

The State of Working Maryland

2009

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The Progressive Maryland Education Fund
The Maryland Budget and Tax Policy Institute



The Maryland Budget and Tax Policy Institute provides independent, nonpartisan research and analysis of state budget and tax policy priorities. Our particular focus is how policy decisions affect low- and moderate-income families, vulnerable populations, and the important community programs that serve them. In addition to producing accurate, timely, and accessible research, staff provide briefings on budget and tax policy issues around the state for nonprofit sector advocates and staff members and other entities. The Institute is a project of the [Maryland Association of Nonprofit Organizations](#), or "Maryland Nonprofits."

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The Progressive Maryland Education Fund (PMEF) is a nonprofit organization that researches and reports on public policy issues of concern to working families, engages in non-partisan leadership training focusing on developing young, low-income and of-color leaders, and performs non-partisan voter registration of historically disenfranchised minorities.

Executive Summary

The findings of this year's *State of Working Maryland* mark a sharp departure from findings in prior years. In the past few years, we found that the overall living standard of blue- and pink-collar Marylanders was stagnating. But this year, as a result of the worst recession since the early 1980s and perhaps since the Great Depression, we find that their overall economic living standard has actually deteriorated.

This year's edition also echoes some of the findings of prior years. Above all, compared with national averages, Maryland has high median family income and a low poverty rate. Nevertheless, the state's economy has failed to produce much positive change for working families over the past several years. Indeed, the statistics below show deterioration in some measures – and, despite its affluence, Maryland actually scores worse than national averages in some key areas. Clearly, not nearly enough of our state's high median family income is trickling down to blue- and pink-collar Marylanders.

Here are the major specific findings of this year's *State of Working Maryland*:

- The national **productivity rate** continued its long-term upward climb in 2008, though the factor driving it was less technological innovation and more a recession-induced shrinkage in hours worked.
- But **income** statistics reveal that not enough of rising productivity is trickling down into the hands of wage-earners. Maryland continues to rank number one among the states in real median family income at \$70,600. But that figure remained stagnant in Maryland from 2007 to 2008 -- the first time since the early 1980s when it failed to climb – and there are wide variations among Maryland's localities. Moreover, and of central importance, the more narrow metric of “real hourly wages” (the main form of compensation of the blue- and pink-collar workers who make up “Working Maryland”) actually *declined* during that time period, indicating that the recession is hurting manual and non-supervisory workers in Maryland much more than white-collar, salaried employees. For a number of years, inflation-adjusted wages have contracted as the productivity rate has grown, calling into question the long-held tenet of the economics profession that growing productivity guarantees a broadly shared improvement in living standards.
- Further eating into family income has been a recession-induced, skyrocketing **unemployment rate** in Maryland that jumped sharply up to 7.2% by September 2009, a rate albeit significantly lower than the national rate of 10.2%.

- Maryland's relatively high **credit card debt rate** seems to indicate that many residents might be taking on too much debt in order to offset declining wages.
- Maryland's **poverty rate** of 8.1 percent remained essentially unchanged between 2007 and 2008. The Maryland rate is significantly lower than the national average of 13.2 percent, which likewise remained essentially unchanged during this period. As with income and unemployment, the poverty rate varied widely within Maryland by jurisdiction and the 2009 figures – which will reflect the full brunt of the recession – are expected to be worse.
- Despite being the richest state in the nation, Maryland scores below average on the most important **health** statistics, such as low birth-weight, infant mortality, and death rate. But these tragic and embarrassing numbers might improve in the future thanks to a Medicaid expansion passed by the General Assembly in 2007, which moved up Maryland's health care coverage ranking from a dismal 44th among states to a still unacceptable 21st.
- Low-income renters pay 45% of their income for **housing**, which far exceeds the maximum economists recommend a family should pay. And Maryland suffers from a relatively high home foreclosure rate, which recent state-level (but not federal) policies have succeeded in at least stabilizing.
- Pricey Maryland also imposes high **energy** and **child care** costs on working families, both of which are eating into shrinking wages.

At the end of this report, we make policy recommendations to improve these statistics and create more economic opportunity for Maryland's working families.

Extraordinary Context of This Year's Report: Sharpest Recession in Decades

The national recession which began in December 2007 is the worst since the early 1980s and perhaps will prove to be the worst since the Great Depression. It has affected working people in several important ways.

Maryland has lost 144,000 jobs from the November 2008 peak. People without jobs can't make many purchases and can't contribute much in tax revenue. The climate of ongoing job losses makes other households and businesses more cautious in their hiring and spending.

Through the third quarter of 2009, homeowner foreclosure notices remain at 20-times pre-crisis levels. As employment losses affect people's ability to pay, foreclosures are now moving from the sub-prime market to prime mortgage holders.

Credit markets are showing some signs of re-emerging. Restoring credit, of course, is essential to reviving the economy – to permit businesses to expand and hire, and to permit households to purchase houses and cars and finance home improvements. However, there's the danger of irresponsible borrowing and predatory lending resuming. It's important for new safeguards to be in place as credit markets recover.

The economy affects tax revenues as well as charitable contributions and philanthropic resources. Projected state revenues for fiscal year 2010 are now below the actual collections from 2006.

Public services provided by governments and nonprofits are being cut back at the time when they are most needed. State budgets for health services, higher education, and social services for adults have all been cut back significantly. Local government programs, from extracurricular school activities to health clinics are on the chopping block. Many nonprofit service providers are laying off staff, reducing services, or shutting their doors entirely.

All of these effects have a magnified impact on working and low-income families. Low- and middle-income workers represent the bulk of the job losses and foreclosures. These families are much more likely to be living paycheck-to-paycheck without any savings to cushion a downturn. For these families, a setback quickly becomes a crisis. They are also the ones most affected by cutbacks in government and nonprofit services.

Many economists now believe that mid-2009 marks the official end of the recession. The federal economic stimulus package is certainly a large factor in stabilizing the economy. This is certainly good news. But it does not mean jobs and government revenues will return to pre-recession levels any time soon.

To economists, the “end” of a recession means that production has stopped falling. At the end of a recession, the economy is at its weakest, almost by definition, and it usually takes a long period of time before employment and tax revenue begin to grow again.

Even with the effect of the federal stimulus program, economists don't expect job losses to reverse until mid-2010. The state Board of Revenue Estimates is forecasting modest 3.5% revenue growth in fiscal year 2011 (after three years of declines). But the estimated 2011 total is still below the actual revenues in 2007.

Nationally, and in Maryland, the recession and the recovery pose several challenges for public policy.

First, policies must allow the recovery to continue. Curtailing the stimulus program before private-sector employment recovers would risk turning the recovery into a “double dip” recession.

