

The State of Working Maryland 2007

By

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Executive Summary

Booming economic productivity from 2001 through 2006 has fueled steady growth of the national and local economies and vaulted Maryland's median household income to the highest among the states. Yet, for factors examined in the report below, the fruits of this expansion have not trickled down to Maryland's wage-earning families.

- Median wages in Maryland, though high by national standards, have remained stuck at their 2001, recession level.
- This is true for all types of wage-earners in Maryland, regardless of prior earning history or educational attainment.
- The gap between low- and high-earners remains persistently wide in Maryland, mirroring the national trend.
- Even with the 2006 hike in the state's minimum wage, a minimum wage worker in our state still earns well below the U.S. poverty line for families (a measurement, moreover, that fails to take into account Maryland's high cost of living).
- Even most median-level wage earners cannot afford a middle-class living standard when measured by a more realistic yardstick of actual living expenses in high-cost Maryland, such as the measurement used by the Economic Policy Institute.
- Poverty grew in Maryland during the period of 2001 through 2006 (though it did ameliorate a bit this past year).
- Stagnant wages in Maryland have been compounded by declining health care coverage.
- One reason for these troubling trends is the shrinking share of the workforce in Maryland represented by labor unions.
- Though the period 2001 through 2006 saw living standards, on the whole, decline for Maryland's wage-workers, lawmakers seem to recognize that they need to act. They took first steps in 2006 and 2007 to counteract stagnant wages by raising the minimum wage and making Maryland the first state in the nation to institute a Living Wage for workers employed on state service contracts.

The Gross Domestic Product of the U.S. has expanded steadily since the end of the 2000-2001 recession. The fruits of this expansion have disproportionately benefitted Maryland compared to other states and – at first glance -- appear to have been spread fairly evenly within our state among individual residents. The latest Census data, released this month, show Maryland now has the highest median household income in the country at \$65,144 per year.ⁱ

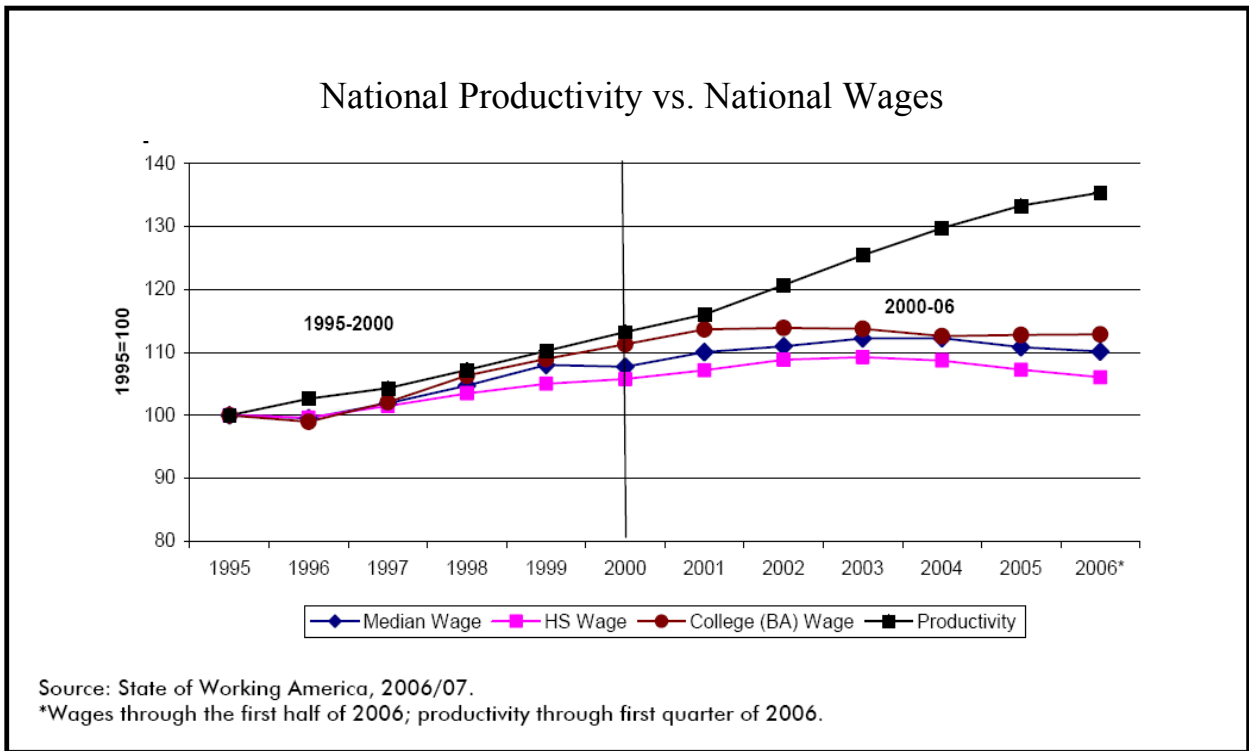
In fact, however, overall economic living standards for Marylanders wage-earners stagnated and perhaps even declined during the period 2001 through 2006, as is clear from the detailed data presented below.

