’s Wages in 2004. August 2004.

¹⁴ Jared Bernstein et al., *Pulling Apart: A State-by-State Analysis of Income Trends*, Washington, DC: Center on Budget and Policy Priorities and Economic Policy Institute, April 2002. <http://www.cbpp.org/4-23-02sfp.pdf>
Note: income disparity is measured by using a ratio of average incomes within quintiles. It results in a finding that Maine inequality grew from a ratio of 6.6 in 1978-1980 to 8.3 in 1998-2000, ranking 37th among states in income inequality in the latter period (pages 15 and 13).

¹⁵ *Measures of Growth 2004*, page 19.

-
- ¹⁶ U.S. Department of Labor, Bureau of Labor Statistics.
- ¹⁷ U.S. Department of Education, 2001.
- ¹⁸ U.S. Census Bureau. 2002 Supplementary Survey.
- ¹⁹ Harney, John O., *Greater Expectations: College as a Right and Responsibility for All Maine People*, 2004, Maine Compact for Higher Education, page 11: national data from <http://www.postsecondary.org/home/default.asp>.
- ²⁰ Lindemann, Frances, *Higher Education for All Maine People*, Maine Center for Economic Policy, 2002, page 34.
- ²¹ U.S. Census Bureau. 2002 Current Population Survey.
- ²² Maine Community College System. *A Community College System for Maine*, <http://www.mccs.me.edu/PDF%20files/MT5600%20full%20brochure.pdf>.
- ²³ *Measures of Growth 2004*, pages 14-15.
- ²⁴ *Greater Expectations*, pages 11-12.
- ²⁵ *Measures of Growth 2004*, page 15.
- ²⁶ Strategic Marketing Services, *Report to Maine Technical College System: Survey of Maine Citizens who have not attained a college degree*, February 2001.
- ²⁷ *Greater Expectations*, page 15.
- ²⁸ National Center for Education Statistics. <http://www.nces.ed.gov/pubs2001/digest/dt314.html> as cited in Lindemann, page 22.
- ²⁹ National Center for Public Policy and Higher Education, *Measuring Up 2004: The State by State Report Card for Higher Education*, at <http://measuringup.highereducation.org/docs/statereports/ME04.pdf>.
- ³⁰ Ibid.
- ³¹ Correspondence with Alice Kirkpatrick, Director of Public Affairs, Maine Community College System.

-
- ³² U.S. News. America's Best College 2005.
http://www.usnews.com/usnews/edu/college/directory/brief/drglance_2053_brief.php.
- ³³ *Greater Expectations*, page 16.
- ³⁴ The Onward Program at the University of Maine. <http://www.umaine.edu/onward/about.htm>.
- ³⁵ Interview with Jerry Ellis, Executive Director of the Onward Program, August 8, 2004.
- ³⁶ *Greater Expectations*, page 19.
- ³⁷ Email communication with Jerry Ellis, Executive Director of the Onward Program, August 9, 2004.
- ³⁸ Maine Department of Labor. 2003 program year data show that state and federally funded adult training included 797 adults through WIA; 1,472 dislocated workers through WIA; 2,174 dislocated workers through Trade Assistance; and 4,164 adults through National Emergency Grants.
- ³⁹ Maine suffers highest job loss at 22.1 percent, *Portland Press Herald*, October 10, 2003.
<http://www.vhb.com/aroostook/pdfs/article-10.10.03.pdf>.
- ⁴⁰ Maine Department of Labor Trade Act Participant Report, Summary for Maine FY 2003: 10/1/02-9/30/03.
- ⁴¹ Maine Centers for Women, Work and Community website:
<http://www.womenworkandcommunity.org/aboutus.shtml>.
- ⁴² 2003-04 Fact Sheet, Maine Community College System, <http://www.mtcs.net/PDF%20files/factsheet.pdf>.
- ⁴³ *A Community College System for Maine*.
- ⁴⁴ Unpublished data from 2001 TANF Parents Survey, Maine Center for Economic Policy.
- ⁴⁵ Smith, Rebekah, Luisa Deprez, Sandra Butler, *Parents as Scholars: Education Works*, Maine Equal Justice, March 2002.
- ⁴⁶ *Ibid.*
- ⁴⁷ *Measures of Growth 2004*, page 8.
- ⁴⁸ Maine Department of Labor, *Labor Market Digest*, June 2004.