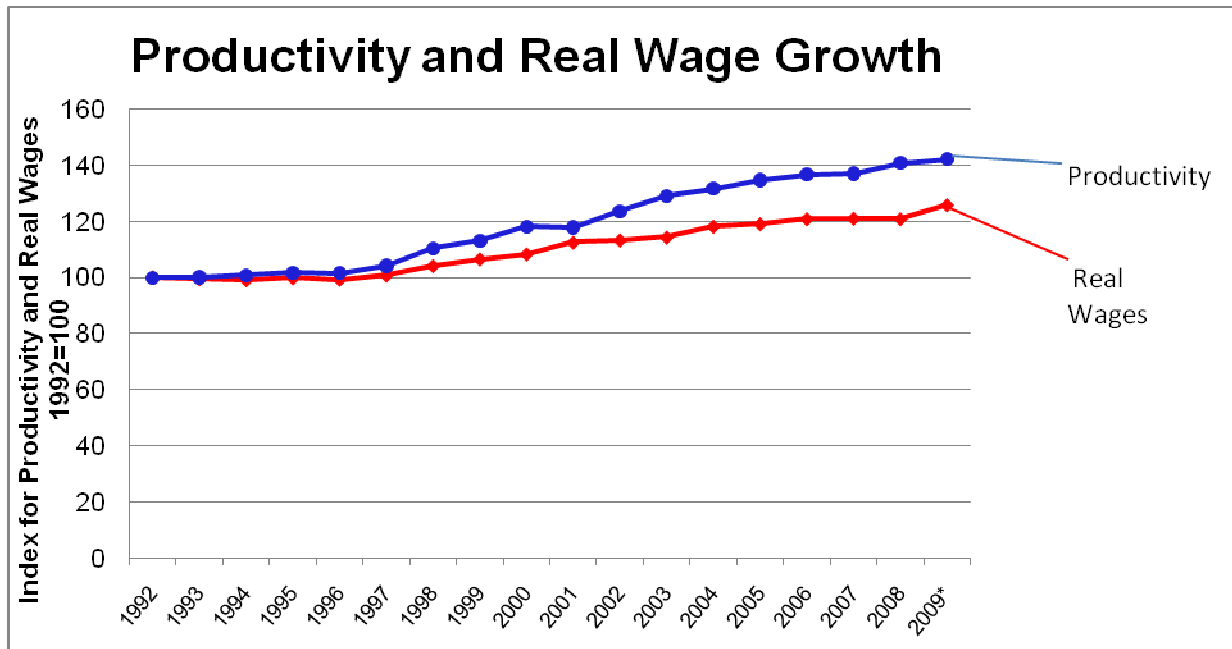
Second, policies need to correct the abuses and inequities that produced the “bubbles” in housing and credit markets. These include effective regulation of financial institutions, and eliminating incentives and compensation practices that reward irresponsible lending and marketing. It also means supporting policies that foster good jobs and provide low-income workers with a viable path to middle-class living standards.

Thirdly, as government budgets are balanced, we need to protect programs that provide a safety net (like unemployment insurance and the earned income tax credit) and those that promote economic independence (like child care and job training).

Productivity

Until the past few years, there was broad consensus among economists that productivity growth is the main source of improvement of living standards in the long run, where productivity is defined as the quantity of output per time spent in creating it.

But more and more economists are beginning to question a necessary linkage between productivity growth and living standards. That's because during the three years leading up to the 2009 recession, the national productivity rate increased and the national economy expanded, yet these trends did not translate into a corresponding rise in living standards for wage-earning Americans and their families.¹ As the diagram below shows, real wages nationwide failed to increase at the same pace as productivity levels – indeed, the gap between the two widened.

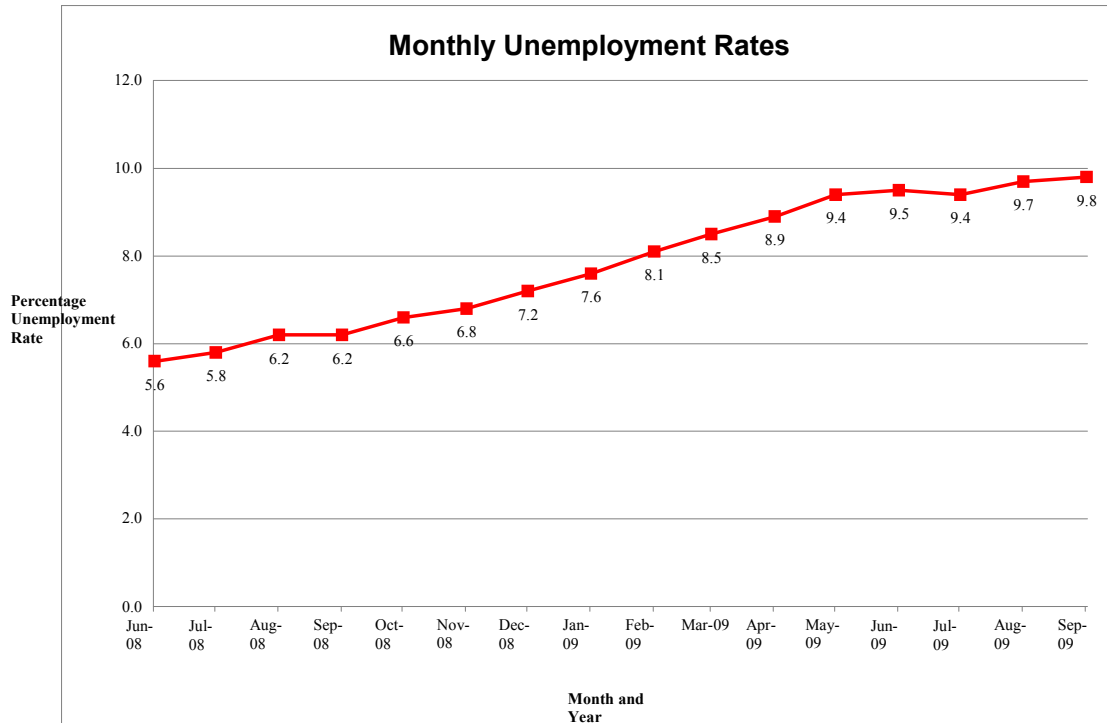


Source: U.S. Bureau of Labor Statistics

In 2008, productivity rose 2.8 percent in the nonfarm business sector. This productivity increase was due more to a decline in hours worked than the small gains in output.² As the recession set in sharply in early 2009, the ever-greater contraction in hours worked boosted productivity even higher, up to a 4.1 percent annualized rate during the first two quarters.³ The rising national productivity rate during the first half of 2009 – a period of severe economic downturn -- did not translate into an improved living standard for blue-collar Americans.

Employment and Unemployment

Another structural economic factor affecting economic well-being is the availability of jobs. Within the United States, the unemployment rate stands at 10.2% as of October 2009 -- almost double the rate in December 2007 and the first time since the early 1980s it has surpassed 10%.⁴ Although the rate was not a historical high, the 4.9 percentage point change in unemployment rates since the start of the recession was in fact the highest on record. Taking into account job losses for nineteen consecutive months, the current recession has become the longest since the Great Depression. Since the start of the current recession, 8.0 million jobs have been lost.⁵



The *underemployment* rate was around 16.4% in the first half of 2009, increasing from 8.7% at the start of the recession as more workers were forced to settle for part-time work.⁶

Nationwide, female workers were marginally better off than their male counterparts in this recession with an unemployment rate of 8% compared to 10.5% for men. This was a result of heavy job losses in predominantly male industries like construction and manufacturing.⁷ However, if actually employed, men have been faring slightly better than women in that the average employed man worked 0.9 hours more per week than the average employed women.