To see the picture clearly in Maryland, we need to also trace larger, national economic trends.

**National Wage Trends:
Rising Productivity Yet Stagnant Wages**

The precondition for wage growth is productivity growth. Nationally, productivity has grown markedly since 2000, averaging 3.3% per annum. But this increased productivity has not translated into higher median wages, which have stagnated, even for well educated workers. For this reason, higher national median household income appears to result from more hours worked per household, not higher wages per hour.ⁱⁱ

Figure 1

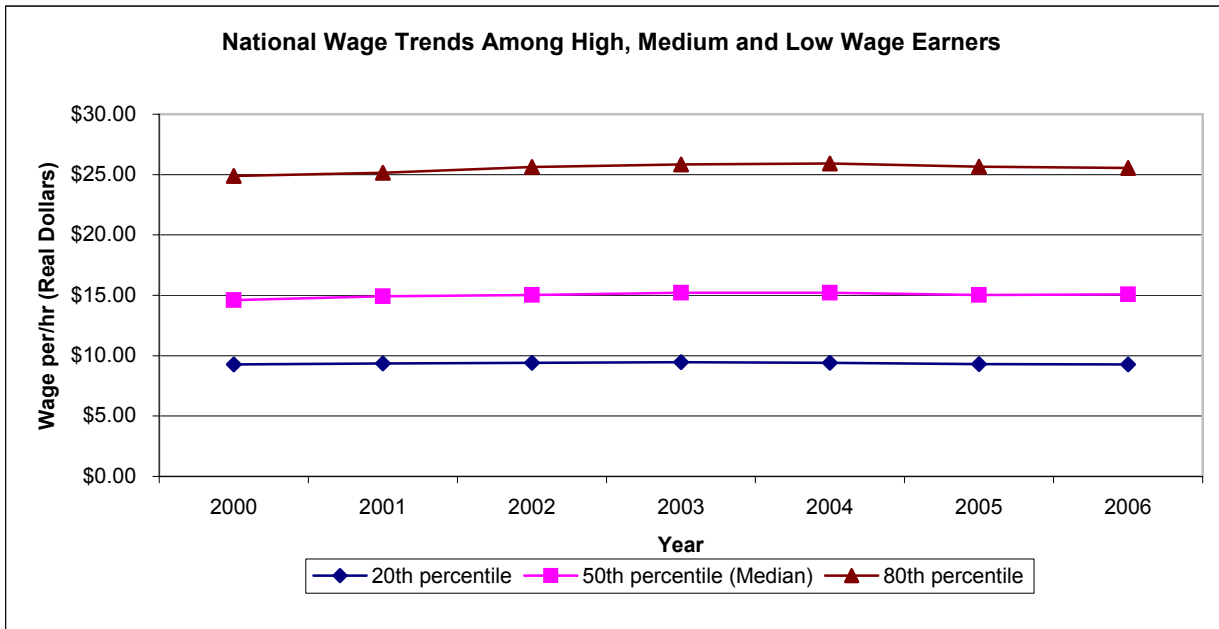


Some attribute this strange decoupling of productivity and wages to rising health care costs and thus a surmised shift from the wage to the benefits side of the compensation package. This claim, however, is highly unlikely because not only have wages stagnated in recent years, overall compensation (i.e., pay plus benefits) has also stagnated.ⁱⁱⁱ

**National Wage Trends:
Persistent Gap Between High and Low Earners**

Wages overall have stagnated. And the gap between low- and high-earning workers has remained stubbornly persistent throughout the time period under study.

