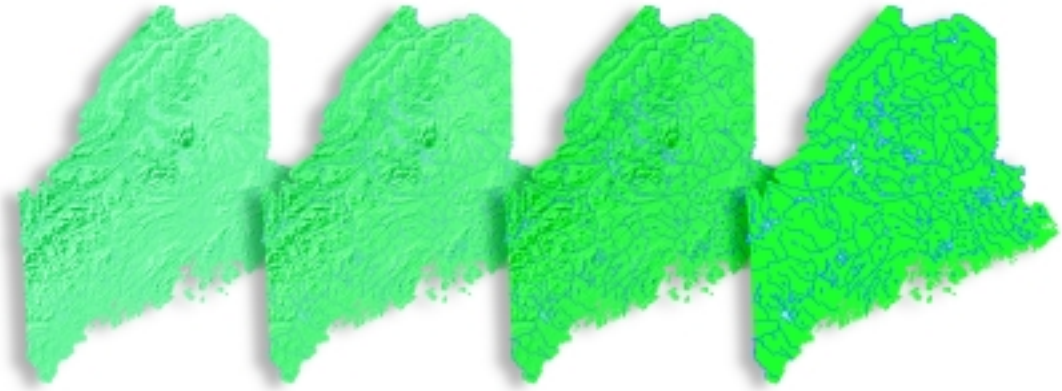
Gaining Good Jobs



Trends and Prospects for Maine

June 22, 1999

A Joint Publication of the
Maine Department of Labor
and the
Maine Economic Growth Council,
which is administered by the
Maine Development Foundation

MAINE
DEPARTMENT OF
LABOR

MAINE DEVELOPMENT FOUNDATION

Maine Economic Growth Council Vision for the Maine Economy

Our vision for Maine is a high quality of life for all citizens.
Central to this vision is a sustainable economy that offers an opportunity for everyone to have rewarding employment and for business to prosper, now and in the future.
The people of Maine bring this vision into reality by working together and building on a tradition of hard work, dedication, and Yankee ingenuity.

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This publication is the result of a collaboration between the Maine Economic Growth Council and the Maine Department of Labor. It provides a closer look at one of many issues that the Council has identified as crucial to long-term economic growth in Maine.

As with all the work of the Maine Economic Growth Council, this publication is designed to inform policy makers in an objective, nonpartisan manner. In addition, this paper is intended to provoke discussion and further study.

Frank O'Hara of Planning Decisions was the principal author of the paper. Craig Freshley and members the Maine Economic Growth Council provided editing assistance. Department of Labor staff provided data, editing assistance, graphics, and desktop publishing.

Introduction

The *Maine Economic Growth Council* has set ambitious goals and benchmarks for Maine which require the development of quality jobs. These include:

- To increase the proportion of jobs in Maine that pay enough money to support a family—so-called "liveable wage jobs" — from 67 percent to 85 percent. (Benchmark #27)
- To raise Maine's national ranking with regard to per capita income from 36th to 25th (Benchmark #2)
- To reduce income disparities between rich and poor, between men and women, and between north and south in Maine (Benchmarks # 20, 21, 23)

According to the Economic Growth Council's *1999 Measures of Growth*[1] report we haven't made sufficient progress on these goals.

A good summary of where we now stand is provided by a recent newsletter article from the Maine Center for Economic Policy entitled "Can We Expand the Prosperity?"[2] The article points out these positive trends in the economy:

- Maine now has more jobs than it had at the peak of the last boom in 1989;
- Maine unemployment rates are lower than the national average;
- Maine personal income grew strongly in 1998; and
- From 1993 to 1997 average earnings for many Maine occupations grew faster than inflation.

The article goes on to point out, however, that the high levels of average growth are not distributed equally. "Much of the strong growth in total personal income appears to be concentrated among a relatively small number of high-income households whose members are educated and have technical skills in high demand, and have investments in the stock market that have generated spectacular returns for several years."

What is going on in the Maine job market? This report provides data, analysis, and policy considerations.

1998 – A look at one year in the Maine job market

Because changes in our own job or in our own lives may proceed slowly, it is easy to underestimate the amount of change going on in the economy as a whole. You may have the same job title or position as 5 or 10 years ago, but if you consider the technology you use today, the work you do and the skill requirements are probably quite different.

