

CONNECTING LOW-INCOME FAMILIES TO GOOD JOBS:

A Policy Road Map
for Maryland

Job Opportunities Task Force
2004

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CONNECTING LOW-INCOME FAMILIES TO GOOD JOBS

A Policy Road Map for Maryland

Hundreds of thousands of Marylanders work hard and pay taxes – but nonetheless struggle every day to provide for their families and build a secure future. These Marylanders deserve a true commitment from the state to help them increase their employment opportunities and become more financially stable. This report is designed to inform policymakers about the conditions facing low-income workers and to recommend changes in state policy that can improve those conditions.

Despite its relative affluence, Maryland has a large population of low-income families who work in jobs with inadequate wages, benefits and prospects for advancement.

- More than 100,000 working families in Maryland are struggling to get by.
- More than 384,000 Marylanders earned less than a poverty-level wage of \$8.61 an hour in 2002.
- Pockets of economic distress exist in many parts of the state: seven counties in Maryland have more than 9 percent of families in poverty.

It is in the best interest of the state and its employers to help low-income workers do well in the workplace. With some assistance, low-income workers can develop skills, move up in the working world, and become full contributors to Maryland's economic success. Maryland employers often have difficulty finding adequately trained workers; a more skilled workforce will ease their burden.

Maryland is missing important opportunities to help workers who want to improve their skills:

- 614,000 adults have less than a high school diploma, and 86,000 foreign-born workers have limited English skills. Yet Maryland only serves 4 percent of those in need of adult education.
- Although college tuition in Maryland continues to increase, only about half of Maryland's financial assistance grants target needy students. Furthermore, Maryland's financial assistance programs rely too heavily on loans.

Programs designed to help low-income Maryland workers do not focus enough on training:

- Workforce Investment Act Adult Training programs served 628 people, less than 1 percent of working age adults without a high school credential.
- Due to work requirements, only 3.7 percent of welfare recipients participated in education and training activities.
- Although any inmate in the Maryland correctional system without a high school credential is entitled to have

access to adult education, only 6.9 percent of eligible inmates participated in adult education programs.

The state has not made creating good jobs for low-income workers a priority:

- State economic development and workforce development officials have not gone far enough in coordinating their efforts.
- The state does not adequately track whether economic development efforts result in good jobs for low-income workers.
- The state's largest skill enhancement and productivity programs do not assist low-income workers.

State policies – ranging from income taxes and transportation to childcare and health insurance – have a significant impact on the lives of low-income workers. The state should improve these policies.

RECOMMENDATIONS

To address these findings, this report outlines a policy road map summarized below. The body of the report fleshes out these broad policy goals with specific suggestions for change.

Education & Training (Chapter 2)

- Increase opportunities for low-income working adults to upgrade their education through basic adult education.
- Improve welfare recipients' long-term earning capacity by providing increased educational and training opportunities.

- Remove financial barriers for low-income working adults seeking to upgrade their skills through post-secondary education.

Economic & Workforce Development (Chapter 3)

- Ensure economic development funds are used to create family-supporting jobs by increasing public accountability.
- Increase funding for training programs for low-income workers. Emphasize training that meets the needs of employers in high-demand industries.

Policies to Foster Financial Independence (Chapter 4)

- Support working low-income parents by subsidizing childcare.
- Continue to provide income support to working parents through the state Earned Income Tax Credit.
- Expand access to health care for low-income working parents and children.
- Revise the unemployment insurance program to increase eligibility and provide adequate benefits to workers who lose their jobs through no fault of their own.
- Reduce the impact of a criminal record on employment.
- Increase outreach and simplify access to work-support programs for which working low-income families are eligible.

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This report is designed to inform policy makers about the conditions facing low-income working families in Maryland, to assess the effectiveness of state policies and programs that assist low-income workers, and to recommend policy and program changes that will improve outcomes for these workers.

By many measures, Maryland is thriving. The state boasts high average incomes, a largely well-educated workforce and an unemployment rate lower than those of many states. Look closely at the picture, though, and you will discern that a large segment of our population is not sharing in the prosperity. This report focuses on the conditions facing more than 100,000 low-income Marylanders who work hard and pay taxes – but nonetheless struggle every day to provide for their families and build a secure future. These low-skill workers face a tight job market that still has not fully recovered from the recent recession. The number of jobs created in Maryland has not kept pace with the number of new people looking for work, and economic restructuring and productivity gains have resulted in a significant loss of lower-skill jobs that pay good wages, particularly in manufacturing. Nearly one out of five workers who have found jobs earn wages too low to support a family at a decent standard of living.

Many workers in the state need additional education or training to advance in the workforce; others are leaving welfare and taking their first steps in paid employment. In either case, most of these Marylanders are not prepared to participate fully in an evolving and increasingly information-based economy. Instead, they find themselves stuck in jobs that pay less than an adequate wage and that lack important benefits.

This report rests on three premises. First, those who work hard and play by the rules deserve financial security; second, the state should remove certain obstacles that prevent workers from increasing their skills to meet the demands of the new economy; and third, the state must take into account the needs of low-income workers in its job creation and expansion efforts.

Employers often complain that they have difficulty finding appropriately educated and trained workers to fill openings. At the same time, certain areas of Maryland have high rates of unemployment. With revised policies, the state can better meet the needs of both employers and job seekers, satisfying the demand for skilled workers while fine-tuning the supply.

Each chapter of this report addresses a key aspect of the conditions affecting the lives of low-income workers. ■

Signs of affluence in Maryland are easy to see – from Baltimore marinas jammed with pleasure boats to sprawling mansions dotting the suburban landscape. Statistics tend to bear out the visual evidence that our state is faring well. The median household income in the state in 2002 was \$55,650, the fourth highest among the states, while the 2002 average personal income in Maryland was \$36,298, also the fourth highest.ⁱ

But these statistics mask another reality. While many families in Maryland are enjoying a comfortable standard of living, more than 100,000 working families are struggling to get by.

Who are these workers? They are the men and women who clean office buildings, wash dishes, cook in restaurants, take care of our elderly loved ones or work in countless other positions that fail to pay a family-supporting wage. Often they have few other options. The working world does not have enough jobs paying a family-supporting wage for low-skill workers. And these workers are often shut out of jobs that offer the promise of career development because they lack certain credentials.

These low-income workers have an impact on the economy, their neighborhoods and their families. They often live in concentrated areas, creating low-income neighborhoods with few resources to address social problems. These workers have little disposable income, making it difficult for their communities to support viable

business districts. And they are hard-pressed to provide family members with economic security or to meet the demands of a society that increasingly charges fees for school supplies, field trips, and after-school activities.

Many of these workers suffer from limited education; some are immigrants still learning English, while others are trying to make it on their own after leaving welfare. Some are ex-offenders trying to turn their lives around; others are simply down on their luck but determined to win back their self-reliance.

In many cases, these low-wage workers are also parents who work, pay taxes and strive for an important goal – to provide for their children.

But for many that goal remains as elusive as the yachts cruising the Chesapeake Bay. It is these lower-income working families that are the focus of this report.

In 2001 in Maryland, almost 26,500 families with a working parent had incomes that fell below the federal poverty threshold (see Table 1). That represented 4 percent

of all working families in the state, meaning that a substantial number of Maryland parents remain in official poverty status despite having jobs. More than three out of four of these families have parents in their prime working years – ages 25 to 54 – the span during which a worker has the greatest earning potential. The fact that so many breadwinners fall below the poverty line

- Nearly 26,500 working families in Maryland were in poverty in 2001.
- In 2001, nearly 118,000 working families had incomes below twice the poverty threshold (a more realistic measure of the cost of raising a family). This is 17.4 percent of all working families.
- Despite its relative prosperity, Maryland suffers from significant income disparities.

during their prime earning years suggests the need for policy interventions.

Furthermore, in 2002 there were over 126,000 unemployed workers in the state.

However, the numbers cited above do not include the entire population of working families struggling to

get by. Indeed, many experts consider the federal poverty thresholds to be an unrealistic measure of financial sufficiency (see box on page 8). Many researchers suggest that doubling the federal poverty thresholds provides a better standard for assessing the financial situation of low-wage workers and their families. Doubling the 2001 federal poverty standard would establish a minimum income of \$35,920 for a family of four. In 2001, Maryland had almost 118,000 families with a working parent whose income fell below that standard – or 17.6 percent of all working families.

Even at that level – earning an income that is twice the official poverty line – families have financial problems. According to a study by the Economic Policy Institute, two-thirds of American families with incomes below that standard experience economic hardships – missing rent or mortgage payments or relying on emergency rooms for medical care.ⁱⁱ A significant number of Maryland families, despite having a working parent, must deal with this kind of financial distress on a regular basis.

These are our working families living on the edge. About two-thirds of working families with incomes below the federal poverty threshold

TABLE I
Working Families in Poverty in Maryland - 2001

	Number	Percent
Working Families in Poverty	26,472	4.0
Working Poor Families with at Least One Minority Parent (percent of minority families)	18,116	6.2
Working Poor Families with Non-Minority Parents (percent of non-minority families)	8,356	2.2
Working Poor Families with at Least One Parent Aged 25-54	20,578	3.1
Working Families Below 200% of Poverty	117,974	17.6

Source: Population Reference Bureau analysis of American Community Survey data, 2001.

spend more than a third of their income on housing – a warning sign that housing costs are eating up too much of a family’s budget.ⁱⁱⁱ These families, even though they work, must routinely grapple with threats to their basic way of life, perhaps being evicted or having their car repossessed.

They have problems shared by the middle class. They rely on family and friends for childcare, juggle bill payments, try to reduce school expenses and search, often without success, for affordable housing in safe neighborhoods. But while middle-class Marylanders typically have the financial wherewithal to cope with these challenges, low-income workers living on the margins do not.

Low-income workers face other obstacles. They are more likely than those earning higher incomes to go without health insurance – either because it is not available from their employer or is unaffordable.^{iv} More than four out of 10 of these working families (almost 11,000 families) with sub-poverty incomes had at least one parent without any health insurance.^v They also pay a larger proportion of their wages on unavoidable basics such as heat and electricity.

Furthermore, many low-income workers live in neighborhoods that have been abandoned by mainstream institutions such as grocery stores and banks, replaced by “convenience” stores that charge higher prices, and predatory lending and check-cashing outlets that charge exorbitant fees. Low-income residents of inner cities pay up to 22 percent more than the U.S. Department of

Agriculture-recommended budget for basic food items.^{vi} Rent-to-own furniture stores do well among low-income workers who cannot afford to buy basic household furniture outright. Those same stores, however, charge interest rates that drive up the cost of such items dramatically over time.

These working families live from paycheck to paycheck, and tend not to have savings accounts or emergency funds. One emer-

TABLE 2
Family Poverty Rates by County - 1999

	Percent		Percent
Allegany	9.7	Harford	3.6
Anne Arundel	3.6	Howard	2.5
Baltimore City	18.8	Kent	9.3
Baltimore County	4.5	Montgomery	3.7
Calvert	3.1	Prince George's	5.3
Caroline	9.0	Queen Anne's	4.4
Carroll	2.7	Somerset	15.0
Cecil	5.4	St. Mary's	5.2
Charles	3.7	Talbot	5.3
Dorchester	10.1	Washington	7.0
Frederick	2.9	Wicomico	8.7
Garrett	9.8	Worcester	7.2
Maryland		6.1	

Source: U.S. Census Bureau. "Table 16: Poverty Status in 1999: 2000." *Maryland: 2000 Summary Social, Economic and Housing Characteristics*. Washington: U.S. Census Bureau, 2003.