There have also been disparities among the unemployment rates according to race, education and job experience. When looking at race, white workers faced an 8.6% unemployment rate, with Hispanics and African-American workers lagging behind at 12.7% and 14.9%, respectively. Those seeking employment with only a high school diploma faced a 10% unemployment rate, more than double the rate faced by college graduates (4.8%). The most startling figures came when looking at unemployment according to job experience: workers aged 16-24 faced a staggering unemployment rate of 17.3%; those aged 25-54 faced less than half of this unemployment rate, 8.4%; and those 55 or older were at 6.7%.⁸

Maryland had a 7.2% unemployment rate as of September 2009, which ranks 14th lowest among the states.⁹ As the chart below shows, Maryland's unemployment rate as of September was one percentage point shy of its

historical high in 1982. Maryland also boasts an unemployment rate about 3 percent lower than the District of Columbia.

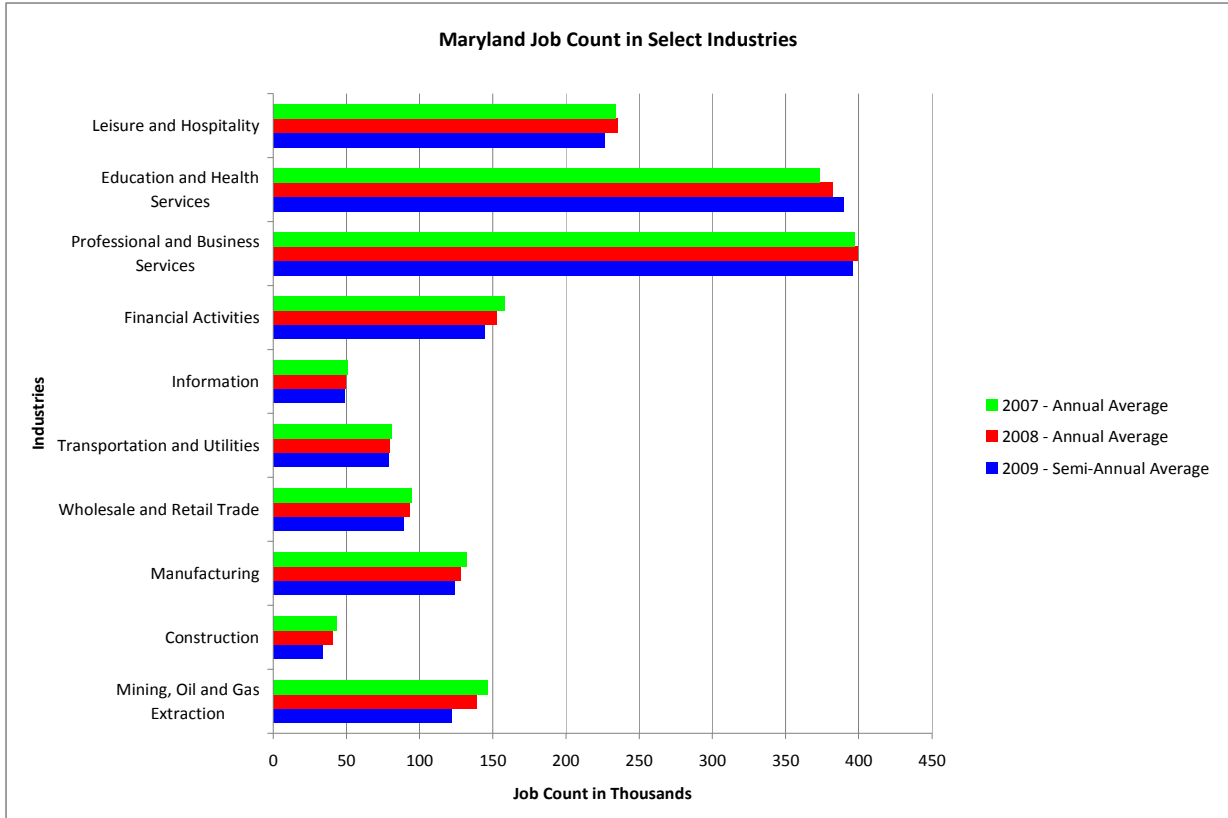
Unemployment Rates and Historical Highs/Lows for Maryland, District of Columbia and Virginia for September 2009					
	Total Number of Civilian Unemployed	Monthly Unemployment Rate	12-Month Change in Unemployment Rate	Historical High - Date	Historical High - Rate
UNITED STATES	15,142,000	9.8%	3.6%	Dec. 1982	10.8%
Maryland	213,800	7.2%	2.6%	Aug. 1982	8.3%
District of Columbia	37,500	11.4	4.0%	Mar. 1983	11.4%
Virginia	275,900	6.7%	2.6%	Jan. 1983	7.8%

As the following table shows, Baltimore City as well as Somerset, Dorchester, Washington, and Cecil counties are the hardest hit jurisdictions within Maryland.

Comparison of Maryland County Unemployment Rates September 2008, 2009			
Area	Sept. 2008	Sept. 2009	Net Change
United States	6.2	9.8	3.6
Maryland	4.6	7.2	2.6
Allegany County	5.6	7.5	2.9
Anne Arundel County	4.0	6.5	2.5
Baltimore County	4.8	7.7	2.9
Baltimore City	7.2	10.6	3.4
Calvert County	3.6	5.9	2.3
Caroline County	5.4	8.8	3.4
Carroll County	3.6	6.0	2.4
Cecil County	5.3	8.6	3.3
Charles County	3.8	5.9	2.1
Dorchester County	6.3	10.9	4.6
Frederick County	3.7	5.9	2.2
Garrett County	4.2	6.9	2.7
Harford County	4.2	7.1	2.9
Howard County	3.4	5.4	2.0
Kent County	4.8	7.1	2.3

Montgomery County	3.3	5.3	2.0
Prince George's County	4.8	7.3	2.5
Queen Anne's County	4.0	6.6	2.6
Somerset County	6.7	9.5	2.8
St. Mary's County	3.8	5.6	1.8
Talbot County	4.2	6.8	2.6
Washington County	5.8	9.4	3.6
Wicomico County	5.2	7.7	2.5
Worcester County	4.9	7.5	2.6

On a national level, the number of jobs has predictably fallen in most major industry sectors with steep losses in manufacturing, a slower rate of decline in construction and retail, and a much slower rate of decline in professional and business services. The two industries that defied the trend with employment gains in June were education and health services, which combined added 34,000 jobs.¹⁰ That Maryland's manufacturing sector is relatively small and its professional, educational, and health care sectors relatively large almost certainly helps explain why Maryland's overall unemployment rate is relatively better than most states.