Similarly, we underestimate the change going on in the economy as a whole because our statistics look at it from the "top down." Take last year for example. Between January 1998 and January 1999, the State of Maine added 18,000 nonfarm wage and salary jobs (Figure 1). Over a beginning base of 537,500 jobs, this is a net growth of 3.3 percent.

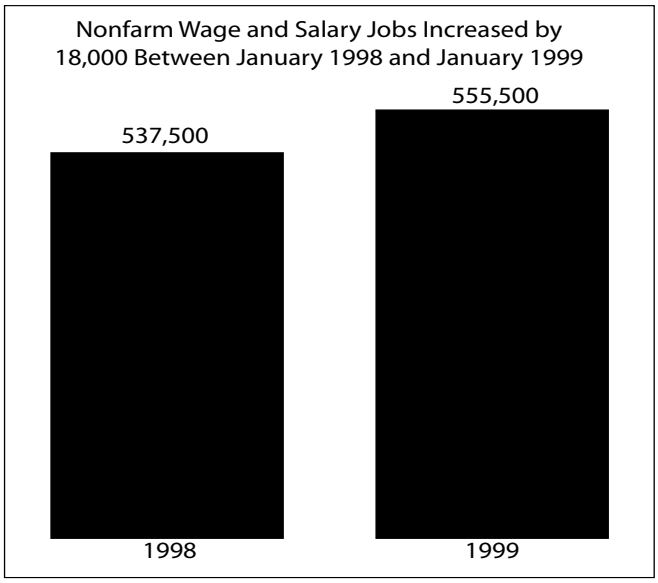

Figure 1

But this net change in the number of jobs conceals the turmoil and flux individuals and businesses experienced in Maine last year. If you look at the economy from the "bottom up," the change is much clearer. For example, over the course of last year 5,136 new Maine businesses started up. At the same time, over 12,000 workers were affected by "layoff

events," defined by the Maine Department of Labor as events with 20 or more workers laid off for 30 or more days.

For the year as a whole, 54,823 Maine residents (six percent of the working age population) collected unemployment insurance at one time or another. The Maine Department of Labor estimates well over 100,000 Maine workers experienced a period of unemployment in 1998.

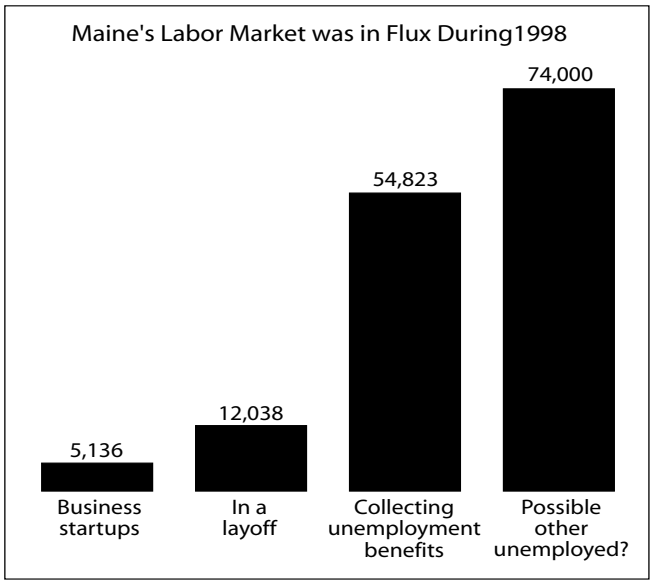

Figure 2

The lesson of all of these numbers is that people are moving in and out of jobs all the time, and jobs and businesses are continually created and destroyed. The economist Joseph Schumpeter famously labeled this aspect of economic development as "creative destruction."[3] Nothing in the economy stands still.

Therefore, the common sense impression that all Maine has to do to improve its economic standing is to "hold on to the good jobs it has, and pick up a few additional good jobs" underestimates the task at hand.