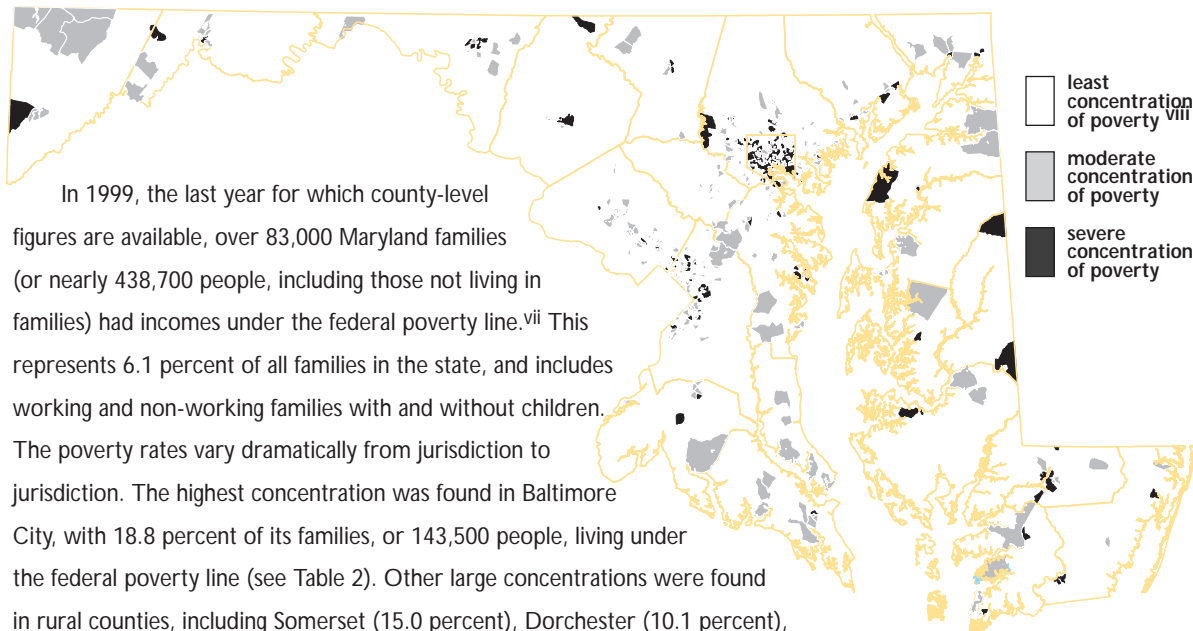
gency, whether it is a prolonged illness or an unexpected layoff, can be disastrous. Buying a home to develop the kind of homeowner equity relied on for long-term security by so many middle- and upper-class families is all but impossible.

These are real, daunting obstacles. Far too many Marylanders have little chance of overcoming them to achieve financial stability, no matter how hard they work.

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ECONOMIC DISPARITIES IN MARYLAND

Concentrations of Persons Below Poverty — Census 2000



In 1999, the last year for which county-level figures are available, over 83,000 Maryland families (or nearly 438,700 people, including those not living in families) had incomes under the federal poverty line.^{vii} This represents 6.1 percent of all families in the state, and includes working and non-working families with and without children. The poverty rates vary dramatically from jurisdiction to jurisdiction. The highest concentration was found in Baltimore City, with 18.8 percent of its families, or 143,500 people, living under the federal poverty line (see Table 2). Other large concentrations were found in rural counties, including Somerset (15.0 percent), Dorchester (10.1 percent), Garrett (9.8 percent), Allegany (9.7 percent), Kent (9.3 percent), and Caroline (9.0 percent). Howard County had a 2.5 percent poverty rate, the lowest in the state.

As this map makes clear, even within counties there are pockets of extreme financial distress scattered amid areas of affluence.

Source: U.S. Census Bureau, 2000 Census, Summary File 3. Prepared by the Maryland Department of Planning, Planning Data Services.

DEFINING POVERTY REALISTICALLY

Since 1959, the federal government has calculated “poverty thresholds” that establish the minimum annual incomes needed to support families of various sizes. For 2001, the thresholds establish the “poverty line” at \$9,214 for a single person and \$17,960 for a family of two parents and two children – throughout the 48 contiguous states. Families with incomes below these levels are considered to be living in poverty. The poverty guidelines are used to establish funding for a variety of federal programs, including food stamps, energy assistance and child healthcare.

Many experts consider the federal thresholds to be unrealistic. The poverty standards, for example, are not adjusted to reflect the dramatically different costs of living from one area to the next, particularly for housing. Nor has the government updated the thresholds to account for significant expenses faced by most families, including childcare and out-of-pocket health care spending. They also do not take into account major public support programs, such as the Earned Income Tax Credit.

Several government programs for low-income families recognize the inadequacy of the federal thresholds and peg their eligibility at 1.5 or 2 times the federal poverty levels.

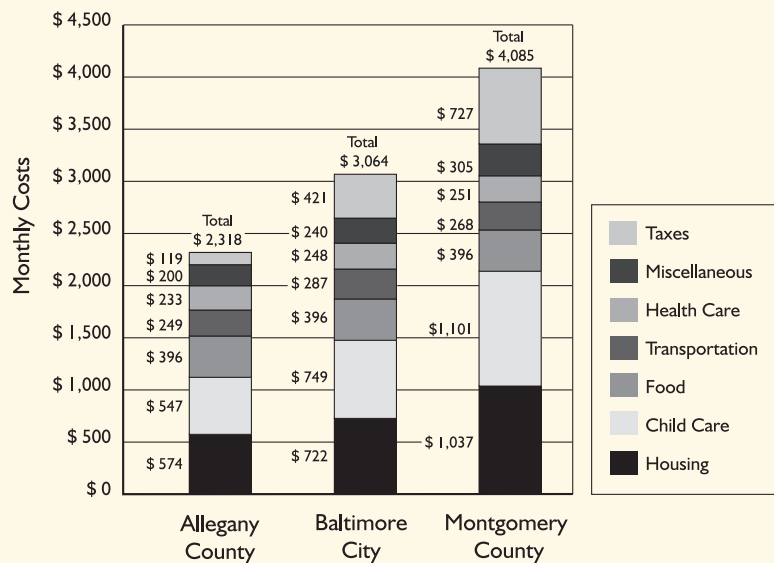
More realistic measures are the Self-Sufficiency Standards developed by Wider Opportunities for Women (WOW) and published in Maryland by the Center for Poverty Solutions and Advocates for Children and

Youth.^{ix} While the federal poverty thresholds set a minimum income necessary for survival, the Self-Sufficiency Standards establish a minimum level at which families can achieve a safe, decent standard of living.

The Self-Sufficiency Standards calculate the actual minimum costs of living for families – including housing, childcare, healthcare, food, transportation and taxes. They take into account actual costs of living in specific areas. In the case of a single mother raising a preschooler and one school-aged child, the federal poverty thresholds’ minimum income for such a family is \$14,269 throughout the 48 states. Making a more realistic appraisal of what it costs to raise two children, the WOW standards peg the necessary income for the family at \$36,767 in Baltimore City, \$27,819 in Allegany County or \$49,014 in Montgomery County. (see Chart 1)

The federal government seems unlikely to update its poverty calculations in the near future. Addressing the financial plight of so many working families should not wait.

CHART I
The Self-Sufficiency Standard for One Adult, One Preschooler and One School Age Child - 2001



Source: Advocates for Children and Youth and The Center for Poverty Solutions. "The Self-Sufficiency Standard for Maryland."

ADJUSTING TO MEET THE NEED IN ST. MARY'S COUNTY

St. Mary's County at Maryland's southern tip enjoys a strong economic base, due in large part to the Navy. Both the U.S. Naval Air Systems Command and the Naval Air Warfare Center Aircraft Division are located in the county, as are more than 200 defense contractors – a nexus that has created many good-paying jobs in aviation-related fields. During the 1990s, the county's average household income increased by more than \$17,500, to \$54,706, the second largest percentage increase of any county in Maryland.

But a sizeable group of St. Mary's County families are not sharing in this economic expansion. More than 1,100 families in St. Mary's – or five percent of the total – have incomes below the federal poverty threshold. And more than 12 percent of all families in the county had incomes below \$25,000 in 1999, according to the U.S. Census.

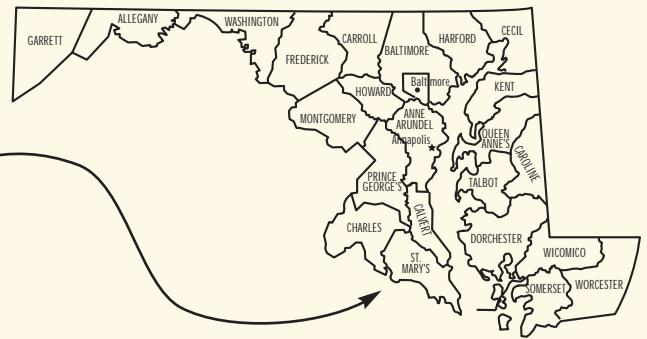
By and large, wage-earners in these families lack the education or training to compete for Navy-associated jobs, which generally offer good wages, benefits and chances for career advancement.

"Most of the work done on the Navy base requires a high level of sophistication," says Ella May Russell, director of the county's Department of Social Services (DSS).

As the once-rural county has developed in recent years, the agencies assisting these low-income families have also had to evolve. The St. Mary's DSS has refocused its efforts to involve the entire community in helping families become self-sufficient.

"It became imperative that we restructure the delivery of our services around the needs of the people we serve," Russell said. "We took the bold step of integrating staff from different programs to work together as a team to focus on the needs of a particular section of the community."

For instance, the department opened a satellite office in Lexington Park, which had a large concentration of low-income residents. The department also helped rejuvenate



the St. Mary's County Community Development Corporation and teamed with it to set up a workforce program called the Jobs Connection in Lexington Park, which supplements the only other employment office, 11 miles away in Leonardtown.

The jobs program provides workforce assistance to businesses and helps workers with skills training and job searches. Classes for adults looking to obtain a GED are also available, and the agencies helped establish a much-needed daycare center at St. Mary's Hospital.

The department even helped set up a local branch of the national Dress for Success program, which provides donated suits to low-income women who need them for job interviews or for work.

Much of the funding for the initiatives comes through the Department of Human Resources' Program 10, which allows local social service directors to use federal TANF funds in flexible ways to help former welfare recipients gain and maintain employment. P-10 funds are awarded to local DSS agencies that use those funds to develop innovative and effective programs that meet the unique challenges and opportunities in the local subdivisions.

Russell knows that she and the entire St. Mary's Community must continue to be flexible as they help low-income county residents. Complicating their work are budget cuts in Annapolis, which forced the closing, for example, of the county's only family support center in the spring of 2003.

"This," says Russell, "is a constant work in progress." ■

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POCKETS OF DISTRESS

Where are these families? Many are clustered in parts of Baltimore City, the Eastern Shore and Western Maryland, but there are pockets of poverty in every county of the state (see map on page 7).

Minorities account for a disproportionate share of Maryland's low-income families. More than 68 percent of Maryland's working families with incomes below the poverty line have at least one minority parent (see Table 1). Overall, 6.2 percent of Maryland families with at least one minority parent have incomes below the poverty line, compared to 2.2 percent of non-minority families. As will be shown in later chapters, several measures make clear that African-Americans in Maryland have lower educational attainment and higher unemployment rates than others in the state.

Another way of examining the situation of low-wage Marylanders is to see how their earnings compare to those of their more prosperous neighbors. In Maryland, there is a large gap between the incomes brought home by the poorest families and middle-income families. On average, middle-income families (the middle 20 percent) earned three times as much as the poorest 20 percent of families.^x This is the third most disparate ratio of all 50 states. The figure suggests that moving out of the lowest-wage jobs into middle-income jobs entails making a significant jump for Marylanders. Consider, for example, a worker earning \$6 an hour – slightly more than the federal and state minimum wage of \$5.15. Working full-time, that person earns \$12,480 a year. Merely to reach the median income level of \$36,298^{xi}, that worker would have to triple his or her income.

While many families in Maryland are enjoying a comfortable standard of living, more than one hundred thousand working families are struggling to get by.

The data show that Maryland, despite its affluence, remains a place where more than 100,000 families are struggling to make it on their own. And even as the economy may be turning the corner, not all of the state's citizens are benefiting.

Through its programs and policies, the state plays a key role. The state has the power to set minimum wages and employment conditions, and to target resources to improve the prospects of low-income working families. Financial security for working families should be a basic goal. The state must help all its citizens reach it. ■

FOOTNOTES — CHAPTER 1

Falling Behind in Maryland

ⁱ U.S. Census Bureau. American Community Survey, 2002.

ⁱⁱ Boushey, Heather, Chauna Brocht, Bethney Gunderson, and Jared Bernstein. *Hardships in America*. Washington: Economic Policy Institute, 2001.

ⁱⁱⁱ Population Reference Bureau analysis of 2001 American Community Survey data.

^{iv} Boushey et. al., 2001.

^v Population Reference Bureau analysis of Current Population Survey data, three year average (2000-2002).

^{vi} Food Research and Action Center. "Thrifty Food Plan Issues." Washington: Food Research and Action Center, 2002; and Notar, Beth, et al. "Food Pricing in Hartford, Connecticut: Supplement to the Self-Sufficiency Study." Hartford: Trinity College Center for Neighborhoods, 2002.

^{vii} U.S. Census Bureau. "Table 16: Poverty Status in 1999: 2000," *Maryland: 2000 Summary Social, Economic and Housing Characteristics*. Washington: U.S. Census Bureau, 2003.

