

THE STATE OF WORKING MARYLAND, 2005

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EXECUTIVE SUMMARY

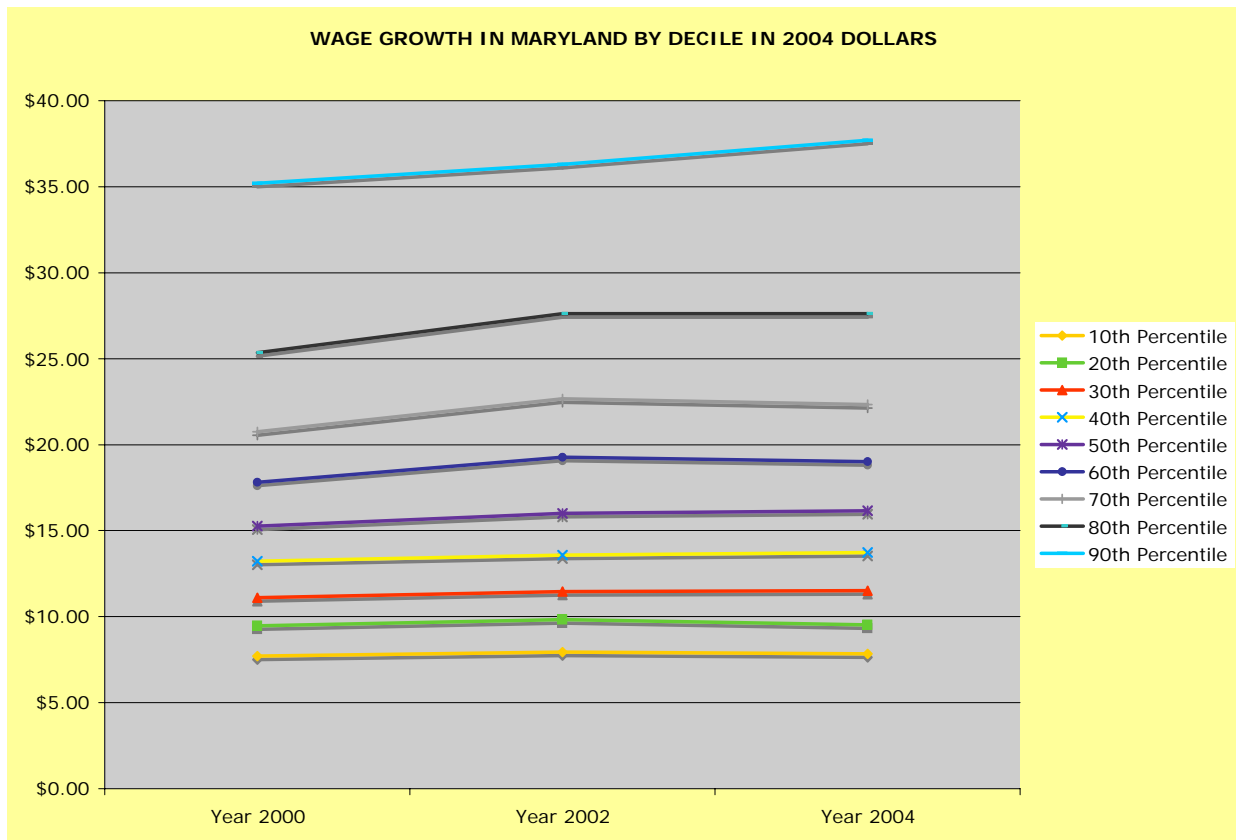
There is no more appropriate moment than Labor Day to take stock of the condition of working families in our state. Relying on the authoritative *The State of Working America 2004-2005* and other data provided by the Economic Policy Institute (EPI) as well as new federal and state data, this report creates a statistical snap shot of the material well-being of working Marylanders and their families. Here are our major findings:

- Even though average wages remain higher than in many other states, Maryland mirrors national trends in that recent increases have been much greater for higher wage earners than for lower, widening the gap in earnings. Thus the economic recovery is doing very little to take-home pay for many of Maryland's working families.
- Raising the minimum wage in Maryland would help lift stagnating wages for at least 173,000 Marylanders – most of them adult breadwinners, not teenaged seasonal employees (as many opponents of the minimum wage contend).
- Despite the so-called recovery, Maryland's official poverty rate has increased two years in a row. And considering Maryland's high cost of living, the national poverty line underestimates the true extent of destitution in our state.
- African American and Latino working families are faring worse in terms of wages and poverty than other types of workers in Maryland.
- There has been a trend toward lower-wage service-sector jobs replacing higher-wage manufacturing and technical jobs. This trend exerts downward pressure on real family incomes in Maryland.
- Living standards are affected not only by wages and income, but also by declining health care insurance coverage for Maryland workers. Despite Maryland's relative affluence, by many measurements the health of our people is worse than in most states.
- Workers who belong to unions are more likely to earn higher wages and receive decent health care coverage and other benefits. Unfortunately, unionization rates in Maryland are declining – albeit more slowly than in the U.S. as a whole.
- American workers' skills and hard work are a major ingredient in our nation's competitiveness in a volatile, globalizing economy. Maryland workers can continue to do well if they are supported by government action to ensure they receive adequate compensation in the form of rising wages, good health care, world-class public schools, and opportunity for all. If the federal government fails to act there is still much Maryland lawmakers can do such as raising the minimum wage in our state and instituting a living wage for workers on state contracts. There is plenty of untapped wealth in affluent Maryland for our state government to pay for good schools and health care for all.
- In recent years lawmakers in Annapolis have begun to show more interest in these types of pro-worker policies. Working families need to keep the pressure on lawmakers by getting more involved politically so that lawmakers listen to them -- and not just to big corporate campaign contributors. Progressive Maryland – founded only four years ago -- is organizing working families to do just that, and we are already beginning to see positive results.

HAVE ALL MARYLANDERS BENEFITTED FROM THE NATIONAL ECONOMIC RECOVERY?