A landmark study of job creation and destruction by MIT economist David Birch in the late 1970s found that the average state loses eight percent of its job base every year. If this ratio held true in Maine last year, it would mean that the state lost 44,000 jobs, and gained 62,000 – for a net change of 18,000. Birch notes that the rate of loss was the same in high-growth states and low-growth states. The only difference between the two was the rate of job creation. Birch concluded from this that "In order to break even, a state must replace about eight percent of its job base each year, or roughly 40 percent of its job base every five years."[3] Birch's conclusion from this for public policy was "Do not try to influence the rate of job loss, since it is practically the same in all states, and worry instead about how to encourage job replacement."[4]

More recent studies confirm this picture. A 1995 study for the National Bureau of Economic Research estimates that one in three workers change employers or employment status every year, and that 20 percent to 30 percent of jobs are created or destroyed every year.[5]

1992 to 1998-What is happening in the recovery and expansion

Beyond the changes which happen in an individual year, there are also longer term ebbs and flows which change the shape of jobs in a state like Maine.

The 1970s boom was a time of strong inmigration to Maine, and growth of nondurable goods manufacturing.

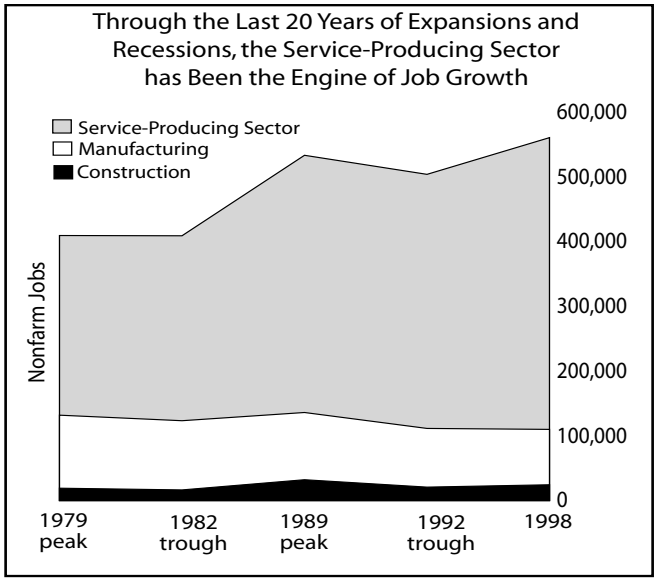

Figure 3

The 1980s experienced a boom generated by defense spending, real estate investment (and speculation), and retail sales. Manufacturing jobs actually declined over the period.

The 1990s recovery has been much more subdued than the heated 1980s boom, and the growth now is in industries like health, business, and social services.

Figure 4 below shows the changes in services, manufacturing, and construction in more detail. Manufacturing has been on a steady downhill course with regard to employment since 1979, when it peaked at 115,000 workers. In 1998 there were 87,000 manufacturing workers in Maine. However, in spite of job decline, manufacturing's share of Maine's total output has not declined. It was 18.3 percent in 1970, and was still 18.3 percent in 1990. Automation and productivity improvements have contributed to stable production levels, even with declining employment.

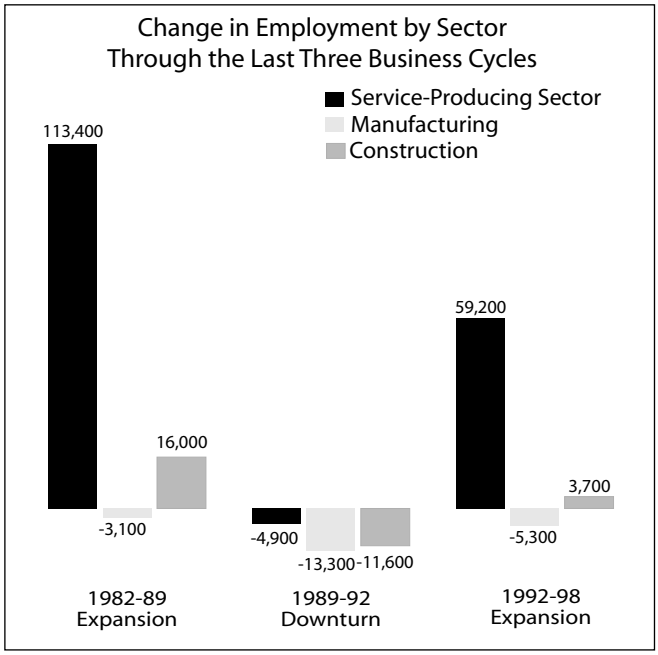

Figure 4

It is often assumed that all service jobs are low-wage and all manufacturing jobs are high-wage. This isn't necessarily the case. Manufacturing industries such as textile, shoe, and food production have average annual wages of less than $27,000. On the other hand, services industries such as engineering, accounting, and management–which increased by 2,270 jobs between 1992 and 1998 – had an average annual wage of $38,084 in 1998.