^{viii} Least concentration of poverty: Less than 20% below poverty and less than 200 people below poverty; Moderate concentration of poverty: Over 20% below poverty OR 200 people or more below poverty; Severe concentration of poverty: Over 20% below poverty AND 200 people or more below poverty.

^{ix} Pearce, Diana with Jennifer Brooks. "The Self-Sufficiency Standard for Maryland." Baltimore: Advocates for Children and Youth and the Center for Poverty Solutions, 2001.

^x Population Reference Bureau analysis of 2001 American Community Survey data.

^{xi} U.S. Census Bureau. American Community Survey, 2002.

Just as a carpenter cannot build a house without tools, a Maryland worker cannot move ahead in today's economy without the right skills. It has never been more important for the state to help workers develop skills they need to qualify for well-paying jobs. Indeed, education and training are the foundation for the skilled workforce needed for a strong state economy.

Some Marylanders need assistance obtaining a high school diploma or a GED. For others the next step is vocational training at a local community college. And for a distressingly large number of adults in the state, the first task is literacy instruction to strengthen their reading and arithmetic skills. Without these kinds of assistance, we are consigning a large number of the state's residents to low-wage jobs that offer little chance of advancement.

Nationally, the average wages of workers with a high school diploma or GED are 46 percent higher than wages of workers without that credential (see Chart 2). Similarly, the average wages of workers with a two-year associate's degree or some college are 19 percent higher than the wages of workers with only a high school diploma. Consider a young woman who drops out of high school: on average, her lifetime earn-

ings will reach \$292,750. If she earns a high school diploma or GED, her earnings will increase to \$606,795. With a college degree, her lifetime earnings will reach an average of \$1,114,420.ⁱ

Not all workers need a four-year college degree to earn a family-supporting wage; there is demand for workers with post-secondary training and industry-specific certifications. In the

Baltimore region in 2000, for example, there were 107,392 jobs that required either vocational or post-secondary training or an associate's degree. These jobs, the majority of which pay more than \$11.25 an hour, made up 9 percent of the job openings in the Baltimore region in 2000.ⁱⁱ

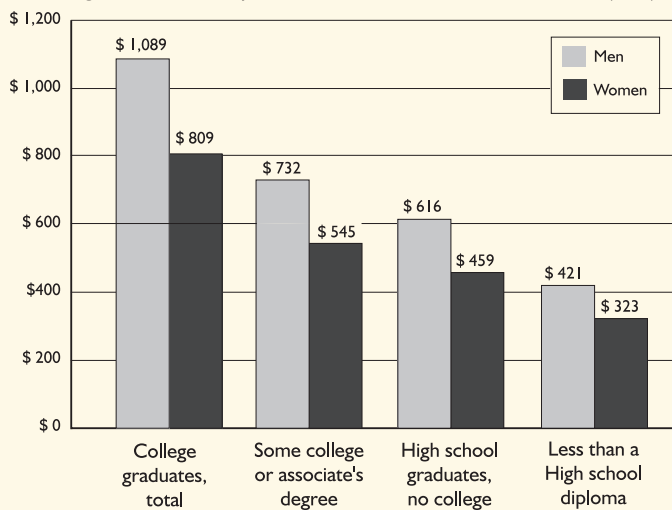
EDUCATIONAL DISPARITY

Maryland, by many measures, is one of the best-educated states in the nation, thanks in part to a strong system of public higher education supplemented by private institutions. In Maryland, 43.4 percent of people ages 25-54 have at least an associate's degree; only three states have a higher proportion (see Table 3).

At the other end of the spectrum, a substantial number of Maryland adults suffer from a

- Almost 614,000 adults – or 16 percent of the adult population – lack a high school degree or GED.
- 913,000 adults –28 percent of the adult population – have only a high school degree or GED.
- Tuition for Maryland's community colleges was the 11th highest in the nation in 2001-2002.
- Of \$76.4 million in state scholarships in 2002, only 53 percent was given out on the basis of financial need.
- Maryland's adult education system serves only four percent of those in need of services.
- Three-quarters of those who took part in WIA programs in Maryland did not go through training.
- In Maryland, only 3.7 percent of people receiving Temporary Cash Assistance (TCA) took part in approved education and training activities in 2001.

CHART 2
Median Weekly Earnings of Full-Time Wage and Salary Workers
Age 25 and Over by Educational Attainment and Sex, 2002 (U.S.)



Source: Bureau of Labor Statistics, *Monthly Labor Review Online*, October 23, 2003

lack of education that does not prepare them for advancement in the job market. In all, almost 614,000 adults in the state – 16 percent of the adult population – have neither a high school degree nor a GED.ⁱⁱⁱ Given the numbers, it is not surprising that a large number of Maryland adults are in limbo – in need of a basic education but without the money or opportunity to obtain it.

While it is not the focus of this report, it is important to call attention to school dropout rates. Overall, 85 percent of Maryland's high school students graduate. However, that figure is substantially lower in certain areas, particularly Baltimore City where the graduation rate is 54 percent. And African-American students are more likely to drop out of high school than their

white or Hispanic counterparts. The 2003 high school graduation rate for blacks in Maryland was 77 percent, compared to 88 percent for whites and 86 percent for Hispanics.^{iv}

In addition, Maryland is home to 86,000 people who were born in foreign countries and who have limited English skills.^v Not surprisingly, that lack of English competency often translates directly into a lower standard of living. An immigrant with limited English-speaking skills earns 24 percent less than an immigrant worker who is fluent in English.^{vi}

According to figures from 1992 (the most recent survey available), 20 percent of Marylanders aged 16 and older read at the lowest level measured by the National Adult Literacy Survey.^{vii} That means that these adults read at less than a 4th grade level and cannot handle such routine tasks as understanding instructions on an appliance warranty or locating an intersection on a street map. That percentage is higher in certain jurisdictions. For example, 33 percent of adults in Somerset County read at this elementary-school level.^{viii}

Another 25 percent of the state's adults read at the second literacy level – roughly an 8th

grade level. Literacy experts say these adults are not likely to be prepared to study for a GED examination and are generally unable to help their children learn to read.^{ix}

It bears repeating that those who cannot read, write or do math are ill-prepared to enter and advance in today's workforce. That is par-

TABLE 3
Educational / Skills Attainment in Maryland

	Number	Percent
Adults 16 and Older at Literacy Levels 1 and 2 (1992)	n/a	45.0
Foreign Born Adults with Limited English Speaking Skills (2000)	86,000	2.2
Adults 18 and Over without a High School Degree or GED (2000)	613,640	16.0
Adults 18-64 with only a High School Degree or GED (2001)	913,130	28.0
Adults 25-54 with an Associate's Degree or Higher (2001)	1,030,331	43.4

Source: Reder, Stephen. "State of Literacy in America." Washington: National Institute for Literacy, 1996; Maryland State Department of Education. "Literacy Works." 2001; Population Reference Bureau analysis of 2001 American Community Survey data.

ticularly true given the technological advances under-girding the new economy, advances that require workers to have higher levels of education and training.

PREPARING FOR COLLEGE

Across the state, a total of 913,000 adults – representing 28 percent of the adult population – have only a high school degree or GED, a proportion slightly below the national average (see Table 3).

While a high school diploma or GED is a crucial achievement for many people looking to work and build a career, it is by no means a guarantee of success – particularly in Maryland.

Of the state’s working families with incomes under the federal poverty line, more than 62 percent had at least one parent whose highest level of education attainment was a high school diploma or GED.^x

Nationally, that figure is 56 percent. Because many Marylanders have post-secondary levels of education, competition is stiff enough that workers with only a high school diploma are more likely to obtain only low-wage jobs.

Many low-wage workers who are eager to continue their education in college are not adequately prepared. Of new high school graduates enrolling in a state community college, 72 percent required developmental education (or remedial education) in math, reading or writing – or in all three.^{xi} As with so many

education statistics, that figure is higher among new high school graduates in Baltimore City and other pockets of the state. At Baltimore City Community College (BCCC) an astonishing 96 percent of the students require developmental education in one or more subjects.^{xii}

Statewide in the 2001-2002 school year, 84 percent of recent African-American high school graduates and 80 percent of Hispanic graduates required developmental instruction as they began college – compared to 68 percent of whites (See Table 4).^{xiii} Minority students also had lower college graduation rates. At the community college level, 17 percent of black students graduated or transferred within four years

of beginning, compared to 32 percent of all students. Similarly, at four-year colleges, 43 percent of black students graduated, compared to 58 percent of all students.^{xiv}

More minorities between the ages of 18 and 54, 14 percent of minorities versus 10 percent of whites, are enrolled in post-secondary education in Maryland.^{xv} Despite their higher enrollments, minorities are less likely to achieve a degree: 37 percent of minorities ages 25 to 54 have an associate’s degree or higher, compared to 48 percent of whites.^{xvi}

These figures suggest that minorities in Maryland are motivated to obtain a college degree, but are hindered by their need for developmental education when they arrive at college.

TABLE 4
Education by Race in Maryland

	Percent
High School Graduation Rates, 2003	
Black	77
Hispanic	86
White	88
New High School Graduates Needing Developmental/Remedial Education, 2001-2002	
Black	84
Hispanic	80
White	68
Post-Secondary Enrollment (ages 18-54), 2001	
Minority	14
White	10
Adults with Associates Degree or Higher (ages 25-54), 2001	
Minority	37
White	48

Source: Maryland State Department of Education, "2003 Performance Report"; Maryland Higher Education Commission, "2003 Data Book"; Population Reference Bureau analysis of 2001 American Community Survey data.

The Maryland Department of Education reported in 1998 that several issues contributed to the disparity in minority academic achievement, including funding inequities, problems of accountability, inadequate teacher qualifications, class size, instructional materials, and parental involvement, as well as the broad impact of poverty and school or classroom homogeneity. Despite the fact that Maryland has become more diverse, schools have remained homogeneous with minority students generally segregated in remedial programs that come with lower expectations than programs offered to white students.^{xvii} These low levels of academic achievement by minorities in elementary and high school will affect both their post-secondary achievement and their future earnings.

The high number of students needing developmental education creates demands on the state's community colleges. The Community College of Baltimore County has been recognized for its innovative developmental services for poorly prepared students. In contrast BCCC is struggling to provide what amounts to extra years of high school for a substantial majority of its student body. Pass rates for developmental classes are low, which forces many students to repeat classes.^{xviii} For students attempting to juggle jobs, school and families, repeating classes can become overwhelming. On a more practical level, repeating classes can quickly exhaust financial aid for students already struggling to pay for childcare and transportation. Without that help, many low-income students have few options but to drop out.

BCCC is well aware of the challenges involved with its large developmental program and is taking steps to improve the program's effectiveness. However, the state, which operates

BCCC, must focus more rigorously on developmental education at both BCCC and other community colleges.

COLLEGE ACCESS

Marylanders understand that post-secondary education provides a key tool for low-income workers to develop the skills they need to move ahead in the workforce. Almost 328,000 adults between the ages of 18 and 54 were enrolled in post-secondary institutions in 2001.^{xix} However, Maryland has not taken adequate steps to make higher education affordable for many of its lower-income residents.

The least expensive option for many Marylanders is a community college – which offers both degree and certificate programs that prepare students for a vocation. But even community college remains out of reach for many working families. Tuition for Maryland's community colleges was the 11th highest in the nation in 2001-2002.^{xx} Consider a low-wage worker attempting to go to community college part-time. With the average cost of a three-credit course and mandatory fees at a Maryland community college in 2002 totaling \$243^{xxi}, a part-time student taking four courses a year would spend an average of \$972. Transportation and childcare costs, as well as books, would be in addition to that. For low-wage workers, \$1,000 a year can be prohibitive without financial assistance.

At the same time, Maryland does not devote enough scholarship money to need-based aid programs. Of the \$76.4 million the state provided in grants for financial assistance in 2002, only 53 percent was given out on the basis of financial need.^{xxii} The balance was distributed based on merit and through grants for students studying in specified fields or to students selected by state legislators. The Educational Assistance Grant, the

state's primary need-based grant for undergraduate students, has a waiting list of more than 9,000 students.^{xxiii}

The state is increasingly relying on loans instead of direct need-based grants for college students. Between 1992 and 2002, the primary source of financial assistance shifted significantly. Loans increased from 31 to 48 percent of financial aid at public institutions, while grants shrunk from 37 to 30 percent.^{xxiv} The trend toward increasing reliance on loans does not support the goal of increasing access and affordability for low-income students. Loans can pose a significant burden to cash-strapped families and can contribute to these students' future credit and debt problems.