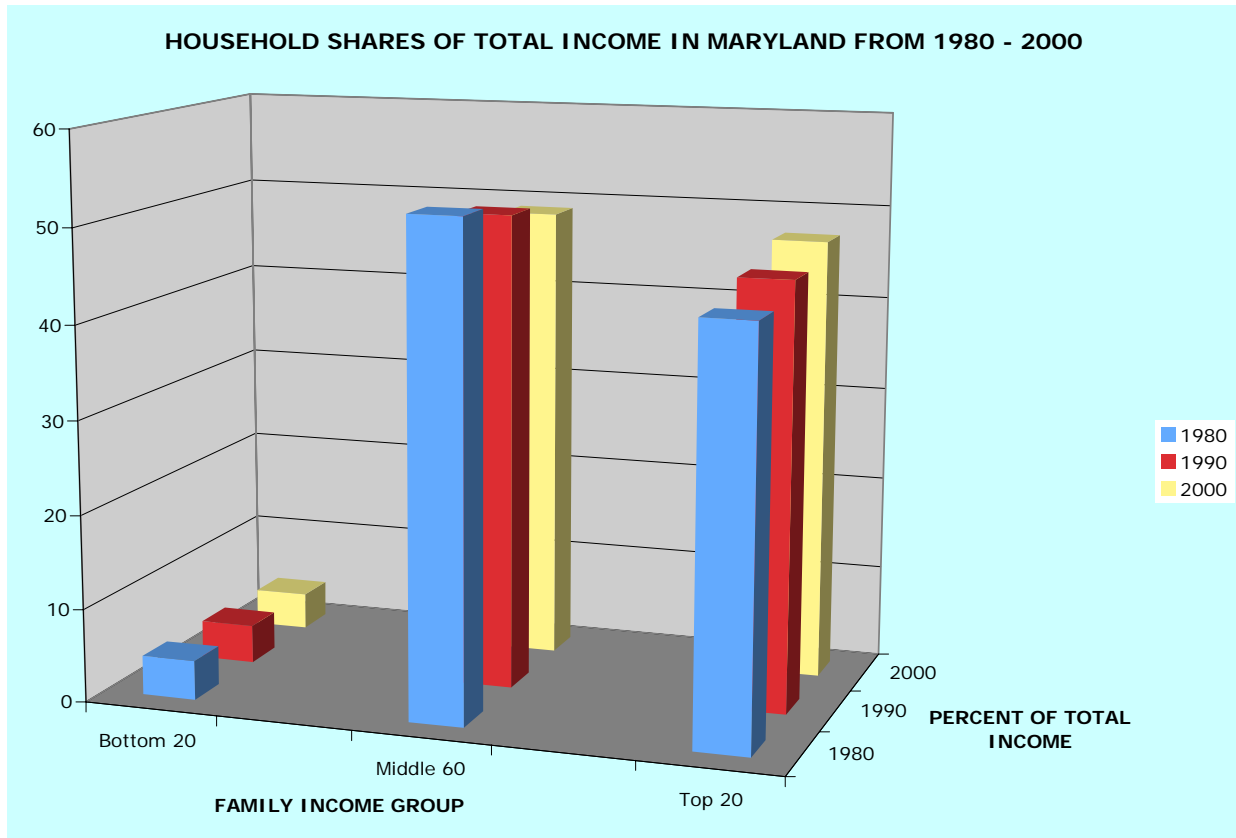
Hardly. In Maryland the average pay has gone up in recent years and remains near the top of all the states. But averages can be misleading. For when we examine pay raises by different groups from 2000 – 2004, we find those in the lowest tenth (called a decile by economists) saw a wage increase of only 1.7% and in the next highest group only 0.7% while the smaller number of Marylanders in the upper groups (60 – 90th percentiles) saw raises of 7 – 9%.¹ Thus, the well-documented national trend toward stagnating wages and increasing income inequality² holds equally true in Maryland, as the following charts make clear:

Figure 1



Source: Economic Policy Institute (EPI) analysis of U.S. Bureau of Labor Statistics data

Figure 2



Source: Maryland State Data Center web site

<http://www.mdp.state.md.us/msdc/bea/ca03/annual.htm> accessed 6/24/2005

HOW WOULD A HIGHER MARYLAND MINIMUM WAGE HELP FAMILIES IN OUR STATE?

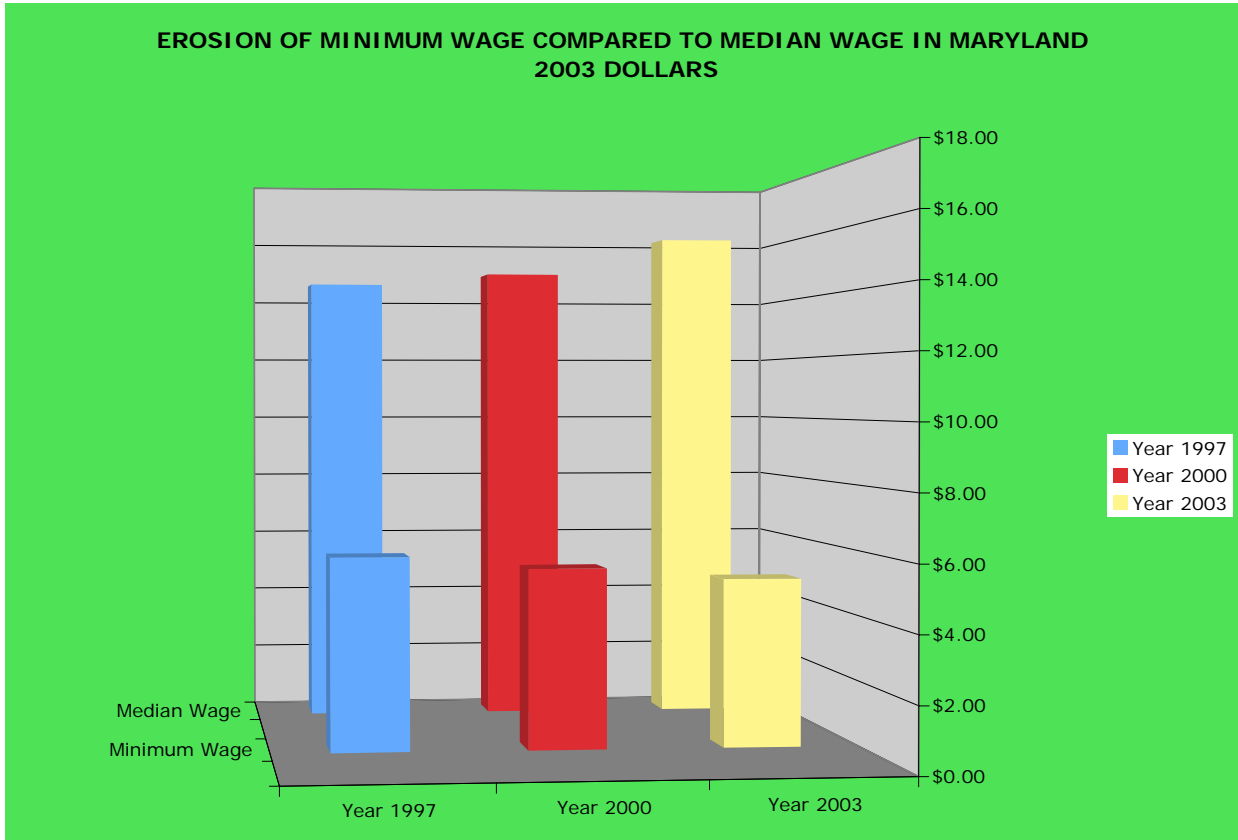
The purchasing power of the minimum wage has fallen a great deal because it is not indexed for inflation. In Maryland it has fallen from 41% of the average wage in 1997 to 32% as of 2003.³