A look at the top ten growing industries in the 1990s recovery and expansion, and the top ten declining industries, shows a decidedly mixed picture (Figure 5). There are low-wage services industries expanding, like social services and restaurants, but there are also higher-wage expansions. Besides the engineering category mentioned above, the category of "nondepository credit institutions," which includes companies like MBNA, has a very high average salary.

On the other hand, the loss of shipbuilding, paper manufacturing, and utility jobs have removed desirable, well-paying employment for blue collar workers.

How does it all wash out in the end? The Maine Department of Labor has analyzed the net growth and loss of employment in industries in three categories: those that pay an average of $30,000 a year or better; those that pay an average wage of $20,000 to $29,999; and those that pay less than $20,000 (Figure 6).

The good news is that in every industry category, net new jobs exceed net loss of jobs. Even in the $30,000 plus category of businesses, there are 3,000 more jobs gained than lost.

The bad news is that the biggest gains are in jobs which pay under $20,000.

This may in part explain why the practice of holding more than one job increased in Maine between 1995 and 1998 (from 6.7 percent of workers to 8.0 percent), while declining in the nation during that same period (from 6.3 percent to 6.0 percent).

It may also explain why the gap in average wages paid per job (adjusted for inflation) between Maine and the U.S. widened between 1989 and 1997. In this eight-year period the difference in average weekly wages between Maine and the U.S. grew from $84 to $105 (Figure 7).

Figure 5
Job Change in Maine's 1992-1998 Recovery and Expansion

10 top growing industries			10 top declining industries		
Industry	**Job change**	**Avg. Wage**	**Industry**	**Job change**	**Avg. Wage**
Social services	10,901	$16,301	Federal government*	(4,102)	$42,303
Business services	9,414	$19,853	Leather products	(2,640)	$22,625
Health services	6,602	$29,532	Paper and allied products	(2,097)	$49,690
Local government	4,163	$23,976	Transportation equipment*	(1,781)	$38,196
Special trades construction	3,440	$26,626	Textile products	(1,345)	$26,711
Food stores	3,315	$14,200	State government	(1,060)	$29,933
Wholesale trade of durable goods	2,584	$34,872	Electric, gas, and sanitary services	(993)	$45,751
Nondepository credit institutions#	2,582	$35,190	Apparel and accessory stores	(674)	$15,854
Eating and drinking places	2,521	$10,585	Apparel and other textile products	(543)	$20,175
Engineering, accounting, and management services	2,270	$38,084	Food products	(497)	$25,097

 # Includes MBNA and similar firms.
** Reflects declines in shipbuilding employment at the Portsmouth Naval Shipyard (Federal government) and Bath Iron Works (transportation equipment).*