⁴⁹ St. John, Christopher. State of Working Maine 2004, *Choices*, Vol. 10, No. 10., September 6, 2004, Maine Center for Economic Policy.

⁵⁰ Basic Monthly Survey of the Current Population Survey, 2003; self-employed workers excluded, data generated by the Population Reference Bureau. A wage below the full-time, full-year wage required to keep a family of four out of poverty. In 2002, a family of four required \$18,392 to stay out of poverty (at least \$8.84/hr.full-time, year-round); in 2003 \$18,979 (at least \$9.12/hr, full-time, year-round) was required. This national low wage figure is adjusted by Maine's cost of living index, as published in Annual Federal Budget and the States by the Taubman Center for State and Local Government, Kennedy School of Government, Harvard University.

⁵¹ Ibid.

⁵² 2003 March Current Population Survey, data generated by the Population Reference Bureau.

⁵³ Basic Monthly Survey of the Current Population Survey 2003, data generated by the Working Poor Families Project Management Team.

⁵⁴ Colgan, Charles et al, "A Profile of the Workforce in Maine," University of Southern Maine Center for Business and Economic Research, October 1, 2001, page 20.

⁵⁵ State of Working Maine 2004.

⁵⁶ Basic Monthly Survey of the Current Population Survey, 2003.

⁵⁷ This is a measure of the extent to which wage and salary jobs are in "low-wage" occupations, which do not pay enough to keep a family of four out of poverty. For 2003, a low-wage occupation was one that paid less than \$18,979 annually, equivalent to less than \$9.12/hr. on a full-time, full-year basis. Data generated by the Working Poor Families Project Management Team using Bureau of Labor Statistics Occupational Employment Statistics.

⁵⁸ Roundy, Charles. Funding Economic Development in Maine. *Maine Choices: 1997 – A Preview of State Budget Issues*. Maine Center for Economic Policy. 1996.

⁵⁹ Maine Enterprise Option Program (MEO), Annual Report for 2003 to the Joint Standing Committee on Labor of the 121st Maine Legislature, March 1, 2004.

⁶⁰ Labor Market Information Services. A Descriptive Analysis of Unemployment Insurance Claimants in Maine, July 2003-June 2004: Characteristics of Exhaustees and Non-Exhaustees. Prepared for Maine National Governors Association "Pathways to Advancement Project," July 20, 2004.

⁶¹ Office of Workforce Security, Employment and Training Administration, US Department of Labor, 4th Quarter 2003.

⁶² Analysis by Bill Hager, Executive Director, Child Care Services of York County, August 6, 2004.

⁶³ Ibid.

⁶⁴ 1999 Citizen Survey, Maine Development Foundation, see <http://www.state.me.us/dhs/beas/survey/99survey/statewide.htm>.

⁶⁵ Maine Department of Labor, *Maine Fringe Benefit Study*, 2001.

⁶⁶ Heymann, Jody, *The Widening Gap*, New York, NY: Basic Books, 2000, page 115.

⁶⁷ *Women, Work, and Family Health: A Balancing Act*, Issue Brief, The Henry J. Kaiser Family Foundation, April 2003, p. 2, <<http://www.kff.org/womenshealth/3336-index.cfm>.

⁶⁸ “Unscheduled Absence Survey” CCH, Human Resources Management, 1996. <http://www.hr.cch.com>.

⁶⁹ Maine Effective Tax Rates by Expanded Income Level, All Resident Taxpayers, 2002. Preliminary estimates from Michael Allen of Maine Revenue Services, August 16, 2004. Cited estimates include the federal tax offset.

⁷⁰ Llobera, Joseph and Bob Zahradnik, A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2004, Summary, Center on Budget and Policy Priorities, <http://www.cbpp.org/5-14-04sfp.htm>.

⁷¹ Johnson, Nicholas, Bob Zahradnik, and Joseph Llobera, State Income Tax Burdens on Low-Income Families in 2002. April 11, 2003, pages 9-10: Tables 1A and 1B show Maine’s 2002 state income tax threshold for a single parent family of three was \$21,600 and \$24,400 for a two parent family of four, <http://www.cbpp.org/4-11-03sfp.pdf>.

⁷² Data from Maine Revenue Services as of July 23, 2004, as reported in memo from Maine Equal Justice to Maine Commissioner of Labor Laura Fortman.

⁷³ Maine Department of Labor, Issue Brief, Women’s Wages in 2004. August 2004.