Sixteen states attacked this problem by raising their minimum wage above the disgraceful federal level of \$5.15 per hour. The Maryland General Assembly followed suit in its 2005 session, raising our minimum wage from \$5.15 per hour to \$6.15 per hour, but Governor Ehrlich vetoed the bill.

A raise in Maryland's minimum wage would be a boon both to those working at that wage and to those getting the "near minimum" pay of up to \$1.00 per hour above the minimum. The latter group will also usually see a raise because of the "ripple effect". Fully 173,000 Marylanders now earn up to \$7.15 / hour, 6.9% of our total work force. 74% of these workers are 20 or older (not teenagers); 52% work full time;

70% are women. So this pay hike would help families – often times female-headed – put food on the table, not merely help teenagers finance frivolous consumption, as some opponents have argued.⁴

Figure 3



Source: Calculated from data in *State of Working America*, pp. 44, 200, and 372.

Figure 4

CHARACTERISTICS OF MARYLAND WORKERS NOW EARNING UP TO \$ 7.15 / HOUR WHO WOULD BE HELPED BY MINIMUM WAGE INCREASE	
NUMBER OF WORKERS	173,000
PERCENT OF ALL WORKERS	6.9%
AGE 20 AND OVER	74%
WORKING FULL TIME	52%
WOMEN	70% /

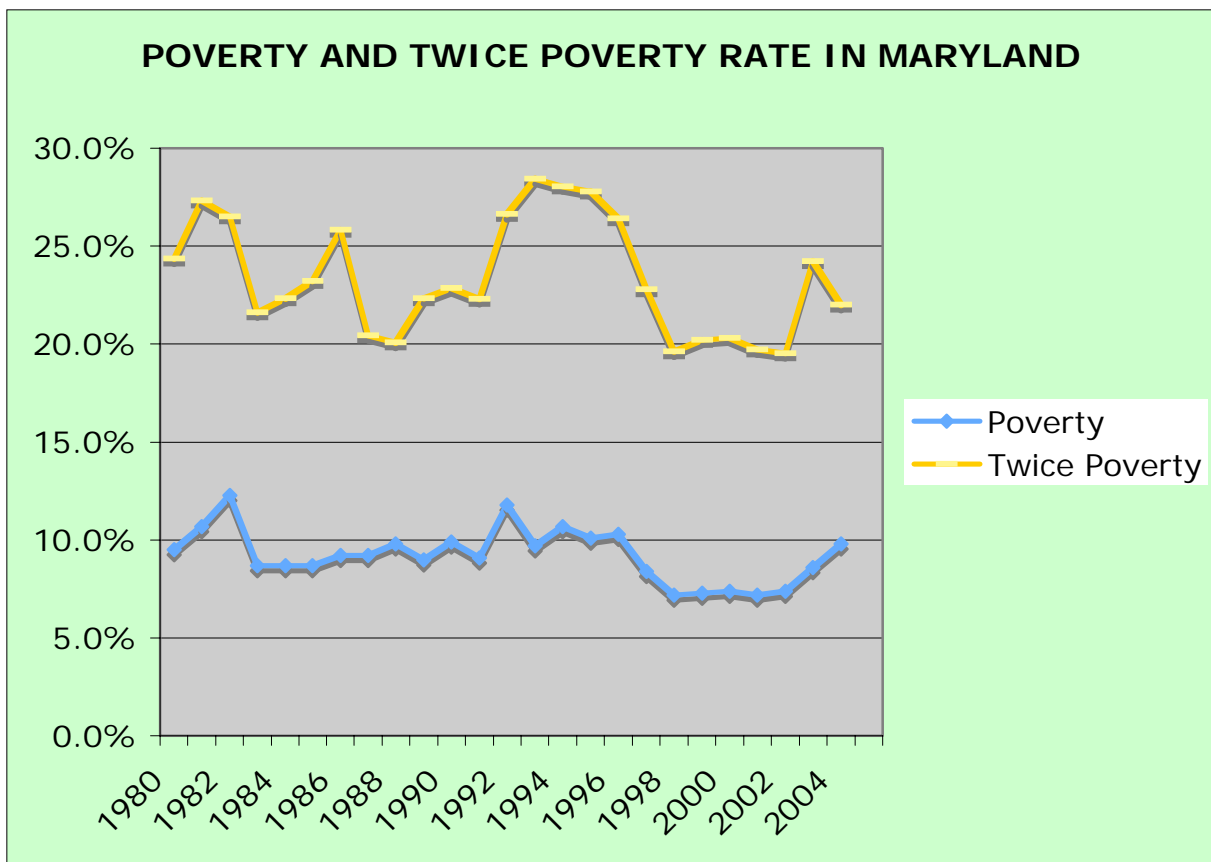
Source: Jeff Chapman, staff economist at the EPI

POVERTY IN MARYLAND

Stagnating wages indicate hardship for working families in our state. And indeed, the poverty rate has climbed two straight years in Maryland and now hovers at 8.8% of the population, or fully 473,000 Marylanders. Baltimore City is one of the 10 poorest jurisdictions in the country.⁵

At first glance, this figure seems not too alarming because Maryland's official poverty rate is still lower than 45 other states. But our rank has worsened a bit during the Ehrlich years. More importantly, the official U.S. poverty line underestimates the real amount of deprivation in Maryland because it is calculated the same in low-cost-of-living states such as Mississippi as in expensive states such as Maryland.⁶ Considering Maryland's high cost of living, the "twice poverty rate" is a more realistic yardstick of destitution in our state. It has increased from 20% of the Maryland population in 1998 to 22% in 2004.⁷

Figure 5



Source: Current Population Survey, U.S. Bureau of Census and Bureau of Labor Statistics

ARE ALL LOW-WAGE WORKERS EQUALLY AFFECTED BY THESE NEGATIVE TRENDS?