The largest source of need-based college aid is the federal Pell grant program, and it is instructive to measure how Maryland's support of low-income students compares to federal expenditures and that of other states. Maryland's contribution to need-based aid is 42 percent of the amount received by low-income residents through federal Pell grants.^{xxv} By comparison, 12 other states contribute 50 percent or more of the Pell grant expenditure.

The issue of need-based scholarships in Maryland has arisen often in recent years. Most prominently, in November 2003 the state's policy-making board in higher education issued a unanimous call for more need-based aid and for limited tuition increases at the state's public campuses.

"We call on institutions to direct more of their institutional aid to needy students and make every effort to moderate tuition increases by operating as efficiently and effectively as possible," the Maryland Higher Education Commission said in its resolution.^{xxvi}

Maryland has not taken adequate steps to make higher education affordable for many of its lower-income residents.

The Commission issued its resolution in the wake of recent significant tuition increases at the state's public campuses, increases that only exacerbate the problem facing low-income Marylanders.

Maryland does provide funding for other programs to help low-wage workers to continue their education. For example, it is one of only three states that pay for non-credit career classes as part of their funding formulas for community colleges, in effect lowering the cost to the student for such classes.

In addition, Maryland provides grants to part-time college students, and the Jack F. Tolbert Memorial scholarship program assists some students attending private career schools. Both of these programs provide crucial help for lower-income workers. However, both have experienced funding reductions. In 2002, the Tolbert program provided \$297,000 to help 989 students at private career schools.^{xxvii} Funding for that program was cut by more than 6 percent in fiscal year 2004. State funding for part-time student scholarships dropped from \$2.8 million in fiscal year 2002 to \$1.35 million in the current budget.^{xxviii} This is particularly distressing because part-time students are not eligible for the much larger Educational Assistance Grant program cited above.

Similarly, the state's calculations for financial aid eligibility do not accurately measure the financial costs incurred by commuter students. For example, commuter students cannot now count childcare expenses as part of their higher education expenses.

Maryland's system of data collection does not adequately measure the performance of low-income students as required by the federal

Perkins Act, which supports vocational and technical education. In fiscal year 2002, Maryland allocated 35 percent of the federal money it received through the Perkins program to post-secondary education, with the remainder going to secondary education.^{xxxix} However, the state co-mingles its Perkins grant with other funds, making tracking the impact of the funds on disadvantaged students difficult.

The state also does not track the types of jobs, career advancement and wages of students completing community college and certificate programs. These kinds of data would be valuable to policymakers and education leaders as they develop future guidelines.

ADULT EDUCATION

An area that is in critical need of expansion is Maryland's system of adult education, which includes classes in reading, English for Speakers of Other Languages and GED preparation. Due to funding restraints, the state's system serves only a fraction, about 4 percent or 38,000 people, of the Marylanders in need of adult education services.^{xxx}

We know that the demand for additional adult education services is strong. Roughly 5,000 adults have put their names on waiting lists around the state, according to the Maryland State Department of Education. Montgomery County has about 2,000 people on its waiting list, while Prince George's has 1,000.^{xxxi} Those numbers are remarkable, considering the state does not advertise its adult education programs.

State funding for adult education decreased significantly during the 1990s and early in the 2000s, a period in which federal and local fund-

ing increased. Between 1990 and 2002, the share of federal funds used for these adult education classes in Maryland increased from 58 percent of the total budget to 88 percent.^{xxxii} Maryland grew far too reliant on federal support for this crucial but under-funded task.

The state increased its contribution in fiscal year 2003 to \$2.3 million. That level held steady in fiscal year 2004. However, that figure equals only about \$60 per person enrolled in adult education programs.^{xxxiii} Massachusetts, on the other hand, spent \$1,056 per student in 2002.^{xxxiv}

Maryland's adult education instruction also tends to be insufficient in length. While research indicates that students require between 100 and 150 hours of instruction to make significant gains, students here receive an average of 69 hours of instruction.^{xxxv}

It is clear the state must devote additional money to adult education programs. At the

TABLE 5
Unmet Adult Education and Training Needs in Maryland

	Number Served	Number in Need	Percent of Those in Need
Adult Education (GED, ESL and Literacy), 2000	38,000	960,000	4.0
Workforce Investment Act Training Programs, 2001	628	614,000	0.1
Temporary Cash Assistance Clients, 2000	709	19,000	3.7
Prisoners without a High School Credential, July 2002	892	13,000	6.9

Source: Maryland State Department of Education, "Literacy Works." 2001; Maryland Department of Labor Licensing and Regulation, "Workforce Investment Act Title I-B Annual Report, Program Year 2001." 2003; U.S. Department of Health and Human Services, "2001 TANF Annual Report to Congress." 2003; Maryland State Department of Education (unpublished source).

same time, the state should look for new incentives to encourage employers to establish their own workplace education programs. Workplace education, defined as adult education classes offered in the workplace and related to the workplace context, are crucial to improving the skills of the low-wage workforce. The majority of people in need of adult education (people without a

high school credential, with low English language skills or with low literacy skills) are already employed.^{xxxvi}

Some innovative employers in Maryland, including the Johns Hopkins Hospital and Marriott Corporation, have established education programs in the workplace. Employers benefit when employees increase their basic skills. Research shows that adult education results in increased productivity, improved employee teamwork and morale, and an increased pool of more qualified workers for more advanced positions.

Workers benefit from workplace education when they become eligible for higher paying positions within the same company. Workplace education is convenient for workers, who are often balancing work and family responsibilities. Participation in adult education increases when employers provide paid time off to participate in educational activities.

WORKFORCE DEVELOPMENT

For low-income workers looking to move ahead, continuing their education is only part of the battle. In many cases they require help with childcare or transportation to be able to participate in training programs that provide qualifications for job openings. Workforce development programs, some of which use federal workforce funds and are guided by state and local Workforce Investment Boards, can provide crucial assistance to low-income workers seeking better jobs. Statistics show that such programs are effective, but inadequate funding has meant that only a small percentage of eligible workers in Maryland are being helped.

The majority of people in need of adult education are already employed.

In program year 2003, the state received \$28.7 million in federal Workforce Investment Act (WIA) funding, the main source of support for workforce development in Maryland.^{xxxvii} The

majority of WIA funds were used to provide job placement services but not job training. While valuable, these job placement services do not provide the skill enhancement that can help low-wage workers qualify for more demanding, better-paying jobs.

Three-quarters of those who took part in WIA programs in Maryland did not go through training.^{xxxviii} In 2001, 628 adults took part in training services paid for through WIA.^{xxxix} An additional 1,084 laid-off workers also took part in WIA training. Those receiving training represented less than 1 percent of all working-age adults without a high school diploma or GED, and only about 6.5 percent of the state's unemployed workers.

The low participation numbers are doubly discouraging given the results these training programs have produced. Of disadvantaged adults who participated in WIA-funded training programs in 2001, 87 percent obtained both a job and a credential. In addition, of the workers who went through a training program and got a job, almost 97 percent stayed employed for at least 6 months after exiting the training program.^{xl}

Under federal regulations, states can devote as much as 30 percent of their WIA adult education and training dollars to areas with high concentrations of poverty or unemployment. While Maryland does not use an alternative allocation formula for high poverty, high unemployment areas, five other states do – Arizona, Florida, Iowa, Virginia and Wisconsin.^{xli} The state should consider whether using an alternative funding

formula that gives priority to high poverty and unemployment areas would improve outcomes for low-wage workers and job seekers.

Many low-wage workers who are eager to continue their education in college are not adequately prepared.

2001, compared to a national average of 6.3 percent.^{xliv} One key reason that rate is low is that Maryland policy requires TCA recipients to work at least 20 hours a week before they can enroll in an education

LEAVING WELFARE

Like many other states, Maryland is struggling with ramifications of the 1996 federal welfare reform laws. That year, Congress replaced the Aid to Families with Dependent Children with the Temporary Assistance for Needy Families program. The TANF program provides financial assistance to families in need and helps low-income parents become more self-sufficient. As of September 2003, more than 71,000 people in Maryland were receiving welfare, down from approximately 225,000 in 1996.^{xlii}

As part of that reform, welfare recipients' benefits are linked to work approved activities. This approach has reduced the welfare rolls, but has not resulted in moving these families into economic self-sufficiency. There are some statistical indications of the major challenges faced by former welfare recipients. One study that tracked Maryland women who left welfare between 1996 and 2003 found that only half were employed in Maryland a year after they stopped receiving benefits.^{xliii} (Others who were employed outside of Maryland were not tracked.) Of those who were working in Maryland, their median quarterly earnings were \$2,779, well below the federal quarterly poverty standard of \$3,815 for a family of three. While an exact analysis is not possible given the available data, it is apparent that a substantial number of these families were living in poverty one year after leaving the welfare rolls.

In Maryland, 3.7 percent of people receiving Temporary Cash Assistance (TCA) took part in approved education and training activities in

program that would count as part of their mandated work activity. This policy should be revised so that for TCA recipients who lack a GED or high school diploma, adult literacy programs would count as a work activity.

The legislature has taken some steps to help former welfare recipients. The Job Skills Enhancement Program funded by the Department of Human Resources supports additional training for former welfare recipients who are employed. The state provided \$157,749 in funding for this program in fiscal year 2004, a reduction from \$691,951 in fiscal year 2002, when the program began.^{xliv}

Acknowledging how hard it is for low-wage workers to develop financial security, the General Assembly in 2001 created a five-year pilot program in which the state partially matches savings earned by low-income workers and placed in Individual Development Accounts. The program received \$100,000 in state funds in its first year and offered a promising means for workers to build assets that could be used for home ownership, small-business investments and other eligible expenditures. Due to budget problems, the state stopped funding the program after the first year.

PREPARING PRISONERS FOR WORK

One group of Marylanders in dire need of special attention is the state's prison inmates. Maryland prisons house about 24,000 inmates. The vast majority of prisoners will eventually be

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TRAINING & SUPPORT = JOBS AND OPPORTUNITY



For 23 years, the employees at the Occupational Training Center at the Community College of Baltimore County have been helping low-wage workers improve their skills. Over time, the Center has learned that it takes a wide-ranging approach to prepare these workers for better-paying jobs and a steady career in the workforce.

At its core, the Center offers courses in an array of fields with high demand for workers – such as commercial trucking, information technology and surgical technology. The Center works closely with local employers to ensure that it is training students for available employment. And for those without a high school diploma, the Center offers courses leading to a GED, a key prerequisite for many entry-level jobs.

Knowing that their students' lives do not always conform to the traditional academic schedule, the Center allows students to begin and progress through courses at their own pace.

In 2002, of the students that enrolled in vocational programs, the Center helped place 81 percent in jobs in such fields as bookkeeping, network cabling and automated manufacturing. Those 126 students' average starting wage was \$12.25 an hour.

Funding for the Center comes from a variety of sources, including Workforce Investment Act funds, federal Pell grants, local government and employers who want to provide training for their employees.

Technical and academic training at the Center is crucial. So too is its attention to other issues that affect students' job prospects. Counselors at the Center help students cope with the personal and financial demands of re-entering or staying in the workforce. That may mean finding suitable clothes for the workplace, helping arrange childcare or explaining to a student how to purchase a bus pass. Sometimes it even means taking the employee to a transit office to buy a bus pass.

"We will help them put things into place so these barriers do not exist," says Marguerite Walsh, Dean of the Center.

One goal is to provide a supportive environment for students who have often struggled in school and on the job. Staff members at the Center make a point each month of holding an awards ceremony to celebrate the progress of students, whether it is finishing a course or finding a job.

"The message is, 'You have value,'" Walsh says. "They have had so many experiences that have told them, you don't have value." ■

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released. Securing employment is difficult enough with a criminal record; for those without adequate education or training, the task is much more difficult.

State law requires the state to provide developmental education for inmates who lack a high school diploma or GED. However, the state has not committed the funding needed to fulfill this mandate. In July 2002, only 6.9 percent of the 13,000 inmates who should have been receiving adult education offerings were doing so; hundreds more were on waiting lists.^{xlvi} The prisons' certified occupational skills training courses were

also under-funded; in 2002, only 6.6 percent of eligible inmates were receiving occupational training.