Income

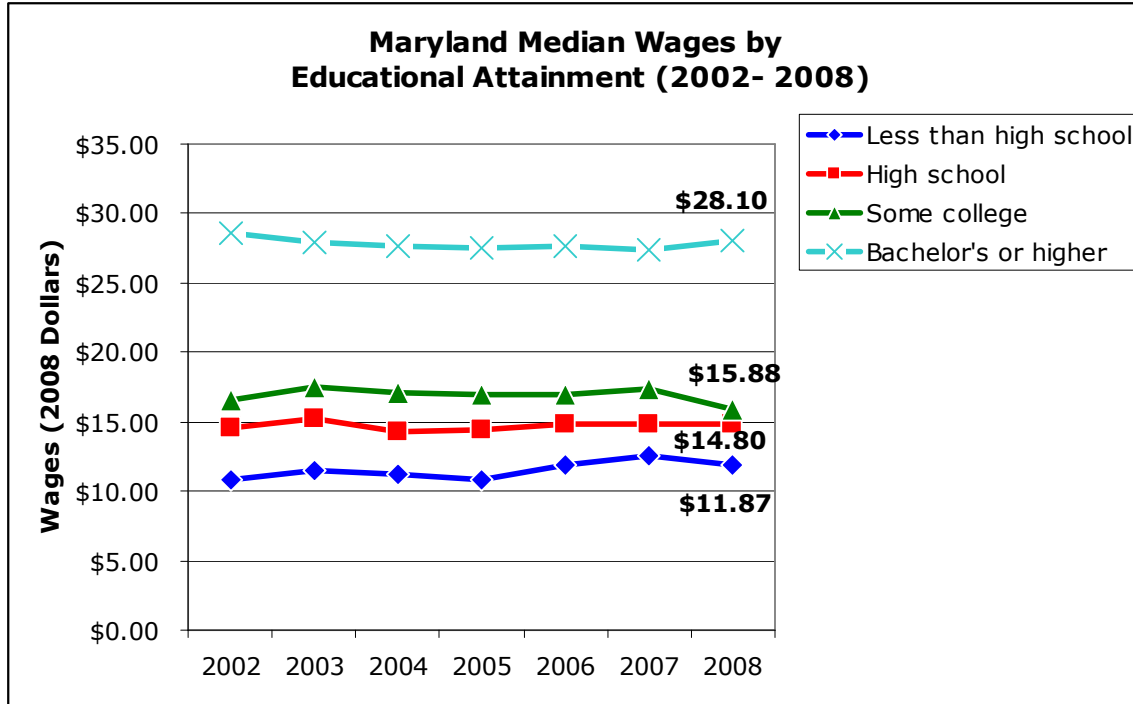
First, the good news: Maryland ranks number one among states for a third year in a row in the category of median household income (which comprises all forms of income, such as wages, salaries, dividends, rent, etc.).¹¹

But that’s where the bad news begins. First, median family income in Maryland remained stuck from 2007 to 2008, hovering at about \$70,600. Thus, 2008 marks the first time since at least the recession of the early 1980s when this figure failed to move upward on an annual basis.

Second, median family income varies wildly among jurisdictions in Maryland, ranging from only \$40,313 in Baltimore City to \$77,085 in Harford County all the way up to \$102,540 in Howard County.¹²

Third, when we look not at the broad category of “income” (comprising salaries, wages, dividends, rent, etc.) but only at wages (which is the predominant form of compensation for “Working Maryland”), the picture becomes darker. While the median, real hourly wage in Maryland in 2008 (the latest data available) measured in inflation-adjusted 2008 dollars stands at \$18.88 – fully 20% higher than the national median hourly wage of \$15.74,¹³ the cost of living in Maryland is significantly higher than the national average. So higher wages here are quickly

consumed by our state's higher cost of living. And when we shift the analytical lens from geography to time, we see that real hourly wages in Maryland have been stagnant for many years up through 2008, as the graph below illustrates:

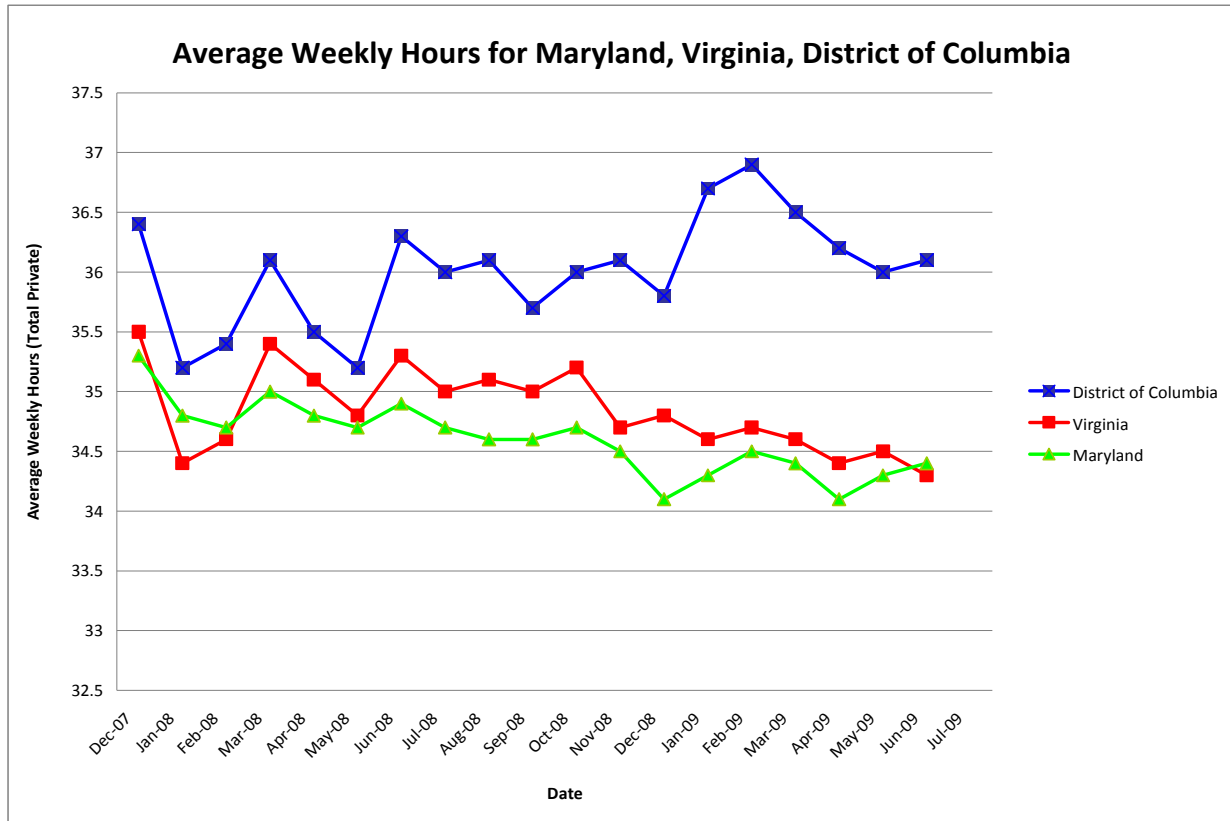


Source: Economic Policy Institute analysis of 2008 Current Population Survey data

The graph above – which is calculated in inflation-adjusted, 2008 dollars -- illustrates that flat median hourly wages are afflicting all blue- and pink-collar workers regardless of a worker's educational level. The data set ends in late 2008. Of course since that time the national recession worsened, so 2009 wage data will almost certainly show a further depression in real hourly wages.

The second pincer depressing living standards for blue- and pink-collar workers is the recession-induced, shrinking work-week. Most supervisory and white-collar employees are paid not with a wage, but with a salary. Salaries are not paid on an hourly basis, but usually on a yearly basis. By contrast, wages are paid on an hourly basis. Thus, a shrinking work-week hurts blue-collar wage earners more than it does white-collar salary earners because the former are compensated based on number of hours worked. For July 2009, the average workweek nationwide for production and nonsupervisory workers on private nonfarm payrolls was 33.1 hours, which is an historic low.¹⁴ By comparison, Maryland is performing slightly better than the national average with an average workweek of 34.6 hours for July 2009. But this Maryland figure represents a 9% drop in hours since January 2008.¹⁵

While Maryland's workweek is slightly longer than the nation's as a whole, the graph below shows that our state performs worse than neighboring DC.