Figure 2



Source: Economic Policy Institute analysis of Current Population Survey data
 ** Using CPI-U-RS and Congressional Budget Office estimate of 1.9% inflation for 2007.

**Maryland Wage Trends:
High Average Wages Compared To Other States, But Stagnant**

Median wages in Maryland – though higher than the national average and higher than those of most neighboring states – remain stuck essentially at their 2001 recession level.

Figure 3

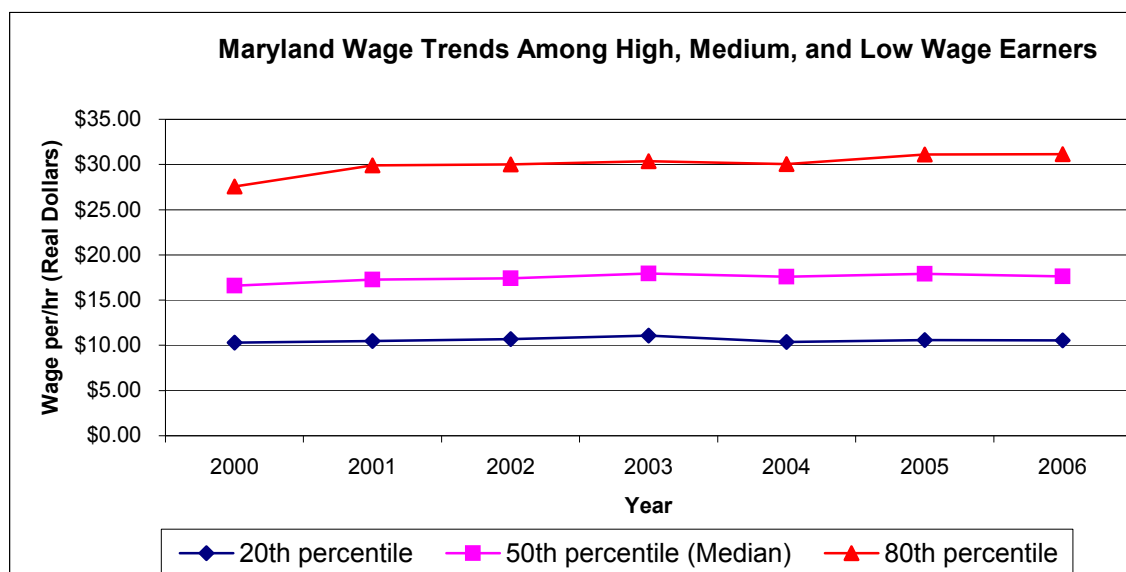
50th percentile (Median) Wages by State and Year
(In estimated 2007 dollars)**

	2000	2001	2002	2003	2004	2005	2006
UNITED STATES	\$14.60	\$14.91	\$15.03	\$15.21	\$15.22	\$15.03	\$15.09
Delaware	\$15.53	\$16.14	\$16.76	\$16.17	\$16.39	\$16.35	\$15.69
Maryland	\$16.61	\$17.27	\$17.41	\$17.95	\$17.58	\$17.89	\$17.63
District of Columbia	\$17.76	\$17.44	\$18.25	\$18.74	\$19.34	\$19.10	\$19.46
Virginia	\$15.79	\$16.34	\$16.26	\$16.25	\$16.42	\$15.98	\$15.76
West Virginia	\$12.91	\$12.90	\$13.08	\$13.41	\$13.41	\$13.18	\$13.84

Source: Economic Policy Institute analysis of Current Population Survey data
All annual income data is based on that of a full-time worker

In Maryland, the gap between high- and low-earnings is actually a bit worse than the national gap:

Figure 4



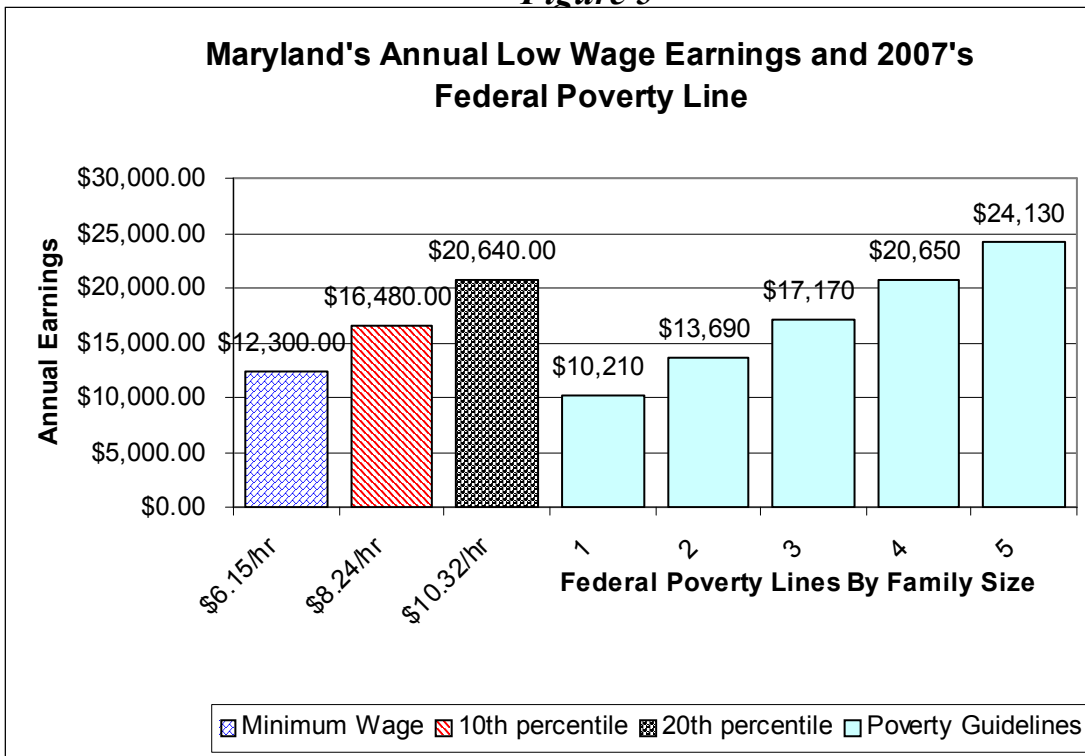
Source: Economic Policy Institute analysis of Current Population Survey data

** Using CPI-U-RS and Congressional Budget Office estimate of 1.9% inflation for 2007.

Maryland Wage Trends: Low-Wage Workers and Poverty

In 2006, Maryland joined the ranks of 18 other states that increased the minimum wage above the federal wage of \$5.15 per hour. At \$6.15 per hour, Maryland's new minimum wage, a worker earns \$12,300 annually, a salary that lags well below the federal poverty line for families. Moreover, the federal poverty line does not take into account Maryland's high cost of living.^{iv}

Figure 5



Source: Economic Policy Institute analysis of U.S. Census's Current Population Survey data

Maryland's Median Wage Earners

The median wageworker in Maryland makes \$17.63 an hour. This group in Maryland makes up 20% of the workforce and annually these earnings translate to \$36,670.40 per year for full time employment. But even these median-level earners do not earn enough to live a middle-class lifestyle in most areas of our state, according to estimates by the Economic Policy Institute.

Figure 6

Basic Needs Budget – Maryland Areas By Family Size				
	1 Parent, 2 Children	2 Parent 2, Children	1 Parent, 3 Children	2 Parents, 3 Children
Baltimore	\$40,776	\$45,996	\$54,192	\$59,856
Columbia	\$49,956	\$55,068	\$70,296	\$73,584
Cumberland	\$30,156	\$36,996	\$43,860	\$48,876
Hagerstown	\$35,736	\$41,112	\$50,412	\$55,476
Washington*	\$47,808	\$52,896	\$65,376	\$69,348
Wilmington-Newark*	\$39,984	\$45,516	\$54,192	\$60,072
Rural	\$34,116	\$39,708	\$46,416	\$51,564

*Maryland portion

Source: Economic Policy Institute analysis of Current Population Survey data

The burden seems especially heavy in Baltimore, where the average family size is over three persons per household and the medium wage earnings per year is \$30,078 per household.^v

Poverty in Maryland

Approximately 8.4% of Maryland’s population lives in poverty. While that is lower than the rate nationwide and in neighboring states, this rate has actually increased in Maryland despite five years of economic growth. Moreover, the U.S. poverty rate does not take into account Maryland’s higher cost of living than that of most other states.