In the fall of 2003, Gov. Robert L. Ehrlich, Jr. announced a plan to increase funding for inmate education and training programs. This is a promising step that deserves support from legislators and policy-makers. Programs to help inmates earn a GED or high school diploma have a good completion rate; more than three out of five inmates who begin such a program complete it. This credential is valuable when ex-prisoners return to their communities and seek employment. ■

POLICY RECOMMENDATIONS

- 1) Remove financial barriers for low-income working adults seeking to upgrade their skills through post-secondary education.
 - Allocate a larger portion of existing financial aid funds to need-based aid.
 - Change requirements for all need-based aid to allow part-time students to be eligible.
 - Update the cost-of-living allowance for commuter students, including allowing childcare to be a counted expense.
- 2) Increase opportunities for low-income working adults to upgrade their education through adult education and training.
 - Over three years, increase the percentage of the eligible population who receive adult education. Use a funding formula that increases the target population being served by 5 percent each year, while also accounting for growth in the target population.
 - Establish a 50/50 matching grant program for employers who provide workplace education programs.
 - Increase funding for correctional adult education programs.
- 3) Assist welfare recipients to improve their long-term earnings capacity by providing increased education and training opportunities.
 - Allow adult education to count as a Family Investment Program core activity for Temporary Cash Assistance recipients, as allowed by federal provisions.

Additional Data Are Needed to Assess Program Outcomes

In conducting research for this report, we found several instances where data needed to assess the impact of state programs on low-income working families are not collected by state agencies.

We recommend that state agencies develop systems to track the following information:

1. Timely statistics measuring literacy in Maryland.
2. The effect that adult education programs have on workers' incomes.
3. The effect that a community college degree or technical certificate has on students' incomes.
4. The impact that post-secondary programs funded with Perkins money have on students' incomes.
4. The effect that WIA training programs have on workers' incomes.
5. The amount of WIA funding devoted to training statewide and by Workforce Investment Area.
6. The income of former welfare recipients after they leave cash assistance programs.

FOOTNOTES — CHAPTER 2 — BUILDING THE FOUNDATION

ⁱ Sum, Andrew as cited in Job Opportunities Task Force. "Baltimore's Choice: Workers and Jobs for a Thriving Economy." Baltimore: Job Opportunities Task Force, 2003 (p. 46-47).

ⁱⁱ Job Opportunities Task Force. "Baltimore's Choice: Workers and Jobs for a Thriving Economy." Baltimore: Job Opportunities Task Force, 2003.

ⁱⁱⁱ Maryland State Department of Education. "Literacy Works: Moving from the Margins to the Mainstream." Baltimore: Maryland State Department of Education, 2001.

^{iv} Maryland State Department of Education. "2003 Performance Report." Baltimore: Maryland State Department of Education, 2003.

^v Maryland State Department of Education "Literacy Works," 2001.

^{vi} MassINC. "New Skills for a New Economy." Boston: MassINC, 2000.

^{vii} Reder, Stephen. "State of Literacy in America." Washington: National Institute for Literacy, 1996.

^{viii} Ibid.

^{ix} Maryland State Department of Education, "Literacy Works," 2001.

^x Population Reference Bureau analysis of 2001 American Community Survey data.

^{xi} Maryland Higher Education Commission analysis prepared for authors. Developmental education was formerly known as remedial education.

^{xii} The Abell Foundation. "Baltimore City Community College at the Crossroads." Baltimore: The Abell Foundation, March 2002.

^{xiii} Maryland Higher Education Commission analysis prepared for authors.

^{xiv} Maryland Higher Education Commission. "2003 Data Book." Annapolis: Maryland Higher Education Commission, 2003.

^{xv} Population Reference Bureau analysis of 2001 American Community Survey data.

^{xvi} Ibid.

^{xvii} Maryland State Department of Education. "Minority Achievement in Maryland: the State of the State." Annapolis: Maryland State Department of Education, 1998.

^{xviii} The Abell Foundation, 2002.

^{xix} Population Reference Bureau analysis of 2001 American Community Survey data.

^{xx} National Center for Education Statistics. "Digest of Education Statistics, 2002." Washington: U.S. Department of Education, 2002.

^{xxi} Maryland Higher Education Commission. "2003 Trend Book." Annapolis: Maryland Higher Education Commission, 2003.

^{xxii} Maryland Higher Education Commission. "Office of Student Financial Assistance FY2002 Annual Report." Annapolis: Maryland Higher Education Commission, 2003.

^{xxiii} University System of Maryland, Maryland Higher Education Commission and Maryland Association of Community Colleges. "Ability of Higher Education to Meet Enrollment Growth and Workforce Demands." Memo to Senator Ulysses Currie and Delegate Howard (Pete) Rawlings, Maryland General Assembly, November 2003.

^{xxiv} Ibid.

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xxv National Center for Public Policy and Higher Education, "Losing Ground: A National Status Report on the Affordability of American Higher Education," San Jose: National Center for Public Policy and Higher Education, 2002.

xxvi MacGillis, Alec. "Panel Rebukes Colleges for Rising Tuition." *The Baltimore Sun*. November 19, 2003.

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xxxii Maryland State Department of Education. "Literacy Works." 2001.

xxxiii Author's analysis based on enrollment and funding levels for fiscal year 2004 (data provided by Maryland State Department of Education).

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xxxvi MassInc. "New Skills for a New Economy." 2000.

xxxvii Maryland Department of Labor, Licensing and Regulation. "Workforce Investment Field Instruction, (WIFI) No. 5-02, Change 1." Baltimore: Maryland Department of Labor, Licensing and Regulation, 2003.

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xxxix Maryland Department of Labor, Licensing and Regulation. "Workforce Investment Act Title I-B Annual Report, Program Year 2001." Submitted to the U.S. Department of Labor. January 21, 2003.

xl Ibid.

xli National Governors Association. "Workforce Investment Act Implementation: Strategic Plans of Final 30 States." Washington: National Governors Association, 2001.

xlii Family Investment Administration. "Monthly Statistical Report, September 2003." Baltimore: Maryland Department of Human Resources, 2003.

xliii Ovwigho, Pamela, et al. "Life After Welfare: Eighth Report." Baltimore: Family Welfare Research and Training Group, 2003.

xliv U.S. Department of Health and Human Services. "2001 TANF Annual Report to Congress." Washington: U.S. Department of Health and Human Services, 2003.

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xlvi Maryland State Department of Education (unpublished communication).

Education and skills enhancement serve as cornerstones for low-wage workers seeking to advance and grow in their careers. However, education and skills enhancement will be of limited value if there are not enough jobs with good pay and benefits. Maryland needs a well-rounded approach, one that strives both to prepare workers for better-paying jobs and to attract and strengthen employers that create those jobs.

Maryland recognizes that helping businesses recruit, create and retain jobs plays an important role in maintaining a healthy state economy. In Fiscal Year 2003, Maryland's Department of Business and Economic Development (DBED) spent \$74.3 million on loans, grants, bond guarantees and equity investments to spur job creation in the state (this amount does not include the value of "tax expenditures," or revenue lost through tax breaks).ⁱ These programs are available to both start-up businesses and those looking to expand. The state has also established programs aimed at specific sectors of the economy, providing special assistance in the areas of manufacturing, film and tourism, software development, advanced technology and biotechnology.

The Ehrlich administration is making some efforts to better integrate economic development and workforce development programs. But DBED's two employee skill and productivity enhancement

programs are not focused on upgrading skills for low-wage workers. This chapter recommends ways to use resources in DBED and the Maryland Department of Labor, Licensing and Regulation (DLLR) to better help low-income workers acquire skills and obtain jobs that provide family-supporting wages.

UNEMPLOYMENT IN MARYLAND

In discussing job-development efforts, it is instructive to review Maryland's unemployment statistics. In November 2003, Maryland's official unemployment rateⁱⁱ was 4.1 percent, compared to 5.6 percent for the nation.ⁱⁱⁱ Although Maryland's economy appears stronger than most states', there is still cause for concern. The state's

unemployment rate remains higher than it was at the start of the most recent recession, even though the state's economy shows signs of recovery. And a 2003 analysis by the Economic Policy Institute shows that job creation in Maryland has not kept pace with the number of new people entering the labor force.^{iv}

While the statewide official unemployment figure is relatively low, pockets of the state suffer from much higher unemployment. In November 2003, six counties in central and southern Maryland – Calvert, Carroll, Frederick, Howard, Montgomery and St. Mary's – had unemployment rates lower than 3 percent. Other

- Parents in many Maryland families work in jobs with inadequate wages.
- More than 180,000 Marylanders – 6.7 percent of the workforce – held more than one job to support their families.
- Over 384,000 Marylanders in 2002 earned less than a poverty-level wage of \$8.61 per hour.
- Maryland has not made creating good jobs for low-income workers a priority.
- The state's largest skill enhancement and productivity programs do not assist low-income workers.

jurisdictions – Baltimore City and Dorchester, Somerset and Worcester counties on the Eastern Shore – had rates above 6 percent (see Table 6).

African-Americans are hardest hit, with unemployment rates that are typically at least twice as high as those for white Marylanders. In 2002 (the most recent year for which data are available by race), the state unemployment rate was 8.2 percent for black men and 7.1 percent for black women, compared to 2.9 percent for white men and 3.2 percent for white women.^v The official unemployment rate represents an undercount of those without a job because the federal definition of unemployment is so narrow it does not include many working age individuals who can work but are without employment.

Another important measure of economic well-being is the percent of the population in the labor force. On that score, Maryland performs better than the country as a whole. In 2000, 67 percent of the civilian, non-institutional population over the age of 15 in Maryland was in the labor force – meaning they were either working or looking for work (see Table 7 for labor force participation by race). The national average is 63.4 percent.^{vi}

TABLE 6
Unemployment Rates by County
(not seasonally adjusted) November 2003

Percent		Percent	
Allegany	5.9	Harford	3.8
Anne Arundel	3.3	Howard	2.5
Baltimore City	8.2	Kent	3.8
Baltimore County	4.6	Montgomery	2.4
Calvert	2.5	Prince George's	4.4
Caroline	5.2	Queen Anne's	3.1
Carroll	2.8	Somerset	6.4
Cecil	4.8	St. Mary's	2.6
Charles	3.0	Talbot	4.1
Dorchester	7.5	Washington	3.7
Frederick	2.7	Wicomico	4.8
Garrett	5.8	Worcester	11.3
Maryland		4.1	

Source: Maryland Department of Labor, Licensing and Regulation, "Monthly Labor Review, November 2003."

However, the labor participation rate varies significantly from region to region within Maryland. In 2000, such counties as Anne Arundel, Calvert, Carroll, Charles, Frederick, Harford, Howard, Montgomery, Prince George's and St. Mary's had labor force participation rates of over 70 percent, while Allegany, Baltimore City, Garrett and Somerset had rates under 60 percent. (See Table 8). In

Somerset County, for instance, half of the population was not working or looking for work.

Even many of those who are employed struggle economically. In 2002 more than 182,000 Maryland workers – 6.7 percent of the workforce – held more than one job to support their families.^{vii} And more than 384,000 Marylanders earned less than a poverty-level wage of \$8.61 per hour that year, the amount a full-time worker needs to earn to keep a family of four above the federal poverty line, adjusted for regional cost of living.^{viii}

Against that backdrop, creating good jobs for entry-level workers and helping them improve their skills should be priorities for state government.

Some state policies do focus on low-wage workers. Companies in designated Enterprise Zones are eligible for tax credits for employing dis-

TABLE 7
State of the Workforce in Maryland

	Number	Percent
Unemployment Rate (2002)	126,000	4.4
Black Men (2002)	31,000	8.2
Black Women (2002)	32,000	7.1
White Men (2002)	31,000	2.9
White Women (2002)	28,000	3.2
Civilian Labor Force Participation Rate (2000)	2,737,000	67.0
Women (2000)	1,344,000	62.5
Men (2000)	1,393,000	72.0
Whites (2000)	1,809,000	67.3
Non-whites (2000)	928,000	66.4
Workers Holding More than One Job (2002)	182,000	6.7
Workers Earning Less than a Low-Wage (\$8.61/hr), (2002)	384,000	16.0

Source: Bureau of Labor Statistics, "Geographic Profile of Employment and Unemployment, 2002"; U.S. Census Bureau, "Census 2000, Summary File 3 (Employment Profile 1)"; Population Reference Bureau analysis of 2002 Current Population Survey data.

advantaged workers, those who have recently left welfare or who meet certain low-income criteria. The Employment Opportunity Tax Credit offers credits to companies that employ former welfare recipients.^{ix} However, both of these promising programs are underutilized. State records show that no more than 96 employers, less than 1 percent of all of the state's employers, claimed either one of the credits in 2000.^x In all, those companies employed fewer than 1,000 workers who fit the criteria in the law. Further study of the tax credits and businesses' failure to claim them is needed.