Poverty

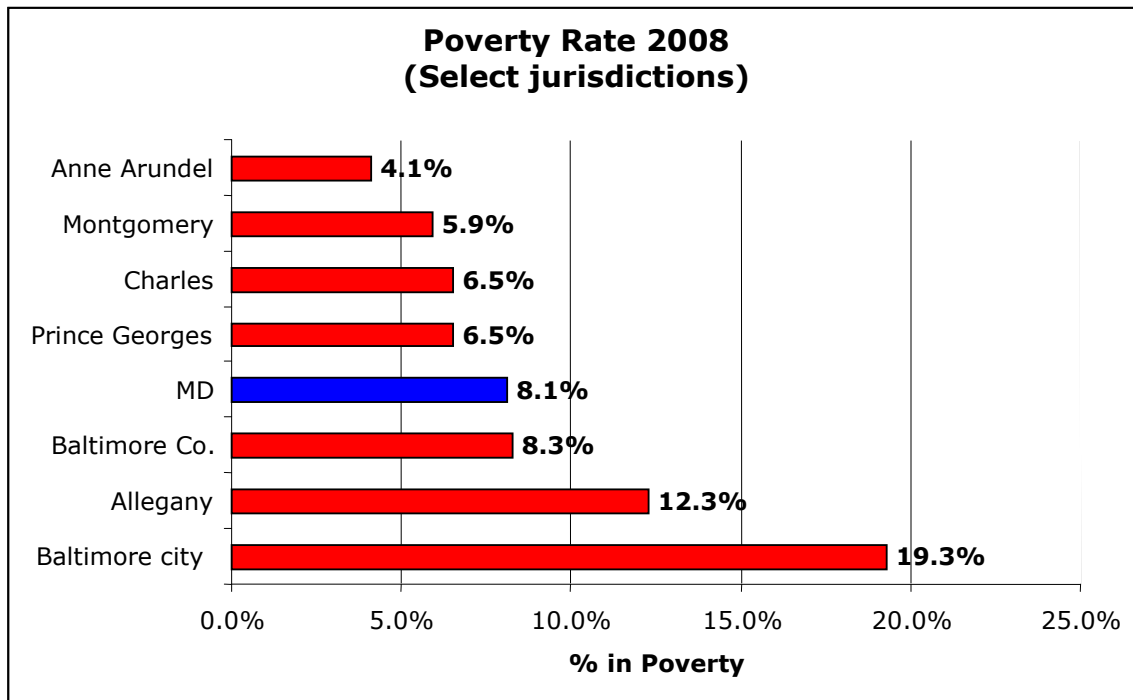
The poverty rate measures all types of persons living in poverty – children, wage-earners, retirees, etc. Maryland's poverty rate of 8.1 percent is significantly lower than the national rate of 13.2 percent.¹⁶ Both the state and national poverty rates remained essentially unchanged from 2007 to 2008. The rate for Maryland has not changed markedly since 2001, even though the economy expanded during much of that period, strongly indicating that the benefits of economic expansion did not “trickle down” to the poorest Marylanders. Due to the effects of the recession, the poverty rate is expected to worsen in 2009.

**Table 2
Poverty Rate, 2000-2008**

	2000	2001	2002	2003	2004	2005	2006	2007	2008
U.S.	12.2%	12.1%	12.4%	12.7%	See	Note	13.3%	13.0%	13.2%
MD	9.3%	8.1%	8.1%	8.2%	See	Note	7.8%	8.3%	8.1%

Source: Center for Budget & Policy Priorities analysis of American Community Survey data. (Note that due to methodological changes in the Census, 2004 and 2005 are not comparable with other years)

While the overall poverty rate in 2008 for Maryland was 8.1 percent, the poverty rate varied amongst Maryland’s major jurisdictions. Baltimore City has the highest poverty rate at 19.3 percent and Howard County the lowest at 3.6 percent. Other jurisdictions range from 4-12 percent.



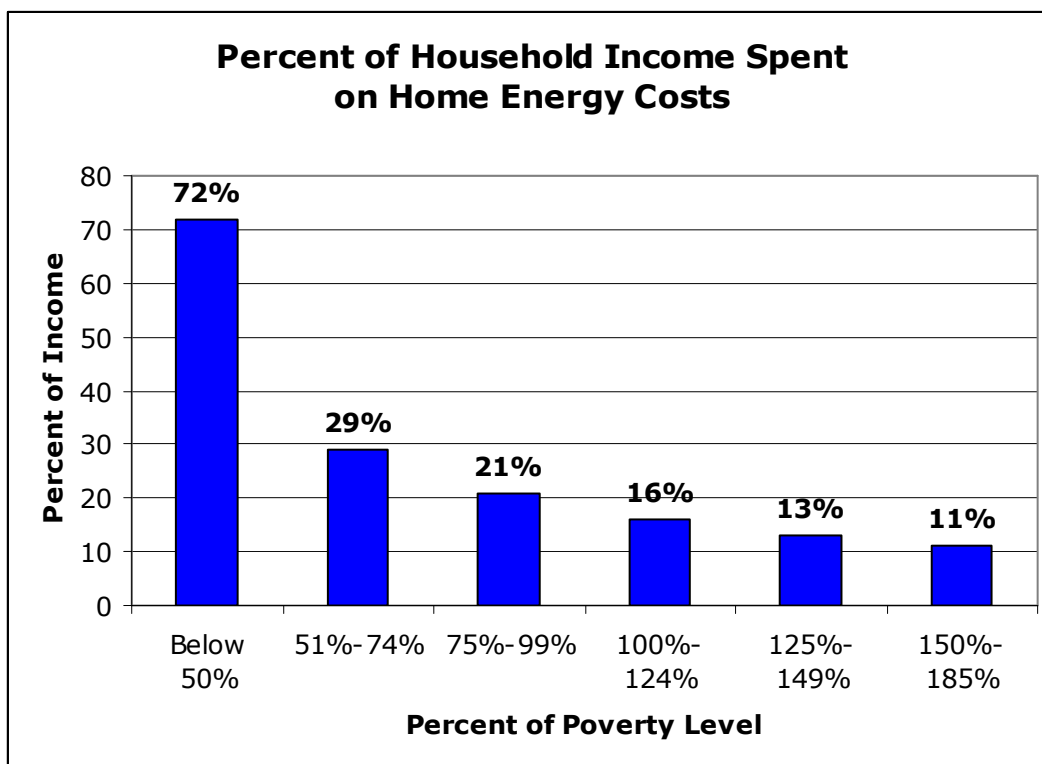
Source: American Community Survey 2008

Researchers, advocates, policy makers, as well as program providers and participants believe that the poverty rate underestimates hardship because it only takes into account income. There are various self-sufficiency measures that more accurately measure human needs. One measure is the asset poverty rate. The asset poverty rate is determined by the percentage of households without sufficient net worth to subsist at the poverty level for three months in the absence of income. According to the Center for Enterprise Development (CFED), “given the importance of assets for household economic self-sufficiency, this measure expands the notion of poverty to include a minimum threshold of wealth needed

for both security and mobility. Three months is a conservative cushion for a family that loses its income.” CFED calculates that 18.6 percent of Marylanders are in asset poverty (8th out of 50 states).