Figure 7

Poverty Rate In Maryland							
	2000	2001	2002	2003	2004	2005	2006
UNITED STATES	11.3%	11.7%	12.1%	12.5%	12.7%	12.6%	12.3%
Delaware	8.4%	6.7%	9.1%	7.3%	9.0%	9.2%	9.3%
Maryland	7.4%	7.2%	7.4%	8.6%	9.9%	9.7%	8.4%
District of Columbia	15.2%	18.2%	17.0%	16.8%	17.0%	21.3%	18.3%
Virginia	8.3%	8.0%	9.9%	10.0%	9.4%	9.2%	8.6%

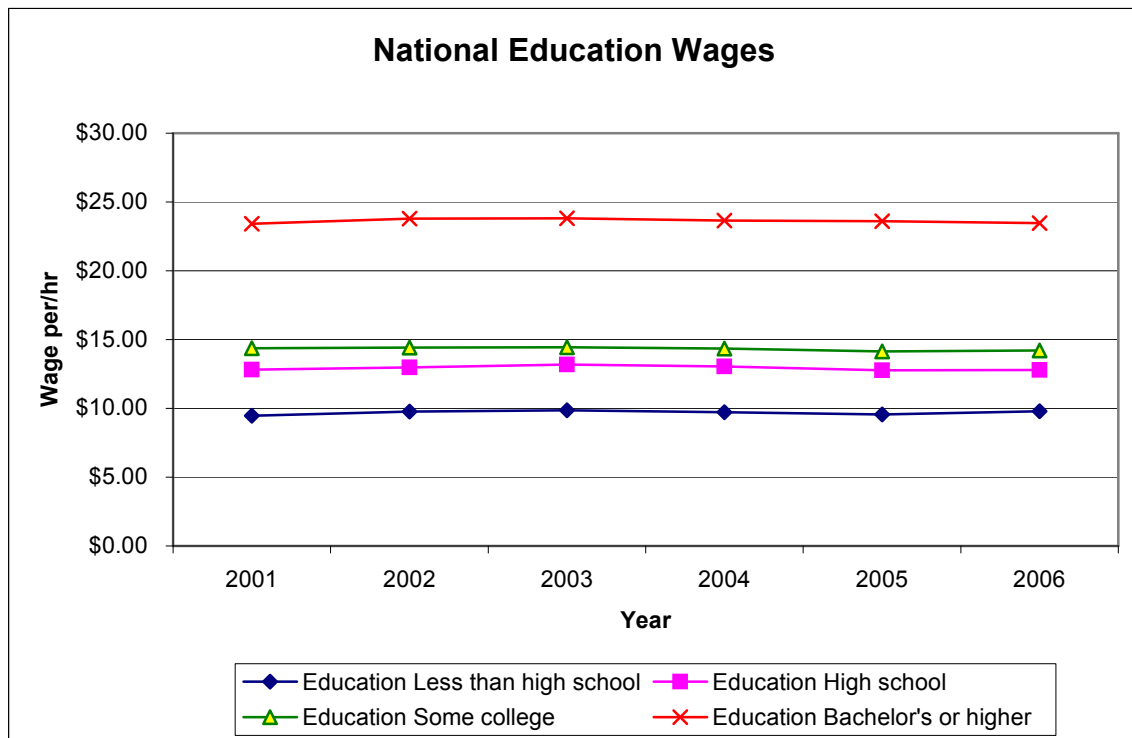
Source: U.S. Census Current Population Report at: <http://www.census.gov/prod/2007pubs/p60-233.pdf>

National Link Between Education and Wages: As Educational Levels Rise, Wages Stagnate

Nationally, the number of high school graduates has continued to grow each year and the percentage of high school dropouts decreases.^{vi} The same has been true for the annual number of college graduates each year since 1999. And enrollment has also increased nationally in graduate programs.^{vii}

Before the current decade, well educated workers could count on increasing wages over time. Not any more, as the chart below makes clear.