Maryland has taken an important step in joining 42 other states that set a minimum wage standard for jobs created by businesses that receive some state economic development assistance.^{xi} The tax credit programs cited above, as well as the Job Creation Tax Credit, require that companies claiming the credit must pay at least 150 percent of the minimum wage, \$7.73 per hour, for the new jobs they create.

By setting the wage standard for these economic development programs at 150 percent of the regular minimum wage, the state has aimed low. That wage is not enough to keep a family above the federal poverty line.

TARGETED TRAINING

Maryland's main workforce development program designed to assist low-wage workers become economically self-sufficient is the STEP (Skills-Based Training for Employment Promotion) program, which is funded through

DLLR. The General Assembly created the program in 2001 and appropriated \$1 million a year for grants to local agencies to establish pilot programs.^{xii} This program is designed to increase the skills of incumbent workers whose incomes fall below 200 percent of the federal poverty level while also addressing the state's critical manpower shortages in health care, technology and transportation sectors. The STEP program pays for the workers' training, transportation, training

supplies and childcare. It leverages private funds by requiring employers who participate in the program to match the state's expenditures, often in the form of wages paid to workers while they are in training.

Companies and workers in Baltimore City, Prince George's County, Montgomery County and Southern Maryland have benefited from STEP, chiefly in health care occupations. In the Baltimore

City STEP program, participants' average annual incomes increased by \$5,800.^{xiii} That is real economic advancement for low-income working families. However, funding for the program was cut to \$500,000 in fiscal year 2004 and faces possible elimination in the coming budget year.

A new program, Maryland Business Works, began in 2003 with a federally funded budget of \$1 million. It awards grants to businesses that match the grants and use the proceeds to train their existing employees. The program focuses on small businesses and companies in the healthcare industry. However, this program is not targeted toward assisting low-wage workers achieve financial security.

TABLE 8
Labor Force Participation Rates by County
(not seasonally adjusted) 2000

Percent		Percent	
Allegany	53.6	Harford	71.3
Anne Arundel	71.1	Howard	75.5
Baltimore City	56.6	Kent	62.2
Baltimore County	66.6	Montgomery	70.7
Calvert	71.5	Prince George's	70.8
Caroline	66.2	Queen Anne's	69.5
Carroll	71.2	Somerset	50.3
Cecil	69.3	St. Mary's	71.2
Charles	72.6	Talbot	61.7
Dorchester	62.2	Washington	61.1
Frederick	72.8	Wicomico	67.7
Garrett	59.5	Worcester	60.7
Maryland		67.8	

Source: U.S. Department of Commerce, Bureau of the Census.

Under the federal WIA program, the governor controls distribution of 15 percent of the WIA funds in a “discretionary fund,” which amounted to more than \$4 million last year. These funds have been used to maintain and disseminate lists of training programs, cover shortfalls in local WIB budgets, provide incentives when WIA standards are met, and develop a centralized information management system. As the state grapples with tight economic times, it should dedicate half of the discretionary WIA funds to training programs for low-income workers and job seekers. These funds could help maintain the STEP program or create an industry-led version of this program.

STRENGTHENING BUSINESSES

Two DBED training programs, the Maryland Industrial Training Program (MITP) and the Partnership for Workforce Quality (PWQ), are designed to help businesses improve the skills of their current employees.

Neither program focuses on low-wage workers. The budgets for these two training programs dwarf STEP’s, which does focus on lower-wage employees.

MITP, which was created in 1969, provides grants to companies for training costs associated with new or expanded operations.^{xiv} To be eligible for assistance, companies must create jobs that pay at least 150 percent of the minimum wage. While that guarantees a certain wage for new hires, MITP makes no demands about improving skills of workers at the low end of the wage scale.^{xv} The PWQ grant program does not set a minimum wage for new jobs created by companies receiving training assistance.^{xvi}

Education and skills enhancement will be of limited value if there are not enough jobs with good pay and benefits.

A 2002 national study found that employers devoted the smallest share of their training expenditures to “basic skills” training – only 2 percent of their training budget. State programs that subsidize training

should fill the gaps in the private sector, not replace expenditures that employers are willing to make to train higher-level employees.

The state’s grant and loan programs fail to require businesses that benefit from state support to create a certain number of jobs.^{xviii} While loan recapture provisions exist if businesses do not meet job creation goals, they are not consistently enforced. The General Assembly can change state policy to require all businesses that access public benefits to repay those benefits if a minimum number of new jobs is not created.

The terms of some state loans require businesses to pay a \$7.73 per hour minimum wage for new jobs. In some cases, the state sets a higher wage standard, but in others the state has waived the standard entirely.^{xix} Loans to businesses to improve their facilities generally do not carry any requirements for wages paid to their workers.

BETTER COORDINATION

Maryland could better coordinate its economic development and workforce development efforts to benefit low-wage workers. This would require a commitment from ranking state officials that training low-wage workers to fill higher-skill jobs in high-demand sectors is necessary and makes economic sense.

Today, workforce development programs involving low-wage workers are handled by DLLR. Economic development and important industrial training programs are part of DBED. DBED serves businesses, while DLLR serves

workers, including unemployed and disadvantaged workers.

The missions of these two agencies are not mutually exclusive, and the needs of businesses and workers often converge.

Improved coordination between these agencies can address the issues of employers who need a stable, trained workforce, and workers who want increased economic opportunities. Businesses will grow and increase productivity with a trained workforce; workers can increase wages by upgrading their skills.

The Governor's Workforce Investment Board (GWIB) Sub-cabinet, which is composed of every state agency that has a workforce program, is a natural mechanism for improving coordination between the two departments. The Sub-cabinet has shown its ability to focus on specific workforce sector issues, most recently on labor shortages in the health care industry. The Sub-cabinet participated in a much-needed summit of employers, policymakers and others to discuss the problem.^{xx} There is no reason it could not play a similar role again with a focus on other growth industries – and on training programs needed within those sectors.

PUBLIC DISCLOSURE

One key concern about Maryland's economic development efforts involves a lack of public awareness of results in the job creation arena. The state, in short, does not adequately disclose the results of its loans and grants – in particular, the caliber of jobs, including wages and benefits, created by companies receiving state assistance.

State business loans and grants include requirements about job creation. Companies that fail to fulfill those requirements can be penalized by being forced to repay certain state assistance.

Businesses will grow and increase productivity with a trained workforce; workers can increase wages by upgrading their skills.

In 2003, the Baltimore Sun reported that the state required seven companies to repay more than \$2 million after failing to meet job creation targets.^{xxi}

DBED projects the number of new and retained jobs likely

to result from its grant and loan programs. However, legislative auditors have called into question the accuracy of those projections. In its audit, the Department of Legislative Services found that DBED “did not have comprehensive quality control procedures to ensure the accuracy of the reported results.”^{xxii}

Aside from the accuracy issues, there are two major shortcomings of the available data from DBED. First, the department reports only projections of jobs, not actual jobs created. Second, the job projections are not company specific. Rather, the department presents the data only in the aggregate, which makes it impossible to track the number and quality of jobs created through a subsidy to a specific company. In one published article, a company that received a \$1 million state subsidy did not come close to creating the types of jobs it had promised.^{xxiii}

Second, the department has failed to investigate and report the number and types of jobs that are actually created with state assistance. This creates an information vacuum.

State agencies must take steps to make this kind of information easily available to the public so it can gauge the effectiveness of state economic development expenditures. At a minimum, state agencies should track and report the types of jobs and the wages and benefits for these positions.

At the same time, the state legislature must play a more prominent role in monitoring these expenditures to ensure that the funds are being spent effectively and responsibly. ■

POLICY RECOMMENDATIONS

- 1) Ensure that economic development funds are used to create family-supporting jobs by increasing public accountability.
 - Adopt a comprehensive disclosure law that requires each company that receives a state funded economic development subsidy (such as a loan, tax incentive, or grant) to report annually on the number of jobs created or retained, and the wages, healthcare benefits, and full or part-time status of those jobs. Require that this information be made available to the public on a company-specific basis, with information on the dollar value of the subsidy received by the company.

- 2) Ensure that low-wage workers are trained for jobs in growth industries by increasing training funds and coordinating economic development and workforce development activities.
 - Increase funding for workforce training to upgrade the skills of entry-level and incumbent workers according to industry standards. Target half of the Governor's discretionary WIA funds for customized training programs for low-income workers and job seekers.
 - DBED regional staff should promote workforce development programs to employers relocating or expanding in the state. DLLR officials should be included in negotiations when economic development deals are structured.
 - Permit and encourage employers to use MITP and PWQ skill enhancement funds for adult basic education for their employees.

Additional Data Are Needed to Assess Program Outcomes

In conducting research for this report, we found several instances where the data needed to assess the impact of state programs on low-income working families were not collected by state agencies. We recommend that state agencies develop systems to track the following information:

1. The impact that job training programs have on participants' incomes.
2. The impact that economic development programs have on workers' wages.

WORKING WITH BUSINESS TO FILL THE GAPS



Like most health-care providers, Mercy Medical Center in Baltimore has struggled to find qualified workers for many positions. But a three-year-old state training program has provided valuable help in filling those employment gaps.

The Skills-Based Training for Employment Promotion program, or STEP, was created by the Maryland General Assembly in 2001. Local grant recipients team with employers in selected fields to provide training for certain job categories. The cost is shared: the STEP program pays for the actual training while the employer pays the wages of workers being trained, or provides support such as transportation and child care.

For many low-skill workers, this solves a crucial problem. Many low-wage workers do not have the time or financial means to enroll in many weeks or even months of vocational training. STEP allows these workers to be paid while they train.

At Mercy, more than 90 low-skill workers have taken part, preparing to take jobs as nurse extenders, surgical technicians or medical coders through training a few blocks from the hospital at Baltimore City Community College.

The average worker who has gone through STEP training at Mercy has seen his or her wage increase by about \$2.50 an hour – to \$10.50 – a significant advancement.

Denise Phelps, director of training programs at Mercy, says the STEP program has produced “outstanding results.”

“First, it has served to increase the economic development of our community,” Phelps says. “Second, it has provided us with a trained workforce for positions which typically can be difficult to fill with qualified candidates.”

Phelps adds: “Because we are able to observe the incumbents during the training, we have a good idea of the trainees’ qualifications and fit for the organization.”

Due to budget constraints, the Baltimore STEP program can help only a small number of employers. There is, to be sure, a large unmet need for this type of training.

“There are a great number of low-wage parents out there. I get at least two calls a day from parents who have heard about STEP,” says Dawn Martin, program manager for STEP in Baltimore. “The market is out there. It would be nice to have more money to meet the need.” ■

FOOTNOTES — CHAPTER 3 — CREATING GOOD JOBS

ⁱ Hancock, Jay. "Illinois Shines Light into the Gateway Quagmire." *The Baltimore Sun*. August 27, 2003.

ⁱⁱ The unemployment rate represents the number of individuals who are currently not working, would like to work, are able to work and have actively sought employment in the last four weeks through means such as visiting a potential employer or responding to a help-wanted advertisement, divided by the number of people in the labor force. This figure does not count discouraged workers, those who have even temporarily given up looking for a job.

ⁱⁱⁱ Maryland Department of Labor, Licensing and Regulation, "Monthly Labor Review, November 2003." Baltimore: Maryland Department of Labor, Licensing and Regulation, 2003.

^{iv} Economic Policy Institute, October 2003. www.jobwatch.org.

^v Bureau of Labor Statistics. "Geographic Profile of Employment and Unemployment, 2002." Washington: Bureau of Labor Statistics, 2003.

^{vi} U.S. Census Bureau. "Census 2000, Summary File 3 (Employment Profile 1)." Washington, U.S. Census Bureau, 2002.

^{vii} Population Reference Bureau analysis of 2002 Current Population Survey data.

^{viii} Ibid.

^{ix} Comptroller of Maryland. "A Guide to Business Tax Credits." Annapolis: Comptroller of Maryland, 2001.

^x Comptroller of Maryland. "Business Tax Credits, Tax Year 2000." Annapolis: Comptroller of Maryland, 2002.

^{xi} Purinton, Anna, et al. "The Policy Shift to Good Jobs." Washington: Good Jobs First, 2003.

^{xii} Maryland Governor's Workforce Investment Board. "Maryland STEPs Up for Working Parents." Baltimore: The Governor's Workforce Investment Board, 2003.

^{xiii} Ibid.

^{xiv} Maryland Department of Business and Economic Development. "Business Investment Programs – Strategic Investments in Maryland." Baltimore: Maryland Department of Business and Economic Development, 2003.

^{xv} Author's communication with Maryland Department of Business and Economic Development.