Energy Costs

One cost eating heavily into household income of low-income Marylanders is energy costs. A 2009 study comparing the real costs of heating/cooling with bills set at a reasonable percentage of income (2%) found that there was a \$371 million home energy affordability gap in Maryland. However, the Low Income Home Energy Assistance Program allocated only \$31 million for Marylanders, covering less than 10% of that gap.¹⁷



Source: “The Home Energy Affordability Gap,” Fisher, Sheehan & Colton. April 2009.

Moreover, electricity prices increased 8% over the first-quarter of 2008 for Maryland households.¹⁸ But there is some good news on the energy front. The Energy Information Administration forecasts a decrease in average heating fuel prices for 2009 and 2010.¹⁹ And in 2009, retail gasoline prices averaged \$2.36 per gallon instead of hovering around \$4.00 per gallon.²⁰ The drop in gasoline prices helped most Maryland workers because nearly three-quarters drive alone to work.²¹ But cheaper gas did not help the other ¼ of Maryland workers – disproportionately blue- and pink-collar -- who rely on public transportation as their primary means of transportation.

Wealth Accumulation and Debt

Above we looked at income and wages in particular and the various costs that eat directly into take-home pay. Now let's examine the non-income factors that might affect living standards of working families in Maryland.

In many cases, it is difficult to avoid using credit to finance education or to purchase a vehicle to commute to work.²² However, too much revolving debt (i.e. debt from credit cards and lines of credit) drains wealth and hurts a household's ability to build assets.²³ All too often family income cannot meet basic needs, and many households turn to credit to finance food, clothing, furniture, and other necessities. Whether cardholders have a financial plan to pay off the debt or believe that their wages will increase some day to pay it off, a sudden financial setback (such as a job loss, a divorce, or health care emergency) can disastrously exacerbate indebtedness, especially for blue- and pink-collar families who live from paycheck to paycheck.

The Center for Enterprise Development ranks MD in 47th out of 50 states in median credit card debt.²⁴ At 47th place, Maryland consumers have a median credit card debt of \$3,391. Partially offsetting Maryland's poor ranking is the fact that Maryland also has high median family income, so presumably a higher percentage of Marylanders can carry debt better than residents of poorer states.

Debt too often occurs before individuals have a solid career – indeed, even while a person is still in college. According to USATODAY, “Banks are getting more aggressive — and creative — in their efforts to pitch credit cards to college students by hawking cards near college campuses and striking exclusive partnerships with college alumni associations, according to a growing body of research.”²⁵ To add to the credit card debt that students accumulate while in school, 55 percent of college students take on debt to finance their education.²⁶ The average debt for students graduating from 4-year colleges is \$17,243.²⁷

Health

Maryland's relatively poor health statistics illustrate how our state's affluence is not trickling down to low-income residents. Maryland has a significantly higher low birth-weight per 1,000 live births at 9.17 (compared to 8.07 for the nation),²⁸ a significantly higher infant mortality rate per 1,000 live births at 8.0 (compared to 6.8 for the nation),²⁹ and a higher age-adjusted death rate per 100,000 population at 818 (compared to 812 for the nation).³⁰

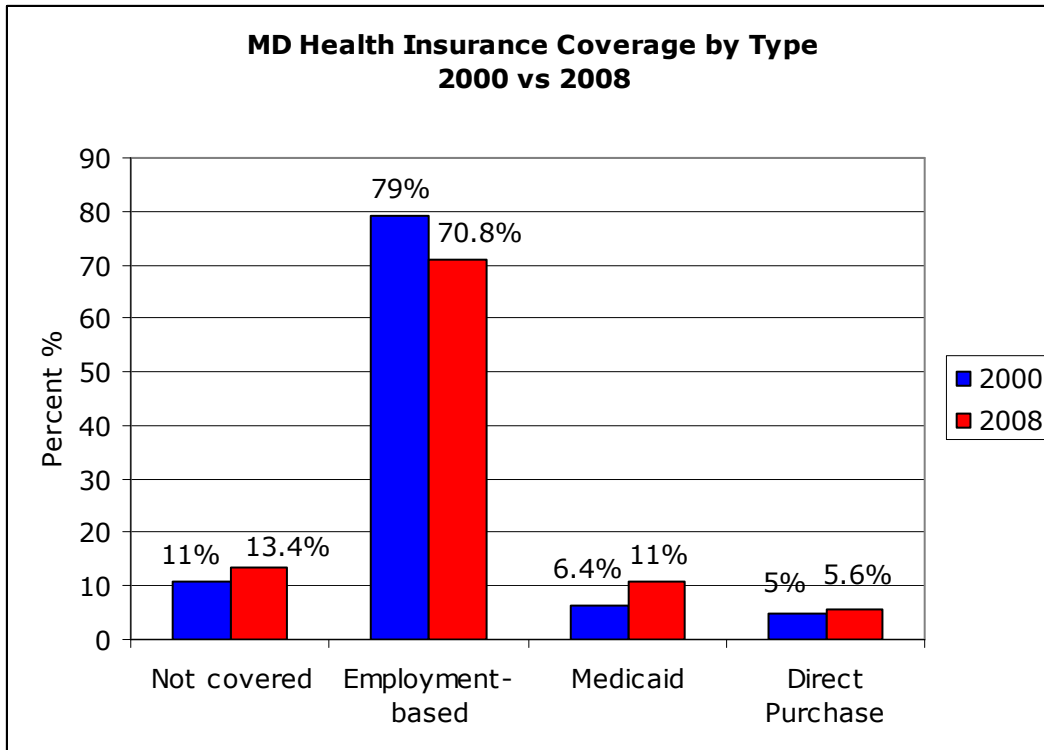
But there are signs that these statistics might improve in the future. That's because Maryland, thanks to a Medicaid expansion passed by the General Assembly in 2007, has moved its health care coverage ranking among states from a dismal 44th up to 21st.³¹ Nevertheless, 21st out of 50 states is still

disappointing for the wealthiest and one of the best educated states in the country.

Families USA estimates that approximately one working-age Marylander dies each day due to lack of health insurance.³² The most recent U.S. Census Bureau Current Population Survey suggests that roughly 13 out of 100 Marylanders lacked health coverage in 2007 and 2008.³³ The recession could well make these numbers worse.

The rising cost of health care insurance almost certainly plays a big role in declining coverage. Employer-provided health insurance continued to decline nationwide. The percentage of Marylanders with employer-provided coverage was 70.8 percent, down by approximately 7 percent from 2000-2001. These findings, which will almost certainly worsen in 2009 because of the recession, highlight the need to enact comprehensive health care reform with a public plan option. A largely market-based approach to health care has led only to declining coverage.

Where employer-provided coverage has eroded, government programs have been a vital safety-net, namely, Maryland's Medical Assistance (MA) program. Maryland expanded Medicaid coverage for low-income parents up to 116 percent of the Federal Poverty Line in July 2008. While employer-provided health insurance declined in 2008 and will continue to decline in 2009 in Maryland, the Medical Assistance program is now approaching 100,000 newly insured in our state since implementation of the new law in July 2008.³⁴ Another factor probably driving increased enrollment of parents in MA is that parents of children who were previously eligible for Maryland's Children's Health Program have lost wages due to underemployment and thus now qualify for MA.