Figure 8

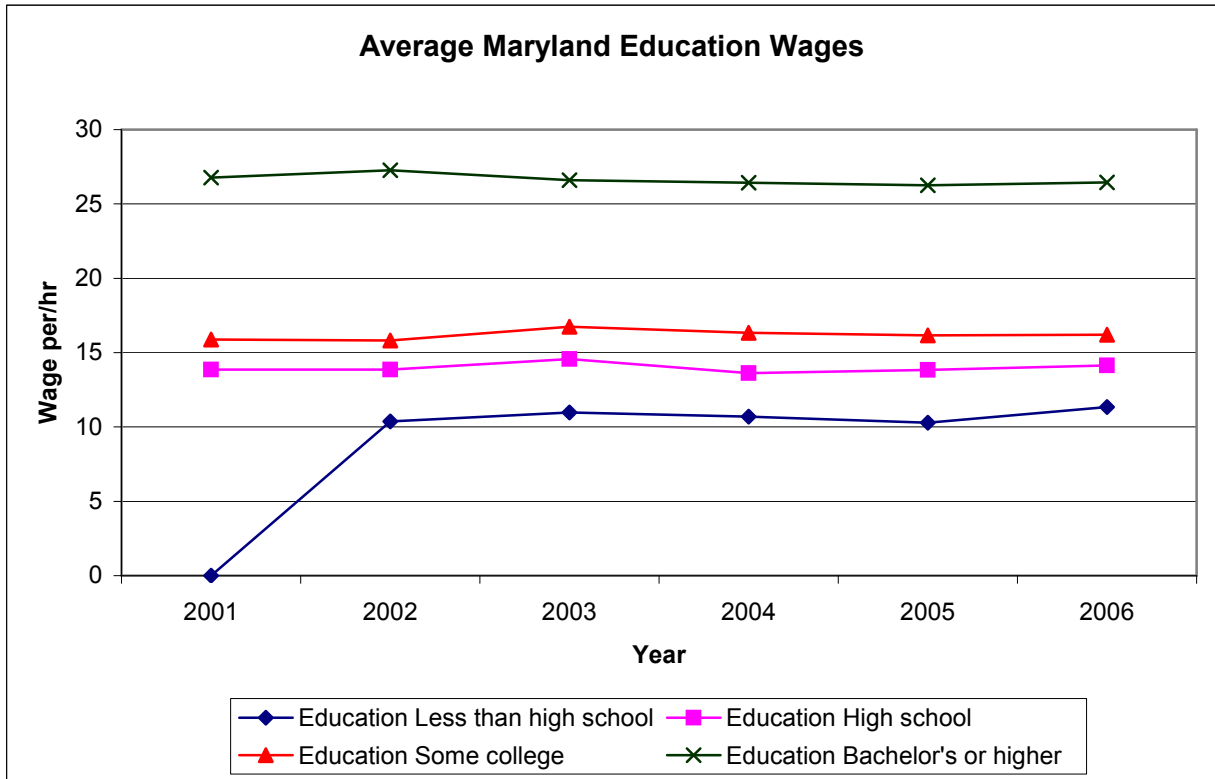


Source: EPI analysis of Current Population Survey data using CPI-U-RS and Congressional Budget Office estimate of 1.9% inflation for 2007

Maryland's Link Between Education and Wages: Following the National Trend

While Maryland workers in all educational categories earn more than counterparts at the national level, the national trend of income stagnation regardless of a worker's educational attainment holds true in Maryland as well.

Figure 9



Source: Economic Policy Institute analysis of Current Population Survey data
 2001 data for those with Less than high school is not available due to insufficient sample size
 ** Using CPI-U-RS and Congressional Budget Office estimate of 1.9% inflation for 2007.

With the growth of the “knowledge economy” over the past thirty years, it has become fashionable to argue that better education acts as a panacea against poverty. These troubling data call that prescription into question.

Health Care: A Vital Yet Fraying Component of Living Standards

In Maryland, as in the U.S. as a whole, the percentage of the population without health insurance of any kind continues to increase – despite five years of a growing national and local economy.