The economic statistics in the *State of Working America* show that nationally African American and Hispanic workers are faring worse than other types of workers. After improvements for all types of workers in the late 1990's when the unemployment rate was low, conditions for minorities especially have deteriorated during the subsequent recession and jobless recovery of the last few years.⁸

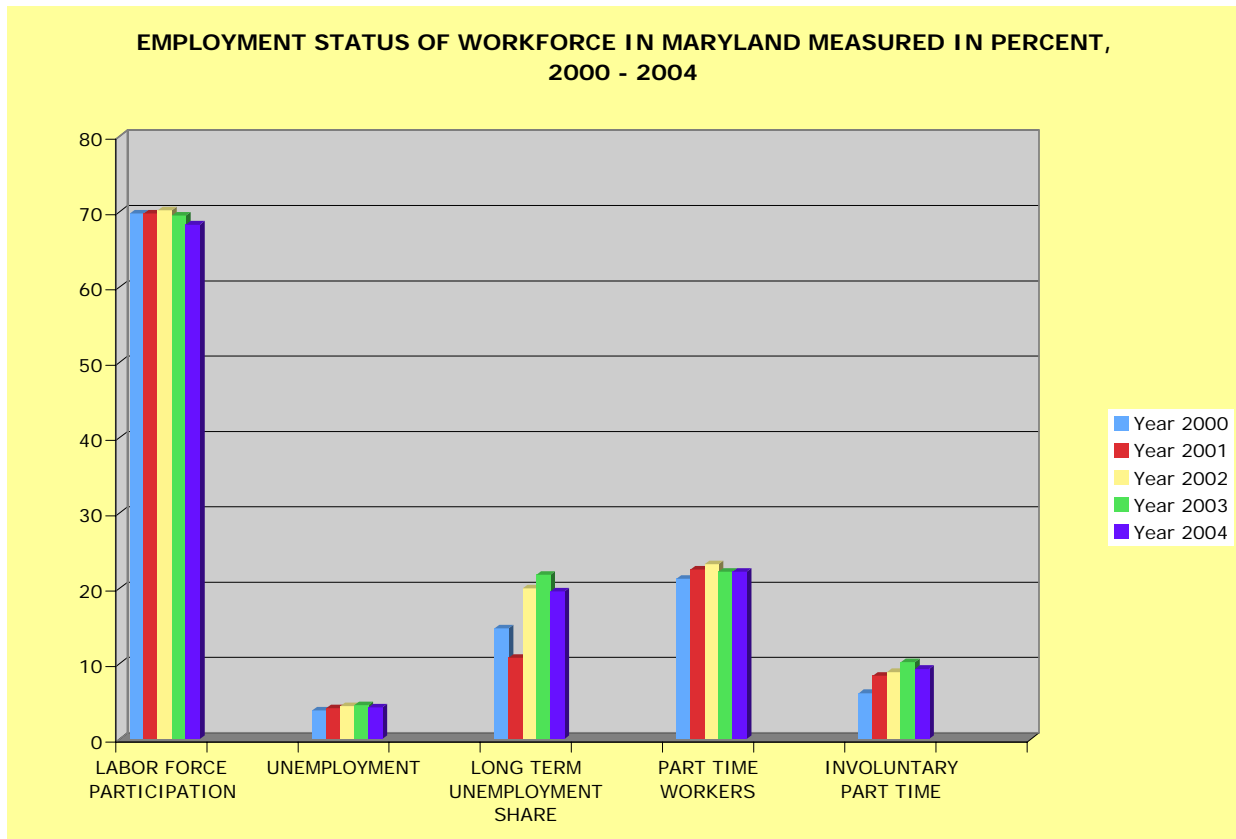
The same pattern holds true in Maryland, where the unemployment rate in 2004 was 3.5% for white workers, 4.4% for Hispanics, and 6.0% for African Americans. Median household income in 1999, the latest year for which data are available, was \$57,800 for white families, \$48,257 for Hispanic families, and \$41,652 for African American families.⁹ The percent of children living in poverty in 2001 – 2003 in Maryland was 17% for white children, 30% for African American, and 40% for Hispanic children¹⁰.

WHAT KIND OF JOBS ARE AVAILABLE TO MARYLAND WORKERS?

The good news is that Maryland's unemployment rate of 4.2 % in 2004 was lower than the national rate of 5.5 %.¹¹

The bad news is that the aggregate "unemployment rate" masks growing rates of long-term unemployed and involuntary part time term employment as shown in the chart,