*Source: U.S. Census Bureau. Current Population Survey.
Annual Social and Economic Supplement (ASEC)*

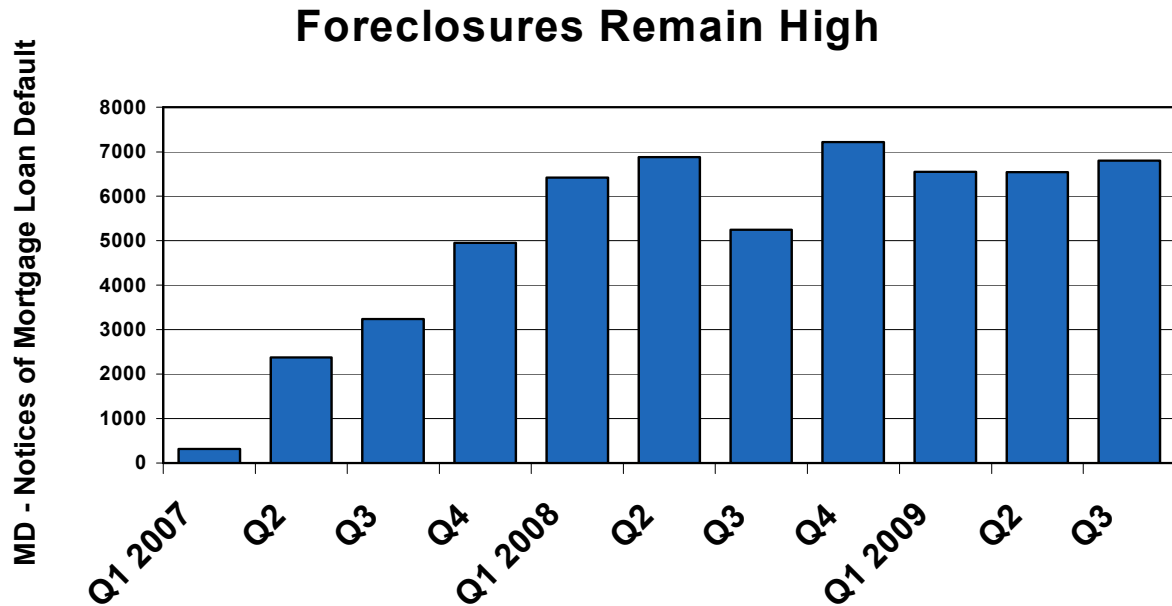
Housing Affordability in Maryland

For many employed, low-income Marylanders, adequate and affordable housing is too often out of reach.³⁵

Economists advise that a household should not spend more than one-third of its monthly income on rent or mortgage. For instance, a three-person household making 2008 poverty level wages (\$17,600 annually or approximately \$1,467 monthly) should pay on average \$440-\$513 per month on rent/mortgage. The 2008 American Community Survey (ACS) estimates that the lowest contract rent quartile in Maryland was \$669 per month.³⁶ Based upon this, a family of three earning poverty level wages essentially pays 45 percent of its monthly earnings on gross rent in Maryland. Considering that working parents have many other costs besides housing, 45% is a huge financial burden.

In terms of foreclosures in Maryland, a 2008 state law increased the foreclosure period from an average of two weeks to 135 days, giving homeowners substantially more time to cure their delinquency status.³⁷ According to the Maryland Department of Housing and Community Development (DHCD), initial foreclosure notices peaked in late 2008, but have not fallen off much since then. As national policies to stem the tide of foreclosures do not seem to be making an impact,³⁸ it seems that state-level policies enacted in Maryland in 2008 are

probably playing a helpful role in at least stabilizing the foreclosure rate. Nationally, Maryland has the 17th highest foreclosure rate among the states – a surprisingly poor ranking considering Maryland boasts the highest median family income in the country.³⁹



Source: DHCD, *Property Foreclosures in Maryland, 2007-2009*

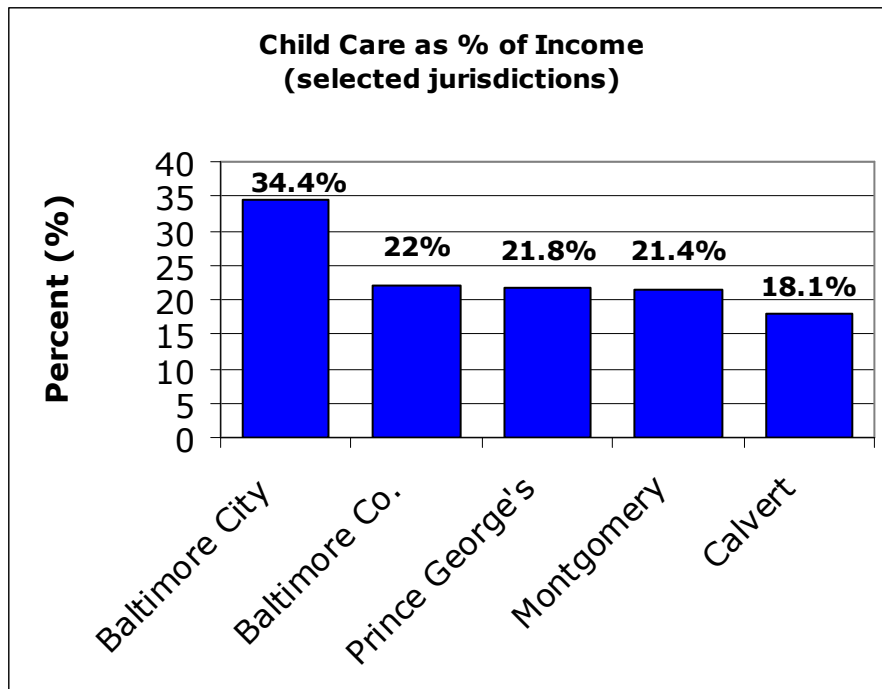
Union Membership

Union membership significantly increases a worker's odds of getting higher wages and access to (better) health care coverage.⁴⁰ Nationwide, the percentage of workers belonging to a union increased from 12.1 percent in 2007 to 12.4 percent in 2008, marking the first annual increase in many decades.⁴¹ The positive effect on wages and health care resulting from this uptick in the unionization rate was clearly offset by the negative impact of the biggest recession in decades. In Maryland, the union membership percentage slipped from 12.9 percent to 12.6 percent,⁴² continuing a decades-long slide.

Child Care

Expanding subsidized child care must be one of the first steps taken in order to provide an environment for more families to work and prosper. Unaffordable child care is one of the largest, preventable barriers to employment for parents.

In 2009, the average annual cost of child care for two children ages 1-2 and 3-5 years old is \$14,877 (or \$286 per week).⁴³ Annual child care costs for two children can range from \$9,512 in Allegany County to \$22,527 in Montgomery County.⁴⁴ Nevertheless, even the average weekly amount of \$286 per week is a huge financial burden for households with even a moderate income, regardless of where in Maryland they live.⁴⁵ For a three-member family (one adult and two children), the maximum annual income to receive child care subsidy is approximately \$29,990. For a family of four the maximum annual income is \$35,702.⁴⁶ Based upon the Maryland Child Care Resource Network's report, *Child Care Demographics 2009*, some families in Maryland can pay up to a staggering 40% of their annual income on child care.⁴⁷ Available data suggests 14,260 families are receiving child care assistance while many more hope to receive it.⁴⁸



Source: Maryland Child Care Resource Network's report, *Child Care Demographics 2009*

When during the 2009 legislative session the Maryland General Assembly enacted a law committing the state government to formulate a comprehensive plan on how to expand access to quality, affordable pre-Kindergarten, Maryland became better positioned to receive more federal funding for this purpose – a wise policy move considering the high priority the Obama Administration is placing on pre-K.