^{xvi} Ibid.

^{xvii} Thompson, Chris, et. al. "Training for the "Next" Economy: An ASTD State of the Industry Report on Trends in Employer-Provided Training in the United States." Alexandria: American Society for Training and Development, 2002.

^{xviii} Author's communication with Maryland Department of Business and Economic Development.

^{xix} Ibid.

^{xx} Author's communication with Maryland Governor's Workforce Investment Board.

^{xxi} Hancock, Jay. "Illinois Shines Light into the Gateway Quagmire." *The Baltimore Sun*. August 27, 2003.

^{xxii} Office of Legislative Audits. "Managing for Results – Fiscal Year 2001 Performance Measures, Department of Business and Economic Development." Annapolis: Department of Legislative Services, Maryland General Assembly, 2002.

^{xxiii} Hancock, Jay. "Company Denies Giving False Data in Aid Request; Wages End up Below Levels Set in Application." *The Baltimore Sun*. Oct. 13, 1999.

The actions of state government affect all Marylanders, but to varying degrees. Middle-income and affluent residents are generally less buffeted by changes in state policy, but decisions made at the state level can have a profound effect on the lives of low-income workers, by either bolstering or hindering their efforts to improve their employment opportunities, achieve a decent standard of living, access health care and obtain financial security.

It is worth repeating that 16 percent of jobs in Maryland pay, on average, less than a poverty-level wage. On its face, that statistic means that such wage earners cannot adequately support a family – and yet many Marylanders struggle to do just that. One solution is to create more good-paying jobs, as discussed in Chapter 3. However, the state must also embrace other approaches.

Maryland’s minimum wage law is the same as the federal standard of \$5.15 an hour. As advocates know, that minimum has not changed since 1995 and yields an income that is below the poverty line, even for a single adult. Adjusted for inflation, the value of the federal minimum wage has actually decreased 28 percent since 1979 (see Chart 3). Eleven states and the District of Columbia have chosen to set a state minimum wage that is higher than the federal minimum.¹ Those state minimum wages range from \$6.15 to \$7.15 per hour.

- State policies – ranging from income taxes to childcare and health insurance – have significant impact on the lives of low-income workers.
- The minimum wage, set at \$5.15 an hour, has declined 24 percent since 1979 when adjusted for inflation.
- In Maryland in 2002, more than 405,000 workers did not have health insurance.
- The state’s childcare subsidy program has a waiting list of more than 11,400 children.

While there does not appear to be a major push in 2004 to increase the minimum wage in Maryland, it is worth pointing out the benefits to low-income workers and the state’s economy if the state increased the minimum wage by \$1.50 per hour, to \$6.65. More than 107,000 workers, most of them adults, would receive a raise.ⁱⁱ There is no evidence of job loss due to the most recent increase in the federal minimum wage or to recent state minimum wage increases.ⁱⁱⁱ In fact, because low-income workers are more likely to spend money than save it, money flows directly back into the community.

Maryland has taken important steps on another workplace protection, the “living wage.”^{iv} Three local jurisdictions in Maryland – Baltimore City and Prince George’s and Montgomery counties – have enacted ordinances that set a minimum wage for employees of companies that have contracts with the local jurisdiction. In Baltimore, the current wage is \$8.70 an hour and the two counties have set the wage at

\$10.50 per hour. The state has not yet adopted a similar living wage standard.

TAXES

To provide state revenues, the Maryland budget relies on sales and excise taxes, which tend to fall heavily on low-wage workers. The state’s income tax structure is also highly regres-

sive, with a top tax rate of 4.75 percent that applies to all income above \$3,000. Studies show that these tax policies create a substantial burden for working families. For the 20 percent of families with the lowest incomes in Maryland, state and local taxes take 9.4 percent of their incomes. By contrast, Maryland's most affluent residents – the top 1 percent in income – pay 5.1 percent of their income in state and local taxes after the federal offset.^v

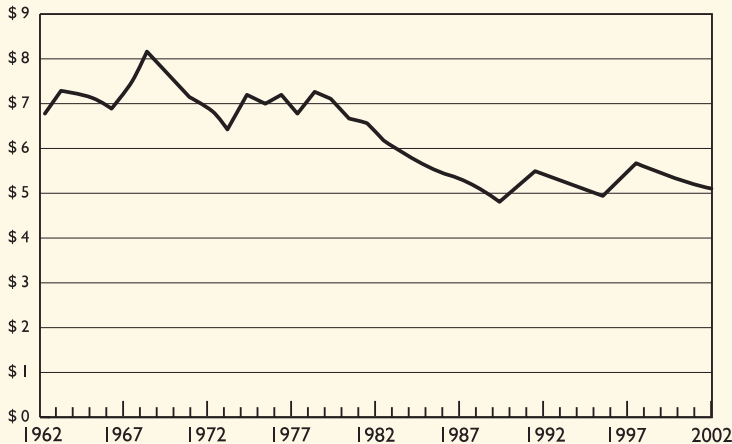
Maryland has attempted to address this situation in one aspect of its tax policy. Along with 15 other states and the District of Columbia, Maryland has adopted a state supplement to the federal Earned Income Tax Credit.^{vi} Established in 1975, the EITC is considered one of the most effective mechanisms for helping low-income families move out of poverty. Maryland's EITC

gives low-income workers relief from the state income tax and is partially refundable, meaning these workers are eligible to receive a payment from the state to offset other taxes that fall hard on working families, such as payroll levies and the sales tax. Twelve states have these types of refundable EITC programs (five additional states offer non-refundable credits). Outreach efforts by advocates have helped increase the number of people claiming the EITC. Nationally, an estimated 85 percent of those who are eligible claim the credit.^{vii} It is crucial that state and

federal lawmakers preserve and enhance this important program.

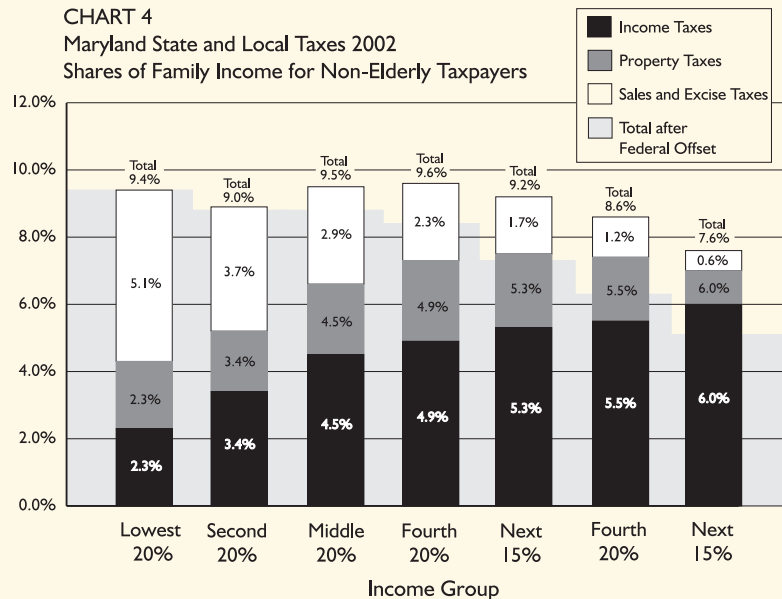
The Maryland legislature may consider tax increases in the near future. Among the proposals being discussed is an increase or broadening of

CHART 3
Value of the Minimum Wage, 1962-2002 (in 2002 dollars)



Source: Economic Policy Institute (Inflation adjustments using the CPI-U)

CHART 4
Maryland State and Local Taxes 2002
Shares of Family Income for Non-Elderly Taxpayers



Source: Institute on Taxation and Economic Policy, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States." 2003.

the state's 5 percent sales tax. Lawmakers should carefully consider the impact that any such change would have on low-wage workers.

HEALTH INSURANCE

Despite being one of the wealthiest states in the nation, Maryland is grappling with a serious public health problem – widespread lack of health insurance. State policymakers have begun serious consideration of reform and the issue is likely to be prominent during the 2004 General Assembly session. The lack of health insurance creates major strains and inefficiencies on the healthcare system, as those without insurance often rely on emergency rooms for treatment. It also poses grave problems for the uninsured, who often go without primary care or preventive measures. For low-income workers, who often cannot afford treatment, the problems are the most pronounced.

Traditionally, most Americans have relied on their employers for health insurance coverage. But in Maryland in 2002, more than 405,000 workers ages 18 to 64 did not have health insurance of any kind,^{viii} and studies show that low-wage workers are less likely to have employer-sponsored health insurance than those earning higher incomes. In 2000, only a third of workers in the bottom 20 percent of wage earners had employer-provided health insurance. For workers in the top 20 percent of incomes, more than eight out of 10 had it.^{ix} Even when employers offer health insurance

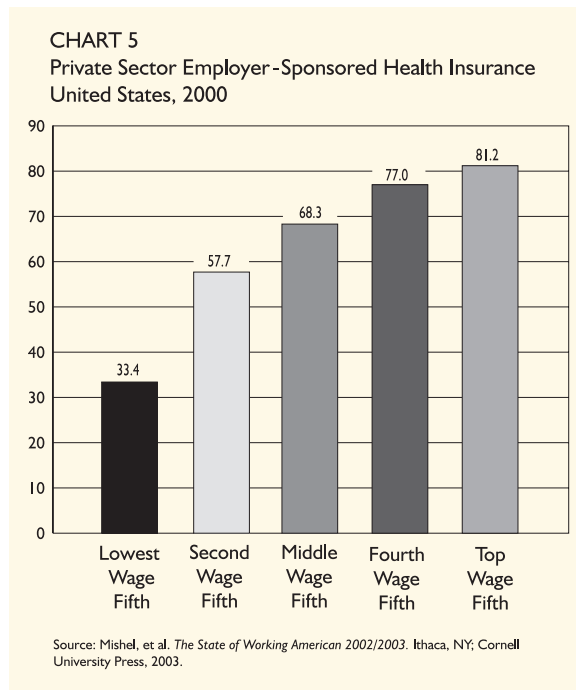
to low-wage workers, their coverage often includes higher co-payments, deductibles and premiums than the plans of higher-wage employers.^x

The Maryland Children's Health Insurance Program, which is funded by the federal and state governments, has significantly reduced the number of uninsured children and pregnant women in Maryland. But for uninsured workers, Maryland's efforts to provide coverage lag behind those of many other states. In Maryland, a working parent qualifies for the state-administered Medicaid program only if his or her annual family income does not exceed 43 percent of the federal poverty level – or about \$6,000.^{xi} This is one of the lowest income eligibility figures in the nation. Nine states offer Medicaid assistance to

adults earning up to 150 to 200 percent of poverty. Not surprisingly, in 2001 there were only 27,000 working adults over the age of 21 who received Medicaid in Maryland.^{xii}

Several proposals that address the problem of the uninsured are under discussion in Annapolis. Some propose systemic changes that would lead to universal coverage in Maryland; others suggest incremental improvements. As the debate unfolds, it is crucial that

lawmakers consider the impacts – both positive and negative – that these proposals hold for low-income workers.



CHILDCARE

Many low-income working parents face the daunting challenge of finding someone to provide childcare while they earn a living. While relatives sometimes provide care at no or low cost, most working families pay market rate for childcare. However, paying the market rate for childcare is simply unaffordable for many families. In Baltimore City in 1999, the average annual cost of childcare in a childcare center was \$4,359, higher than the annual cost that year of in-state college tuition.^{xiii} Maryland's way of helping these families has been the Purchase of Care (POC) program, which has been considered a model program. Families on welfare and low-wage workers not receiving welfare benefits were eligible, with parents paying a sliding fee based on their income.

However, a recent major cut in funding for the POC program has curtailed its ability to help working parents. Now, only families that are currently receiving Temporary Cash Assistance or that received it within the past year are eligible for the subsidized childcare. The result: as of December 2003, the program had a waiting list of more than 11,400 children.^{xiv} While the state budget crunch requires fiscal discipline, policy-makers should consider increases for the POC program. Helping working families pay for childcare is an important use of state funds, one that brings a financial return on investment achieved through sustained employment.

Despite being one of the wealthiest states in the nation, Maryland is grappling with a serious public health problem – widespread lack of health insurance.

UNEMPLOYMENT INSURANCE

The unemployment insurance system in Maryland provides an important safety net for laid-off workers. Unemployment insurance was designed to assist workers who lost their jobs through no fault of their own by lightening the burden of unemployment, “which often falls with a crushing force on the unemployed worker and the family of the unemployed worker.”^{xv} Unemployment insurance benefits give those workers a financial cushion while they search for a new job, and help stimulate the economy during economic downturns. Unfortunately, the current system does not cover many workers earning the smallest incomes.