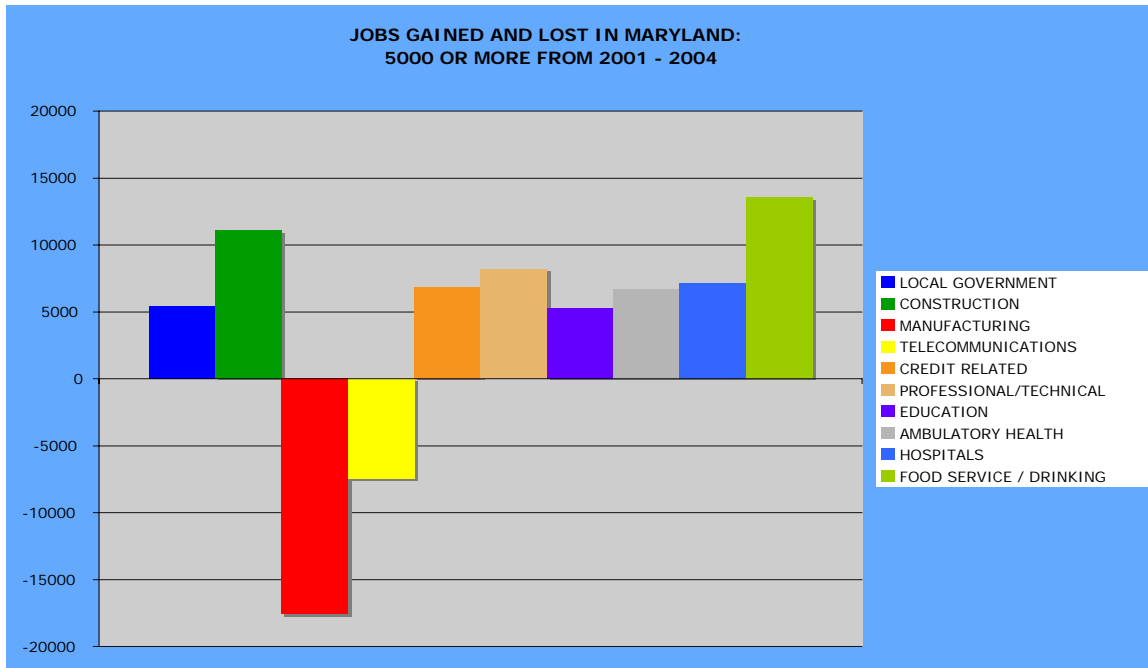
Figure 6



Source: EPI analysis of U.S. Bureau of Labor Statistics data

The even worse news is that jobs created in Maryland often pay less than the old jobs they replace. The chart below shows that since 2001 Maryland has lost a lot of manufacturing jobs and created a lot of jobs in restaurants and bars. The average weekly wage per worker in the jobs lost since 2001 was \$1020 (in 2004 wages) and the average weekly wage of those gained was \$734 per week. Of the 10 lowest paying categories (with weekly wage average of \$500 or less) 7 added workers and 3 had fewer in 2004 compared to 2001. Of the 8 job categories with highest weekly wage (\$1200 or more) one category (the federal government) stayed the same, 6 had fewer workers and only one (professional and technical and scientific) increased jobs.¹² Note also that the professional and technical category includes the kinds of jobs that require advanced training and education. So to attract companies offering these types of high-paying jobs, Maryland needs a high level of investment in education to create a suitable workforce.

Figure 7



Job Category	Average Weekly Wage (2004)
Local Government	\$781
Construction	\$847
Manufacturing	\$1025
Telecommunication	\$1351
Credit Related	\$1044
Professional/Technical	\$1263
Education	\$759
Ambulatory Health	\$967
Hospitals	\$828
Food Service/Drinking establishments	\$270

Source: Calculated from *Maryland Career and Workforce Information* Office of Labor Market Analysis and Information <http://www.dllr.state.md.us/lmi/emppay/emppay.htm>, accessed 8/15/05

Figure 8



Source: Calculated from *Maryland Career and Workforce Information* Office of Labor Market Analysis and Information <http://www.dlfr.state.md.us/lmi/emppay/emppay.htm>, accessed 8/15/05

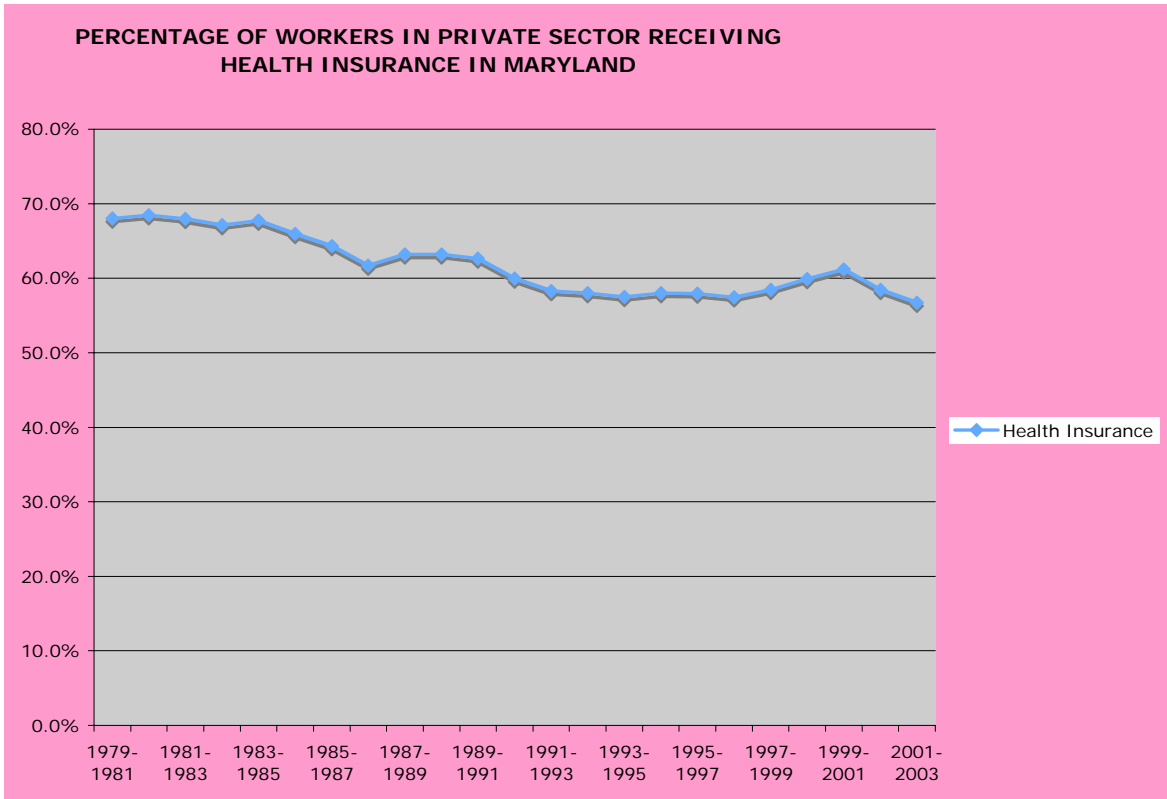
High and low paying jobs that showed change of 2000 or more workers from 2001 to 2004

Paying over \$1,200 per week	Paying under \$500 per week
Machinery MFG - Loss of 3228 jobs	Miscellaneous Retail - Loss of 2098 jobs
Computer & Electronic MFG – Loss of 6326 jobs	Social Assistance – Gain of 4212 jobs
Telecommunications - Loss of 7433 jobs	Amusement & Gaming - Gain of 3016 jobs
Professional, Tech, Scientific - Gain of 8218 jobs	Food & Drinking places - Gain of 13,549 jobs

HEALTH CARE: A CRUCIAL COMPONENT OF LIVING STANDARDS

In Maryland as of the end of 2003, 13.9% of the population lacks health insurance – a large number of people, but somewhat lower than the 15.2% in the nation as a whole.¹³ Unfortunately, the number of workers in the private sector receiving health care from an employer in Maryland is shrinking.