Summary of Living Standards of Maryland's Working Families

The worst recession since the early 1980s and perhaps since the Great Depression has sharply depressed the living standard of working families in our state this year. The thin silver lining is that workers here still live better than in most other states.

But when viewed on its own and through time, the state's economy has failed to produce much positive change for working families over the past several years. Indeed, despite its affluence, Maryland actually scores worse than national averages in some key areas, notably on aggregate health statistics. Clearly, not nearly enough of our state's high median family income is trickling down to blue- and pink-collar Marylanders, especially in the form of real hourly wages and in terms of public health.

Policy Recommendations to Improve Economic Opportunities for Maryland's Working Families

As the national economy struggles to recover, there are several short-term policies that are needed to help ensure growth is more widely shared. Additional government policies can reward work and build the middle class in three basic ways: by assuring that employment pays enough to support a decent standard of living, by patching holes in the social safety net, and by helping Marylanders achieve economic independence.

Sustainable and Shared Recovery

- Continue Recovery and Reinvestment Programs. Programs funded in the American Recovery and Reinvestment Act of 2009 must be allowed to work. Enhanced unemployment benefits, food stamp (Supplemental Nutrition Assistance Program), and Medicaid benefits in particular should be continued until the national unemployment level approaches pre-recession levels.
- Improved Transparency. The Recovery and Reinvestment Act includes unprecedented requirements for reporting and accountability. Still, a great deal of important information is not required by federal reporting requirements: uses of subgrants, demographic information on recipients of stimulus jobs, and the salary and benefit packages associated with stimulus jobs, for example. This kind of information is critical to determining if stimulus funds are used to help those more severely affected by the recession, and to evaluate whether the jobs created with stimulus dollars create a decent standard of living. Maryland has been a leader nationally in providing detailed information on stimulus spending.

The state should increase its efforts to provide information of the demographic distribution of stimulus jobs and their compensation levels.

Rewarding work

- Raise the minimum wage. The \$6.15 state minimum wage is now below the \$7.25 national minimum. Maryland is an expensive state in which to live. Maryland should follow the lead of many other states by raising the state minimum wage to \$8.15.
- Broaden living wage. Legislators should broaden the living wage concept, for example by mandating that companies receiving state dollars of any kind (be it a state contract, a state tax break, or state subsidy) be required to pay workers a living wage.
- Broaden prevailing wage. Lawmakers should expand the prevailing wage concept, for example by requiring a Project Labor Agreement for any construction project that receives state subsidies or state tax breaks, or requires special state approval.
- Remove barriers to union representation. Legislators can broaden union membership in a number of ways, for example by granting more collective bargaining rights to public employees and instituting binding arbitration or at least mediation.

Patching the safety net

- Fund the public sector adequately. Maryland state government cannot build a strong safety net if it continues to lurch from fiscal crisis to fiscal crisis. The state needs steady, predictable revenue and the place to begin is better tax enforcement. An all-cuts solution to the state's budget shortfalls will lead to unacceptable losses to the state's education, healthcare, transportation, and public safety services as well as critical supports for vulnerable individuals and families. Lawmakers should follow a more balanced fiscal policy, including closing tax loopholes, abolishing outdated tax breaks, progressive taxation, prudent use of the state reserve funds as well as expenditure reductions.
- Increase Unemployment Insurance. At a time of mounting under- and unemployment, Maryland took a positive step forward this past 2009 legislative session by passing the law to extend unemployment insurance (UI) to part-time workers. This law went into effect in April 2009. The federal Unemployment Insurance Modernization Act (UIMA) encourages states to update their unemployment insurance systems. With two more changes to the current law, Maryland could be eligible for approximately \$130 million of the federal incentive fund. The first change would be for

Maryland to implement an Alternate Base Period (ABP), whereby a worker's most recent earnings are considered when determining UI eligibility and calculating benefit amounts. Without these changes, some applicants are ineligible for unemployment benefits even after working a full-time job for up to 9 months. One of three additional reforms must be implemented for Maryland to receive the UIMA funds: (1) Provide benefits to unemployed workers who participate in job training; (2) Extend benefits to workers forced to leave their jobs for compelling family reasons (i.e. relocation of a spouse or domestic violence); and (3) Increase the weekly dependent allowance from the current \$8 to \$15. Maryland should enact these changes in order to modernize our state's outmoded UI system.

- Health care for all. Congress should enact a health care reform bill that extends health coverage to all Americans, provides a competitive public option, and significantly reduces health care costs over time. Simultaneously, Maryland should complete its planned expansion of Medicaid benefits to all adults under 116% of the Federal poverty level. Moreover, if the federal government does indeed enact health care reform, Maryland state government will almost certainly have work to do ensuring proper implementation and filling in gaps.

Achieving and maintaining economic independence

- Removing barriers to employment. Improve and expand programs for affordable rental housing, child care, transportation and other barriers that prevent low-income adults from getting and keeping jobs.
- Education. Quality education is a key to achieving the American Dream. Maryland state government needs to continue recent strides made to expand affordable, quality pre-K. As for K-12, the "Thornton" education funding formula's inflation factor should be restored so that funding tracks real costs of education, and disparities between poor and wealthy jurisdictions do not widen. Need-based post-secondary student financial aid should be expanded, especially for part-time, community college, and vocational students.

ENDNOTES

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- ⁵ EPI Jobs Picture October 2009 www.epi.org
- ⁶ "Highest Unemployment Since 1983" www.epi.org
- ⁷ EPI Job Pictures June 2009 www.epi.org
- ⁸ Ibid
- ⁹ <http://www.bls.gov/web/laumstrk.htm>
- ¹⁰ CES highlights www.bls.gov
- ¹¹ Based on US Census. 2008 American Community Survey (ACS) data.
- ¹² Based on US Census. 2008 American Community Survey (ACS) data. Note: Data on smaller jurisdictions has not yet been released by the U.S. Census as of the date of this report.
- ¹³ Economic Policy Institute analysis of 2008 Current Population Survey data
- ¹⁴ CES Highlights for July 2009 www.bls.gov
- ¹⁵ SAE Experimental Figures www.bls.gov/sae/experimental/sae24.htm
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- ²⁸ *Health, United States, 2008*, U.S. Dept. of Health and Human Services, available at <http://www.cdc.gov/nchs/data/abus/abus08.pdf#executivesummary>, Table 14 on p. 178.
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- ³⁰ Ibid., Table 27 on p. 204
- ³¹ <http://www.healthcareforall.com/modules.php?op=modload&name=News&file=article&sid=274>; and <http://www.census.gov/hhes/www/hlthins/historic/hihist4.xls>
- ³² Families USA, *Dying for Coverage in Maryland* (2008) at: <http://familiesusa.org/assets/pdfs/dying-for-coverage/maryland.pdf>
- ³³ The Census Bureau's Current Population Survey (CPS) figures for Maryland average two years of survey data in order to improve the reliability of the estimates.
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