To be eligible for the minimum benefit of \$25 a week, a laid-off worker must have earned \$900 in the previous calendar year, and have earned at least \$600 of that in one quarter to qualify for unemployment benefits. When determining eligibility, the formula counts only the first four of the last five completed quarters. A worker earning the minimum wage of \$5.15 an hour must work 175 hours in order to qualify for benefits. A worker earning \$10 an hour must work 90 hours to qualify.^{xvi} Unemployed workers must also be actively looking for full-time work, and must be unemployed due to no fault of their own.

Maryland's policy tends to be more restrictive than those in other states. In the fourth quarter of 2002, 61 percent of unemployed workers in Maryland did not receive unemployment benefits, compared to 57 percent nationally.^{xvii} National statistics show that low-wage workers are even less likely to receive unemployment insurance; 80 percent of low-wage workers did not receive benefits.^{xviii}

In Maryland, a key problem lies in the rules governing eligibility. The rules provide that workers who have been employed less than a year are not eligible for benefits. A Maryland worker must have worked in at least two calendar quarters in the base period, and have base period earnings at least 1.5 times their earnings in the highest quarter. Some states have less restrictive eligibility criteria.

In Maryland, many part-time workers are also excluded from benefits because the rules require that workers who are laid off must be seeking full-time jobs. However, many people can only work part-time – because they are in school or have childcare or eldercare responsibilities, to cite two main reasons. Employers pay taxes for part-time workers and these workers often meet the minimum-earnings requirements. The exclusion is also unrealistic, given the economy's dependence on part-time workers. Nationally, approximately 20 percent of jobs are part-time.^{xix}

Finally, Maryland's benefits are inadequate for many families. The maximum benefit is \$310 a week for a maximum of 26 weeks; that represents only 42 percent of the average weekly wage in Maryland.^{xx} Maryland unemployment insurance fails to provide financial security for many workers who lose their jobs through no fault of their own, and it does not reflect the nature of the modern workforce. Maryland needs to reform

Maryland unemployment insurance fails to provide financial security for many workers who lose their jobs through no fault of their own, and it does not reflect the nature of the modern workforce.

this insurance system to ensure that it provides an appropriate level of economic security.

WORKER PROTECTIONS

Maryland has two groups of workers who need more attention – day laborers and ex-prisoners. There is evidence that day laborers face serious problems in the workforce, including unsafe working conditions and excessive charges for meals, transportation, equipment and check cashing. Maryland law provides few legal protections for these workers and should be strengthened to prevent these abuses.

Ex-prisoners also face major challenges as they try to re-enter the workforce. One obstacle is the state's law governing criminal records. For example, it is legal for Maryland employers to discriminate against a job applicant because of his or her criminal record – even if the criminal charges have no relevance to the job the ex-prisoner is seeking. Similarly, state law makes it difficult to expunge records of arrests – even if the arrest did not lead to a conviction. Arrest records often prevent applicants from securing jobs. The legislature should consider reforms that will make it easier for ex-prisoners to become economically self-sufficient. ■

HELPING WORKING PARENTS



Flora Gee, the owner of the Greenbelt Children's Center in Prince George's County, routinely receives calls from parents who need childcare but cannot afford the rates charged at her licensed facility.

Full-time care for a four-year old in a licensed facility will typically cost more than \$6,000 a year, out of reach for many low-income workers.

Without some help from the state, these parents must turn to friends, relatives or unlicensed providers.

"For parents who need childcare, a lot of them are working in low-income jobs, and they're in desperate straits," Gee says. "Think about the parents that need to work, especially single parents. It's not a choice for them; they must work. What in the world are they going to do if they can't afford childcare?"

Currently, the state of Maryland helps the parents of about 30,000 children with Purchase of Care vouchers that are used to help pay for childcare. Families pay a portion of the cost, with a family's share based on its income.

At Gee's center, eight of the 60 children are from families receiving POC vouchers. A single parent heads each family, including a man whose wife died of cancer and who is now raising his twin boys. Another voucher recipient, a single mother, completed high school recently and is working at

Wal-Mart. Another young single mother is using the voucher for childcare while she works and goes to college.

The money for the POC program comes from a combination of state and federal funds. The program took a major hit in 2003, when state budget problems led to a \$25 million cut in funding for the vouchers. The state established a waiting list for families in need of vouchers and as of December 2003, the list had swelled to include more than 11,450 children.

Beth Giordano, public policy coordinator with the Maryland Committee for Children, says the state voucher program provides many important benefits. Having quality childcare allows working parents to hold down jobs and become reliable employees not distracted by childcare problems.

It is imperative that children be cared for in safe settings that help them prepare to enter school, Giordano says. "For children, quality childcare means they come to school ready to learn," she notes.

Flora Gee points out that the lack of adequate funding for childcare conflicts with the goal of helping former welfare recipients and others enter the workforce.

"We're supposed to be helping these people become independent," she says. ■

POLICY RECOMMENDATIONS

- 1) Support the work activities of low-income parents by subsidizing childcare.
 - Restore most of the \$25 million cut from the Purchase of Care childcare program in the last fiscal year.
- 2) Continue to provide income supports to working parents through the state Earned Income Tax Credit.
 - Maintain the state Earned Income Tax Credit program at the current level.
- 3) Promote the health of low-income working parents through the expansion of health insurance so that they can continue to work and support their families.
 - As Maryland engages in debates about expanding health insurance coverage, make sure that the needs of low-income working parents are addressed.
- 4) Update the unemployment insurance program to allow part-time workers who lose their jobs to access benefits; increase the maximum benefit level to track wage increases.
- 5) Allow certain criminal records to be expunged to reduce the impact a criminal record has on future employment.
- 6) Increase outreach and simplify access to work-support programs for which working low-income families are eligible.

Additional Data Are Needed to Assess Program Outcomes

In conducting research for this report, we found several instances where the data needed to assess the impact of state programs on low-income working families were not collected by state agencies. We recommend that state agencies develop systems to track the following information:

1. The percent of eligible families that claim the Earned Income Tax Credit.

FOOTNOTES — CHAPTER 4 FOSTERING FINANCIAL SECURITY

ⁱ U.S. Department of Labor, <http://www.dol.gov/esa/minwage/america.htm>.

ⁱⁱ Russell, Edith, Jared Bernstein and Heather Boushey. "Step Up, Not Out." Washington, DC: Economic Policy Institute, 2001.

ⁱⁱⁱ Bernstein, Jared and John Schmitt. "Making Work Pay: the Impact of the 1996-97 Minimum Wage Increase." Washington: Economic Policy Institute, 1998 and Card, David and Alan Krueger. 1995. *Myth and Measurement: The New Economics of the Minimum Wage*. Princeton, N.J.: Princeton University Press.

^{iv} Jurisdictions have defined a living wage in various ways, but many are based on what families of various sizes would need to earn to be above the federal poverty line. While none of the living wages are high enough for a family to achieve economic security, it is a step in the right direction.

^v McIntyre, Robert, et. al. "Who Pays: A Distributional Analysis of the Tax Systems in All 50 States, 2nd Edition." Washington: Institute on Taxation and Economic Policy, 2003.

^{vi} Johnson, Nicholas, et. al. "A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2003." Washington: Center on Budget and Policy Priorities, 2003.

^{vii} Scholz, John-Karl. "The Earned Income Tax Credit: Participation, Compliance, and Anti-poverty Effectiveness." *National Tax Journal*. Vol. 47. No. 1. (1994): 59-81.

^{viii} Population Reference Bureau analysis of 2002 Current Population Survey data.

^{ix} Mishel, Lawrence et. al. *The State of Working America 2002/2003*. Ithaca, NY: Cornell University Press, 2003.

^x Boushey, Heather et. al. *Hardships in America*. Washington: Economic Policy Institute, 2001.

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^{xi} Guyer, Jocelyn. "Congress has a \$28 Billion Opportunity to Expand Coverage for Low-Income Working Families with Children." Washington: Center on Budget and Policy Priorities, 2001.

^{xii} Author's communication with the Maryland Department of Health and Mental Hygiene.

^{xiii} Schulman, Karen. "The High Cost of Child Care Puts Quality Care Out of Reach for Many Families." Washington: Children's Defense Fund, 2000.

^{xiv} Author's communication with the Maryland Department of Human Resources, Child Care Administration.

^{xv} Maryland Unemployment Insurance Law, Section 8-102. Legislative findings and policy.

^{xvi} Economic Policy Institute. "Unemployment Insurance Facts at a Glance: Maryland." www.epinet.org

^{xvii} Brandon Roberts and Associates analysis of data provided by the Office of Workforce Security, Employment and Training Administration, U.S. Department of Labor, "State Financial Data: UI Financial and Labor Force Data, Reciprocity Rate, 4th Quarter 2002."

^{xviii} Economic Policy Institute. "Unemployment Insurance Frequently Asked Questions." www.epinet.org.

^{xix} Ibid.

^{xx} Emsellem, Maurice, et. al. "Failing the Unemployed: A State by State Evaluation of Unemployment Insurance Systems." Washington, DC: Economic Policy Institute, 2002.

CONCLUSION

Maryland's policies and programs can do more to help working poor families become economically self-sufficient. Too many Maryland families work and pay taxes, but do not earn enough to provide a decent standard of living for themselves and their children. While the state has some programs in place that assist low-wage workers, the numbers served are too small to make a significant difference.

The families left behind are disproportionately African-American and are concentrated in urban and rural areas. Without targeted outreach and increased investments, the legacy of unequal access to economic opportunities will continue. Good intentions are not enough. Investment must follow intention if the state hopes to provide opportunities for all families.

The recommendations in this report focus on increasing the skills, employment opportunities and wages of low-income workers. Although some additional public investments are needed, we have resisted developing a long list of suggestions for additional public moneys. Rather, when at all possible, we recommend re-orienting current programs to get better outcomes from existing dollars – targeting more of our post secondary aid to students with financial need, creating flexibility in financial aid programs to meet the need of working parents, attracting jobs that provide career opportunities for low-wage workers, linking economic development and workforce development programs for maximum effectiveness, and allocating discretionary workforce dollars to training programs for low-wage workers.

The state lacks effective evaluation standards

for many programs. Too often state agencies do not collect the data needed to determine the efficacy of programs that can and should benefit low-wage workers. Data collection on the impact of post-secondary training, adult education, public assistance and economic development programs is crucial to learning the return on investment that effective programs can bring. Without a strong evaluation component that assesses the impact public dollars have on low-income families, too many workers will remain poor while businesses complain about the lack of skilled applicants for job openings.

Many workers need assistance improving their basic educational attainment, upgrading job-specific skills, becoming proficient in English or finding a higher wage job with benefits. The state can provide that assistance. Real benefits will redound to Maryland's families, the state and local tax base and the business community if public dollars are focused on improving outcomes for low-wage workers. The chief question is not a matter of resources but of our political interest and will to help low-income families improve their economic future. ■

GLOSSARY

- Family:** A married couple or a single parent with at least one child under age 18.
- Family in poverty:** A family with an income below the threshold for poverty as defined by the U.S. Census Bureau.
- Income:** Money income only, non-cash benefits not included.
- Labor Force:** Persons 16 or older with a job or without a job and actively seeking one.
- Low-Wage:** A wage below the full-time, full-year wage required to keep a family of four out of poverty. In 2001, a family of four required \$18,104 to stay out of poverty (at least \$8.70/hr. on a full-time, full-year basis); in 2002, \$18,390 was required (at least 8.84/hr.). For the Percent of Workers in Low-Wage Jobs measure, the national low-wage figure is adjusted by the state's cost of living index (0.97 for Maryland), as published in Annual Federal Budget and the States by the Taubman Center for State and Local Government, Kennedy School of Government, Harvard University.
- Minority:** A person who does not classify himself or herself as white, non-Hispanic.
- Unemployed:** Persons 16 years and over who had no employment during the reference week, were available for work, except for temporary illness, and had made specific efforts to find employment sometime during the 4-week period ending with the reference week. Persons who were waiting to be recalled to a job from which they had been laid off need not have been looking for work to be classified as unemployed.
- Working Family:** A family where all family members age 15 and over have a combined work effort of 39 or more weeks in the last 12 months or all family members age 15 and over have a combined work effort of 26 or more weeks in the last 12 months and one currently unemployed parent looked for work in the previous four weeks. The federal government defines family income as income of all family members age 15 and over.

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income and economic opportunities of low-skill, low-income workers and job seekers.

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