Figure 9



Source: EPI analysis of data from U.S. Current Population Survey and Bureau of Census

And in terms of the overall health of our population, Maryland ranks a disappointing 34th among the states and our rank has gotten worse over the last 15 years. Our infant mortality rate at 8.2 deaths per 1,000 live births is higher than many states as is the incidence of infectious disease. Health disparities in Maryland continue to be a problem – Black and Hispanic individuals experience 13,077 years of potential life lost before age 75 per 100,000 population, while White non-Hispanic individuals experience only 6,586 years lost.¹⁴ These disappointing statistics are not too surprising when one considers that Maryland spends only 6.3% of its health dollars on public health, which is far less than many other states, notably Minnesota, which spends 16.8%.¹⁵

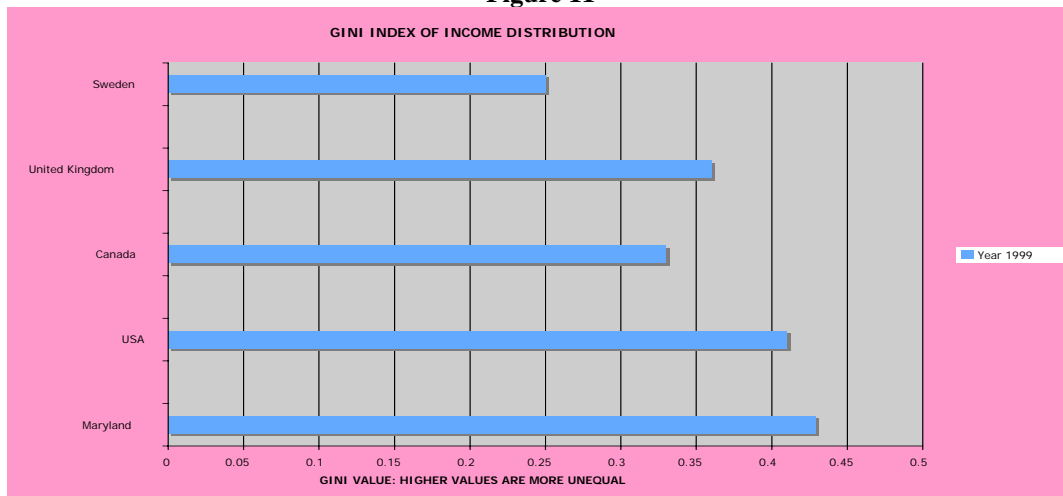
Figure 10

MARYLAND RANKING AMONG STATES IN HEALTH STATUS	
OVERALL HEALTH	34
INFANT MORTALITY	41
INFECTIOUS DISEASE INCIDENCE	49
VIOLENT CRIME	48
PER CAPITA PUBLIC HEALTH SPENDING	22
PREMATURE DEATHS	34

Source: United Health Foundation, American Public Health Association, Partnership for Prevention, *America's Health: State Health Rankings 2004*, <http://www.unitedhealthfoundation.org/shr2004/index.html>, accessed 8/2/2005

Improving health care requires more than expanding health insurance coverage. That's because a society's overall health is strongly correlated with its inequality in distribution of income and wealth. The more unequal the society, the higher the death rate from many diseases and the higher the rate of violence.¹⁶ The GINI index is a measurement of how income is distributed. The lower the number, the more equal is income/wealth distribution; the higher the number, the more unequal. Maryland's GINI ratio is worse than the USA overall – and significantly worse than most other wealthy industrialized societies. In the USA as a whole as well as in Maryland this index number has been going up in the last few decades except for a brief period in the late 1990s. This high and worsening disparity in income/wealth distribution is almost certainly a factor in our state's poor overall health ranking.¹⁷

Figure 11



Sources: For countries: World Development Indicators, http://www.worldbank.org/data/wdi2005/pdfs/Table2_7.pdf:
For Maryland: Maryland State Data Center web site <http://www.mdp.state.md.us/msdc/bea/ca03/annual.htm>,