Figure 10
Percentage of Population Without Health Insurance

	1999	2000	2001	2002	2003	2004	2005	2006
U.S.	14.0%	13.7%	14.1%	14.7%	15.1%	14.9%	15.3%	15.8%
Maryland	10.4%	9.7%	11.7%	12.3%	13.3%	13.4%	13.4%	13.8%

Source: <http://www.census.gov/hhes/www/hlthins/historic/hihist4.html>

These data fail to capture another troubling trend in health care: declining *quality* of care provided by HMOs and insurance companies to those who do have insurance.

These and other factors have knocked the U.S. off its perch as the healthiest society in the world. In fact, a recent authoritative survey ranks the U.S. at a dismal 42nd among nations in life expectancy.^{viii} And within the low-performing U.S., Maryland according to some measurements ranks in the bottom half among states in terms of the health of its residents.^{ix}

Union Membership: An Upward Force for Wages and Health Care Coverage

A family, whose breadwinner belongs to a union, has on average a 17% higher income and is more likely to be covered by health care.^x Moreover, a union bargains for workplace safety, thus reducing work-related injuries and illnesses.

But, despite strong organizing efforts by the labor movement in Maryland, the state's unionization rate continued a slow, steady decline during the period under study, dropping to 13.1% in 2006, a bit above the national average.^{xi}

Conclusion

Robust productivity growth from 2001 through 2006 and a booming economy have given Maryland the highest median household income among the states. Yet the fruits of this expansion have not trickled down to Maryland's wage-earning families. Median wages in Maryland, though high by national standards, have remained stuck at their 2001, recession level, regardless of a worker's prior earning history or educational attainment.

These wages don't purchase an adequate standard of living. Even with the 2006 hike in the state's minimum wage, a minimum wage worker in our state still earns well below the U.S. poverty line for families (a measurement, moreover, that fails to take into account Maryland's high cost of living). Even median-level wage earners fail to achieve a middle-class lifestyle in most parts of the state when measured by more realistic yardsticks of actual living expenses in pricey Maryland.

Stagnant wages are probably the single biggest factor explaining why the poverty rate in our state grew from 2001 through 2006, up to 8.4% of the population. The percentage of Marylanders without health care insurance also grew during this period. A declining unionization rate helps explain why these troubling trends could not be ameliorated, let alone reversed.

Amidst the sobering news, there is a bright spot. Lawmakers in Maryland have begun to enact measures to counteract low wages. In 2006, the General Assembly enacted (over a former governor's veto) an increase in the state's minimum wage above the federal level. And in 2007, lawmakers, led by new Governor Martin O'Malley, made Maryland the first state in the nation to institute a Living Wage for workers employed on state service contracts. The Progressive Maryland Education Fund will chart the impact of these reforms in next year's edition of *The State of Working Maryland*.

ⁱ <http://www.census.gov/prod/2007pubs/p60-233.pdf>

ⁱⁱ <http://www.census.gov/prod/2007pubs/p60-233.pdf>

ⁱⁱⁱ Maryland Budget & Tax Policy Institute, *The State of Working Maryland*, <http://www.marylandpolicy.org>, accessed 6/25/07

^{iv} Department of Health and Human Services, Annual Update of the HHS Poverty Guidelines Statistic.

^v Economic Policy Institute, Basic Family Budget Calculator, Statistics for cost of 1 Parent/3 Children.

^{vi} National Center for Education Statistics, Dropout Rates in the United States:2005 – Table 11 , http://nces.ed.gov/pubs2007/dropout05/tables/table_11.asp, accessed 6/27/2007

^{vii} National Center for Education Statistics, National Center for Education Statistics (NCES) Home Page, a part of the U.S. Department of Education, <http://nces.ed.gov/>, accessed 6/25/2007

^{viii} <http://www.washingtonpost.com/wp-dyn/content/article/2007/08/12/AR2007081200113.html>

^{ix} Richard Wilkinson, *The Impact of Inequality*, The New Press, New York, 2005

^x Economic Policy Institute analysis of Current Population Survey data. See also Economic Policy Institute, *The State of Working America 2006*, p. 189 ff.

^{xi} U.S. Bureau of Labor Statistics at: <http://www.bls.gov/news.release/union2.t05.htm>