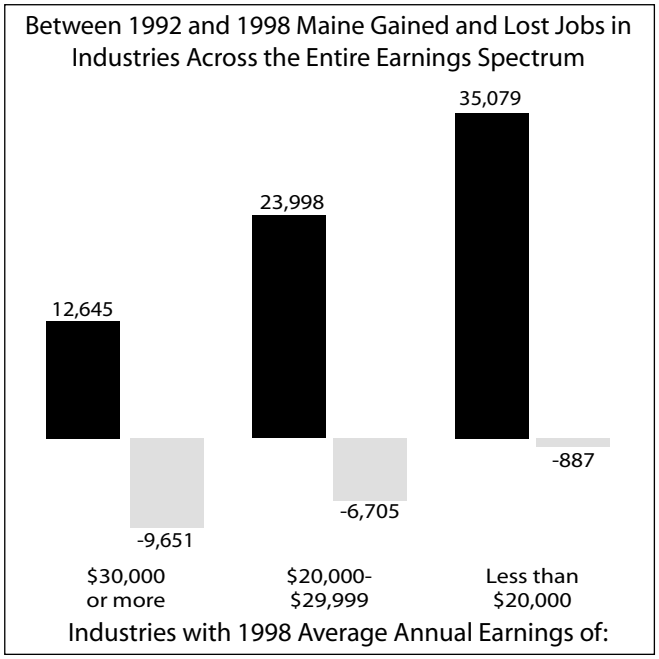

Figure 6

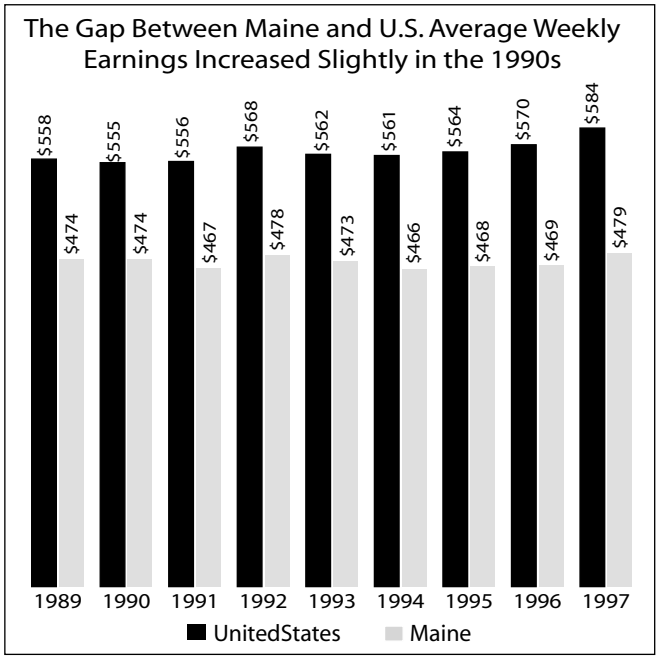

Figure7

Winning and Losing Families in Kennebec County

In the end it is not job categories that are laid off, but individual people. They each have their own stories. This past winter the Maine Center for Economic Policy sponsored a survey of a sample of 295 laid-off workers from Kennebec County. Those surveyed were among the 3,900 workers affected by layoffs in Kennebec County between 1995 and 1999. The sample was drawn from Carleton Woolen Mills in Gardiner (127 laid off), Kimberly Clark Paper in Winslow (115 laid off), Cascade Woolen Mill in Oakland (125 laid off), Tree Free Fiber and its predecessor Statler Tissue in Augusta (671 laid off), and Hathaway Shirt in Waterville (800 laid off).

Not surprisingly, only one in six workers became employed in a job which paid as much as or more than the manufacturing job they left (Figure 8). About a third had a lower-paying job. The median household income for all respondents was $40,000 prior to the layoff, and by 1998 the median income among the group had fallen to $25,000.[6]

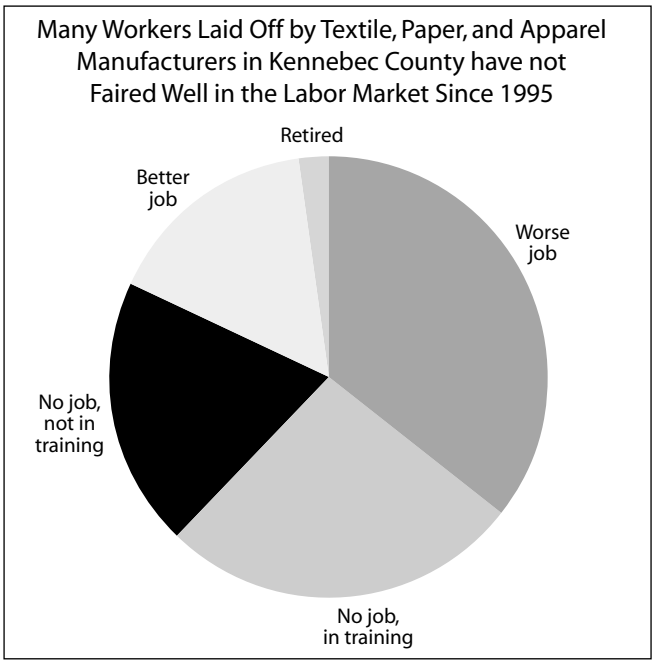

Figure 8

About two in five participated in some kind of job training after the layoff. The median length of training was 24 weeks. Reasons for not participating in training included no need, the desired training was unavailable, or the respondent felt he/she was too old.