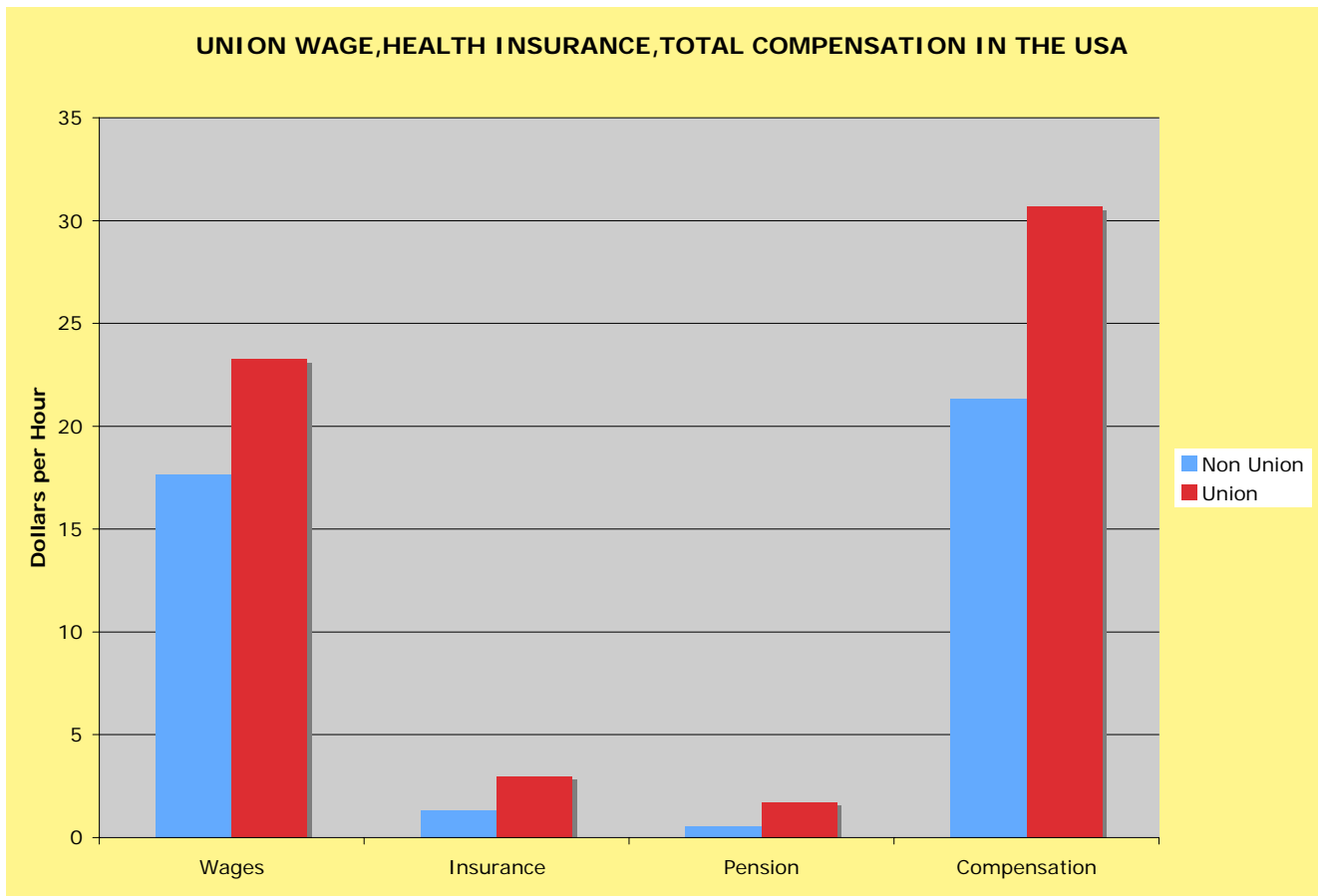
UNIONS AND LIVING STANDARDS IN MARYLAND

Unionization benefits not only workers but also family members and the whole community. A family whose breadwinner belongs to a union has higher income (and thus is more likely to pay taxes and not need social services), and is more likely to be covered by health insurance. A high unionization rate forces employers to compete for good employees by raising wages even for unorganized workers. Unions also set norms and established practices of doing the work safely and influence other non-unionized work places for the good.¹⁸

The national decline in union membership from the 1950's when 1/3 of the U.S. workforce was unionized down to today's paltry rate of about 10% exerts downward pressure on wages, especially for middle-wage earning men. It has affected men more than women because in the past they were much more likely to be in unionized jobs.

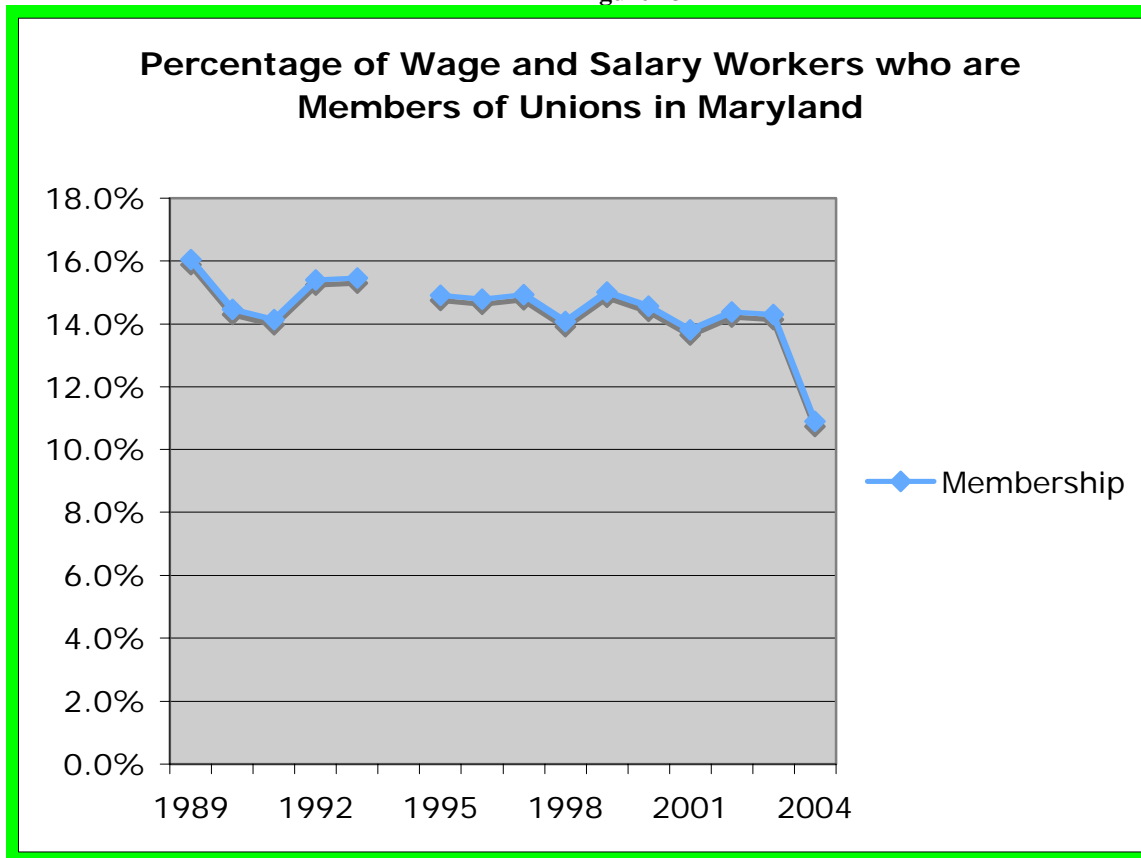
In Maryland the percentage of wage and salary workers who are members of unions had somewhat resisted this national downward trend by remaining steady at about 15% over the last 15 years. However, in 2004 the rate dropped steeply in Maryland. Whether that will persist or prove to be an anomaly is not yet known.

Figure 12



Source: *State of Working America*, p. 189

Figure 13



Source: EPI analysis of Bureau of Labor Statistics data

CAN GOVERNMENT DO ANYTHING TO BOOST THE STAGNATING LIVING STANDARD OF MARYLAND WORKERS?

With right-wing control of all three branches of the federal government, it is hard to imagine Washington, D.C. taking actions that will help the majority of Maryland's workers any time soon.

But this temporary situation should not stop the Maryland state government from acting. Much of FDR's New Deal was first enacted at the state level – America's "laboratories of democracy". It's time for a second New Deal in this country in response to globalization and we can start it right here in Maryland.