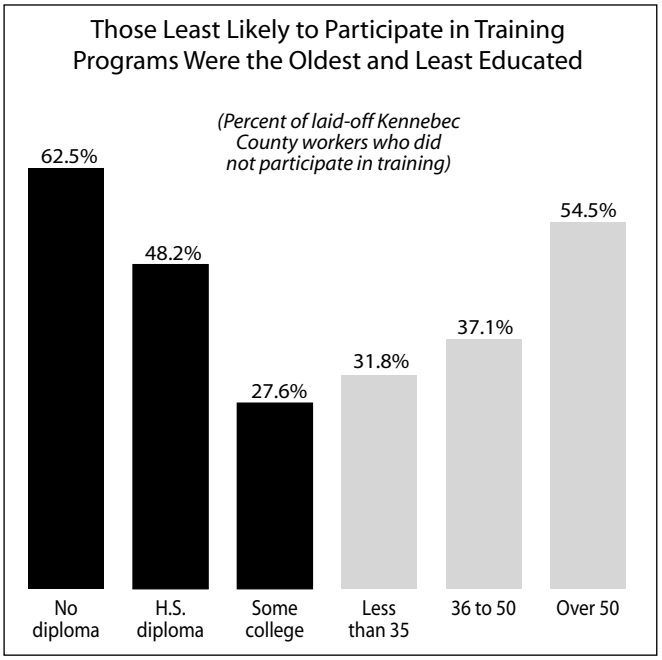

Figure 9

The training participation pattern was disturbing. It turned out that the less education the laid-off worker had, the less likely that worker was to participate in training. Also, the older the worker was, the less likelihood that he or she would participate in training (Figure 9).

Welfare-to-Work Success

A more encouraging story is emerging from Maine welfare-to-work programs. "Overall, we've placed about 6,500 individuals in jobs," Judy Williams of the Maine Bureau of Family Independence reports.[7] A strong economy, expanded training opportunities, and child care subsidies during the transition program have contributed to the program's success.

For instance, 13 former welfare recipients completed a ten-week training program in Cumberland County in May. Ten of the 13 graduates already have jobs with companies such as Blue Cross-Blue Shield, Wright Express, and Fleet Bank.

Typical career moves in the programs are from retail clerk to store manager, photocopier to customer service representative, unemployed geologist to environmental consultant, and even fisherman to computer web page designer.

Policy Considerations

Maine's economic development strategy must be multifaceted. As Professor James Breece has recently pointed out, Maine's traditional industries need to increase their productivity, even as, with research and development efforts, we try to develop high-wage, high-technology sectors.

But what is essential for increasing productivity, and for attracting high-technology entrepreneurs, is having a skilled workforce.

At present, Maine's workforce has less formal eduction than the national average. National studies show that incomes track education levels (Figure 10).

Following are some ideas that might be considered by policymakers as avenues toward enhancing the skills of Maine workers.