Maryland ranks 2nd among states in personal and family income per capita, so Maryland has plenty of money to pay for the kinds of ambitious government programs that could boost living standards for workers. But state and local government in Maryland continues to refuse to tap into this enormous private wealth for the common good. Maryland ranks a dismal 47th among states in total direct general expenditures as a percentage of personal income, 44th in spending on schools and libraries and 47th in spending on health and social services, measured as a percent of total income.¹⁹

And what little money Maryland's state government does collect is raised in a regressive manner. 80% of Maryland individual taxpayers all pay the exact same state income tax rate of 4.75%. That means Washington Redskins owner Dan Snyder pays less in state income taxes as a percent of his income than does his chauffeur!

Meanwhile, Comptroller William Donald Schaefer reports that 60% of corporations in our state no longer bother to pay any income tax at all – not one red cent – even though many of them are profitable and are supposed to pay a 7% income tax on profits.

There is plenty of wealth in our state to pay for state government programs to improve the lives of working families in Maryland. It just requires lawmakers in Annapolis to insist wealthy individuals and big corporations pay their fair share of taxes.

Assuming that our elected representatives will wish to focus on the needs of all Maryland residents, not just the wealthy, **here are the immediate steps lawmakers in Annapolis could take to help hardworking families in Maryland:**

- At no cost to taxpayers, the General Assembly should override Gov. Bob Ehrlich's veto last session of Progressive Maryland's bill to raise the minimum wage in our state to one dollar above the federal level
- At no cost to taxpayers, the General Assembly should pass once again – this time by a veto-proof majority -- Progressive Maryland's bill to mandate a living wage for workers employed on big state contracts
- Raise revenue in a progressive manner by revamping our state's personal income tax code to make it graduated and more revenue-positive while also comprehensively closing the corporate tax loopholes that allow mostly big corporations to deprive our state of hundreds of millions of dollars each year. In this way, the state would impose no new taxes on working families, only on rich individuals and profitable yet tax-shirking corporations. This progressive approach would raise enough revenue to pay for the policies specified in the bullets below
- Institute universal health care coverage for all Marylanders. The General Assembly can take a modest first step in this direction by overriding Gov. Ehrlich's veto of the Fair Share Health Care bill, which would require the biggest companies in our state to provide their employees with affordable health care coverage. Many studies have shown that true universal health insurance coverage would actually greatly reduce the total health care costs in our state²⁰
- Ensure world-class public schools, above all by fully funding the Thornton plan and making sure that Maryland can attract the highest quality teachers with competitive salaries
- Offset federal hostility to unions by enacting state-level laws to safeguard the right of workers to organize unions
- Strictly enforce civil rights laws to make sure that all workers get the fruits of economic expansion
- Enact Arizona-style public funding of campaigns to make sure that politicians respond to regular voters, not to special-interest campaign contributors

None of these policy changes will happen automatically. Lawmakers in Annapolis are under continual pressure from their special-interest campaign donors to ignore the needs of working families, which has the effect of worsening public health and education while increasing inequality. Progressive Maryland provides a counterweight to the corporate special interests by informing voters about the doings of their lawmakers in Annapolis, organizing voters to communicate with lawmakers, and electing pro-worker candidates to office. Go to www.progressivemaryland.org to join us in taking back our state from the special interests and ensuring – at least in Maryland – that an American standard of living is still the right of any Maryland resident who works hard and plays by the rules.

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- ¹ Economic Policy Institute analysis of Bureau of Labor Statistics data.
- ² Michel, L, Bernstein, J, Allegretto, S, *The State of Working America: 2004 – 2005*, Economic Policy Institute, 2005, p. 29, 33.
- ³ Calculated from data in *State of Working America*, pp. 44, 200, and 372
- ⁴ Jeff Chapman, staff economist at the Economic Policy Institute
- ⁵ U.S. Census Bureau, American Community Survey, released Aug. 31, 2005
- ⁶ Jonathan Weisman, "Measuring the Economy May Not Be as Simple as 1, 2, 3", *The Washington Post*, Aug. 30, 2005, p.A02, <http://www.washingtonpost.com/wp-dyn/content/article/2005/08/28/AR2005082800730.html>
- ⁷ Current Population Survey U.S. Bureau of Census and Bureau of Labor Statistics
- ⁸ *State of Working America*, op.cit., pp. 222, 131 – 133, 281, 316, 319
- ⁹ Maryland State Data Center web site <http://www.mdp.state.md.us/msdc/bea/ca03/annual.htm>, accessed 6/24/2005
- ¹⁰ National Center for Children in Poverty web site, http://nccp.org/state_detail_demographic_md.html. Accessed 8/1/2005
- ¹¹ Economic Policy Institute, SWXX Data, <http://www.eamcentral.org/StateofWorkingX/> accessed 8/10/2005
- ¹² Calculated from *Maryland Career and Workforce Information* Office of Labor Market Analysis and Information <http://www.dllr.state.md.us/lmi/emppay/emppay.htm>, accessed 8/15/05
- ¹³ Economic Policy Institute analysis of U.S. Current Population Survey and Bureau of Census data
- ¹⁴ United Health Foundation, American Public Health Association, Partnership for Prevention, *America's Health: State Health Rankings 2004*, <http://www.unitedhealthfoundation.org/shr2004/index.html>, accessed 8/2/2005
- ¹⁵ United Health Foundation, American Public Health Association, Partnership for Prevention, *America's Health: State Health Rankings 2004*, <http://www.unitedhealthfoundation.org/shr2004/index.html>, accessed 8/2/2005
- ¹⁶ Richard Wilkinson, *The Impact of Inequality*, The New Press, New York, 2005
- ¹⁷ For countries: World Development Indicators 72 2.7 Distribution of income or consumption Survey year Gini index http://www.worldbank.org/data/wdi2005/pdfs/Table2_7.pdf -accessed 8.2.2005
- For Maryland: Maryland State Data Center web site <http://www.mdp.state.md.us/msdc/bea/ca03/annual.htm>, accessed 6/24/2005
- ¹⁸ *State of Working America*, p. 189 ff
- ¹⁹ Progressive Maryland Silver Bullet Report, 2004, United States Statistical Abstract, US Census Bureau, Governing Magazine Source Book 2005
- ²⁰ Physicians for a National Health Program, <http://www.pnhp.org>