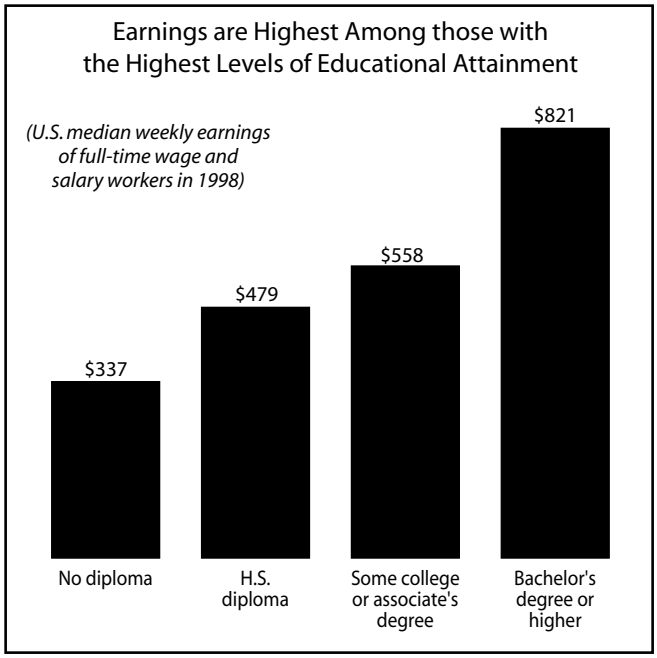

Figure 10

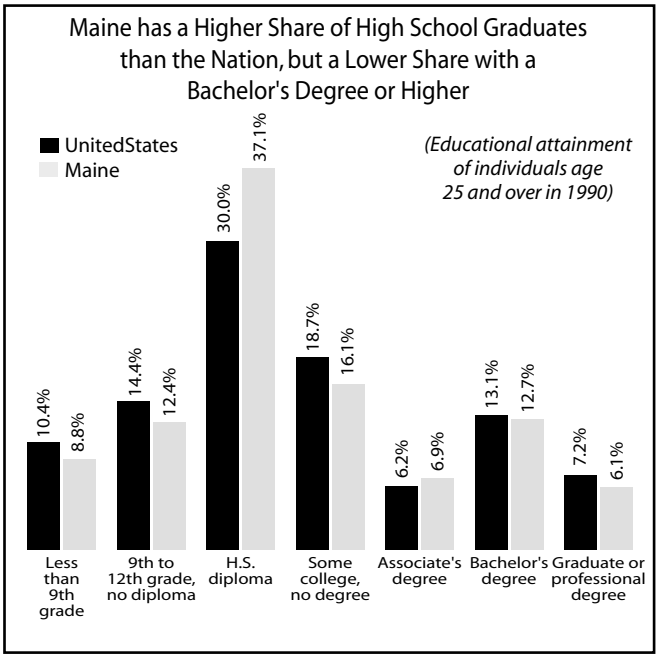

Figure 11

1) A key strategy for increasing the skills of the Maine workforce is to educate adult workers.

Compared to the national population, Maine's population has a smaller proportion of adults with four-year or more college degrees (Figure 11). This problem becomes even more difficult to deal with when demographics are considered.

Current demographic trends will not support substantial labor force growth on a sustained basis. There are fewer young people available to enter the labor force due to declining birthrates in the 1970s. Therefore, the strategy of increasing the proportion of graduating high school students who go on to college — while desirable in itself — will not do much to raise the overall skill level of the Maine workforce. Even if every student currently in high school in Maine goes on to get a Ph.D., it will still not be enough, because three-quarters of Maine's labor force in the year 2006 in Maine is already out there.[4] To make a significant impact on upgrading Maine's workforce skill levels, an expanded effort to educate adult workers is needed involving adult education, postsecondary institutions, and others.

2) It is critical to direct training to those most in need.

The experience of the laid-off workers of Kennebec County (Figure 9) is that the people most likely to take advantage of training already have some education, or are younger. This is confirmed by the 1998 survey of Maine citizens undertaken by the Maine Economic Growth Council and the Maine Development Foundation (Figure 12). The higher an individual's income, the more likely he or she is to take a continuing education seminar or course. The more education, the more likely he or she is to take a course. And the younger a person is, the more likely he or she is to take a continuing education program.

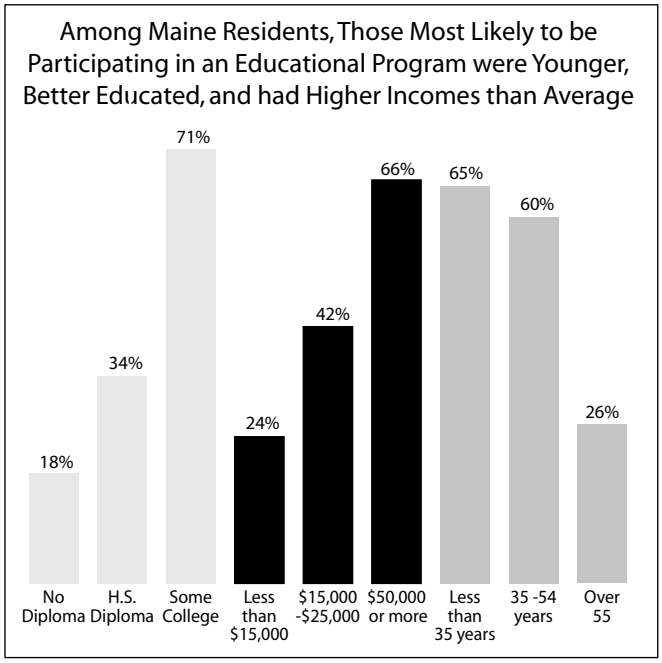

Figure 12

If Maine is to succeed in upgrading its workforce and in giving its people a chance to succeed, its continuing education programs must be welcoming and accessible to those who need it most. For example, an educational institution which lists its course offerings on an Internet site may not be reaching those without computer skills, and these are the people in the workforce most in need of basic upgrading. A better understanding of strategies to provide easier access for this group, and an understanding of the obstacles they must overcome, will help in designing such efforts.

3) A culture of lifelong learning must be instilled in Maine businesses and workers.

To achieve a significant upgrading of Maine workforce skills, Maine employers must provide the conditions which encourage training participation-namely, flexible schedules, tuition reimbursements, and progressive career advancement opportunities. Similarly, Maine workers must adapt a lifelong learning ethic.

In the 1995, 1996, and 1997 Maine Economic Growth Council surveys, Maine citizens were asked whether they felt they had to upgrade their skills in order to get ahead in their job over the next few years. One-third of Maine citizens strongly agreed with the statement. About 40 percent didn't agree with the statement at all. If workers see no payoff at all in their future for continuing education, they will be less likely to pursue it.

For their own self-interest (in order to attract workers[8]), as well as for the broader interest of Maine's economy, Maine employers need to create bridges between entry-level jobs and higher-skill, higher-paying jobs.

Conclusion

In the long run, the solution to the quality jobs problem involves a change in ethic on the part of Maine government, employers, and workers. Lifelong education must become a way of life for all citizens in Maine, rather than an attractive but unattainable ideal. This in turn will involve changes in the workplace, in schools, and in government.

Notes

1. Measures of Growth, 1999, prepared by the Maine Development Foundation for the Maine Economic Growth Council, January 1999.
2. Christopher St. John, "Can We Expand the Prosperity?", News From the Maine Center for Economic Policy, Vol. V, No. 5, May 26, 1999.
3. David Birch, The Job Generation Process, M.I.T. Program on Neighborhood and Regional Change, 1979, pp. 21-3.
4. Ibid., p. 49.
5. Davis and Haltiwanger, "Measuring Gross Worker and Job Flows." Working Paper No. 5133, NBER, p. 29.
6. Maine Center for Economic Policy, unpublished data.
7. John Richardson, "Welfare to Work: Graduating to a Better Life," Portland Press Herald, May 22, 1998, p.1.
8. See "The Shortage of CNAs and PCAs in Maine: Short and Long Term Solutions." The Maine Health Care Association, 1999, for discussion of the career ladder issue with regard to recruiting nurse's aides.

About the Maine Department of Labor

The Maine Department of Labor helps people, employers, and organizations in the areas of work, working conditions, and work life. Major services provided are: finding jobs for workers; finding workers for jobs; training people for jobs; getting money to people out of work; teaching employers and workers about job safety and health; inspecting work places; protecting working conditions; providing labor, economic, and career information; improving labor-management relations; supporting homemakers returning to work; and providing rehabilitation services.

The Maine Department of Labor was established in 1971 through a consolidation of agencies which had existed for nearly 100 years. The Department has several organizational units and approximately 700 employees who are dispersed throughout the state.

About the Maine Economic Growth Council

The Maine Economic Growth Council is comprised of 19 members appointed jointly by the Governor, President of the Senate, and Speaker of the House. The Legislature established the Growth Council in 1993 and charged it to develop and maintain a long term economic plan for the state, including goal-setting, measurable outcomes, and benchmarks.

The Growth Council publishes Measures of Growth annually which serves as a comprehensive overview of our progress towards achieving sustained economic growth. The Council also convenes Issue Meetings on topics of special interest, such as the Liveable Wage Jobs Issue meeting of June 22, 1999.

You can view or download the Measures of Growth report, access survey data, and follow links to other data sources via the website of the Maine Development Foundation at http://www.mdf.org. You can also call MDF at 622-6345 to order a hard copy.

About the Maine Development Foundation

The Maine Development Foundation administers the Maine Economic Growth Council. The Foundation's mission is to promote Maine's long-term economic growth by building the state's leadership capacity, advocating new approaches to solve problems, and providing a trusted, nonpartisan common ground for public and private leaders. The organization was created by the Legislature over twenty years ago as a private, nonprofit corporation with a broad mandate to promote Maine's economy. The organization is financed primarily with private resources.

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