Inequality and Workforce Development in Maine in the Post-COVID-19 Environment

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The COVID-19 pandemic has stricken American workers deeply, causing widespread layoffs and accelerating the longer-term disappearance of jobs available to workers with limited skills and education. As a result, its impact has exacerbated inequalities of income and opportunity. A long-term strategy for postpandemic economic development in Maine will require building bridges from existing skill sets to jobs offering greater employment opportunity and security. Existing research shows that when income and security are addressed as a shared responsibility on the part of workers, employers, and taxpayers, economic growth can expand opportunity and reduce inequality. Maine can take advantage of the COVID-19 crisis to restructure the institutional environment in ways that will align the incentives of the public and private sectors and will achieve these goals.
and demographic distribution of deaths from suicide, alcohol abuse, and opioid overdoses, which have been highest among white males in the regions hardest hit by the loss of decent-paying jobs. The pandemic has deepened these trends. According to the Centers for Disease Control, the 12-month period from May 2019 to May 2020 saw the highest number of deaths from drug overdoses ever recorded in a one-year span. The pandemic, however, was not the only factor in this increase; overdose deaths were rising in 2019 as well.\textsuperscript{1} Still, the COVID-19 pandemic has burdened the most vulnerable members of society with even heavier economic and psychological stress.

Low-wage workers compose a large share of the country’s workforce—44 percent as of January 2020—and have been more severely affected by the pandemic than higher-earning workers (Escobari et al. \textsuperscript{2019}).\textsuperscript{2} Layoffs threaten their security in several ways, including the loss of housing and of health insurance (Garfield et al. \textsuperscript{2020}). Even before the pandemic, about a quarter of those living in rental housing were paying more than half their gross monthly income on rent. By January 2021, about 20 percent of all renters had fallen behind on their rent payments; 40 percent of children in households that rented faced difficulty with food, housing, or both (CBPP \textsuperscript{2021}; Dougherty \textsuperscript{2021}).

Approximately 30 million people work in the retail and hospitality fields, almost 20 percent of the total US labor force. Most of those people work at wage levels below the median wage (77 percent in retail, 93 percent in hospitality). These are the most vulnerable jobs: wages are low, health insurance coverage is sparse, and the COVID-19 pandemic has led to heavy job losses. Whereas from January 2020 to January 2021, the unemployment rate rose from 4 percent to 6 percent for all workers, it only rose from 2.5 percent to 3.4 percent for people working in financial services but from 5.9 percent to 15.9 percent for those in leisure and hospitality (US BLS \textsuperscript{2021}). Low-wage workers are the least likely to be able to switch to online work; their educational levels tend to be low; and they are disproportionately likely to be female, Black, and Hispanic. The COVID crisis, therefore, is dealing a severe, multifaceted blow to the low-wage segment of the workforce.

Low-wage workers are not only the most likely to be laid off, they are also the most likely to lose employment-based health insurance or to lack it in the first place. Loss of employment due to the pandemic means that close to 27 million people are at risk of losing their health insurance (Garfield et al. \textsuperscript{2020}). In principle, a majority of these individuals may become eligible for Medicaid or for marketplace subsidies through the ACA but only in those states that have expanded Medicaid. And a certain share of them will not be eligible for ACA subsidies due to income level or citizenship status.

For industries that were already losing jobs, the pandemic has accelerated a painful transition and intensified the harsh social and economic consequences of our high and rising inequality. High inequality in the distribution of economic and social opportunity produces a gradient in health. Research shows that there is a direct relation between socioeconomic status and health, whether measured as the number of healthy days people experience in a month or in terms of their overall health status (Case and Deaton \textsuperscript{2020}). Health levels vary systematically for all racial and ethnic categories by income and education. This is true of geographic inequality as well.

Across the country, the impact of the pandemic has varied systematically by population group, industry, and geography (Bahar \textsuperscript{2020}). People living in densely populated areas and particularly in multiperson, multigeneration households or congregant living facilities are at greater risk for becoming infected and spreading infection more widely. People working in jobs requiring a high, prolonged, and intensive level of face-to-face contact, such as assembly line manufacturing, food processing, retail sales, and personal care services, are similarly at higher risk. Groups that have been systematically disadvantaged in access to good housing, health care, education, and job opportunities—particularly minority and immigrant groups—are at greater risk from the illness due to higher underlying rates of hypertension, heart disease, diabetes, poor nutrition, and other chronic conditions (Owen et al. \textsuperscript{2020}). Where these risk factors linked to geography, industry, and demography overlap, clusters of illness develop and spread at especially high rates.

\textbf{Maine and the Economic Impact of COVID-19}

In some respects, the COVID pandemic has affected Maine in the same ways it has affected the rest of the country, while in other respects, the impact on Maine is distinctive. In recent decades, the labor market in Maine has been slightly tighter than that of the country as a whole.
and unemployment slightly lower (Figure 1). However, in most years, the labor force participation rate has been lower in Maine. During the pandemic, Maine’s registered unemployment rate did not rise as sharply as the country’s. However, its labor force participation rate fell still more. The long decline in Maine’s labor force participation rate is driven in part by the aging of Maine’s population, but also by lagging wages and increasing rates of dropouts from the labor force on the part of youth, especially those with lower educational levels (Breece et al., 2015). From 2000 until 2015, youth nonparticipation rates in Maine rose—even when unemployment began to fall as the overall economy picked up following the Great Recession.

Around 20 percent of Maine’s workforce is employed in service jobs such as food service, cleaning and building maintenance, retail sales, hospitality services, and warehousing; 40 percent of these workers live in families with an income under twice the poverty line (compared with about 25 percent of Maine’s population overall) (Chaganti et al., 2020). During the pandemic, these jobs have been severely affected due to the slump in tourism. The hardest-hit industries, measured by unemployment insurance claims, have been transportation, sales, food preparation and service, hospitality, and health care. Construction, sales, education, and office jobs have also been severely affected. Overall, Maine lost about 16 percent of all jobs (CWRI, 2020). Moreover, a large number of people who are unemployed are not being counted as unemployed; in many cases, they are classified as “employed, not at work,” rather than unemployed. The true unemployment rate in Maine was probably around double the reported rate as of mid-June (18 percent vs 9.3 percent) (Valigra, 2020).³

Maine also has a higher rate of unincorporated self-employed workers than the country as a whole (about 10 percent vs 7 percent) (CWRI, 2011) as well as a higher rate of multiple job holders (7.5 percent vs 5 percent nationally in 2018) and a higher rate of part-time workers.⁴ Maine’s unemployment rate also varies substantially across regions. Figure 2 shows the rates for the three metropolitan regions of the state, Portland, Bangor, and the Lewiston-Auburn area.

The loss of jobs in Maine’s leisure, hospitality, and retail sectors has been substantial. In a state heavily dependent on seasonal visitors, the state’s quarantine restriction on out-of-state visitors has dealt a serious blow to Maine’s dining and hospitality sectors. These immediate effects, however, have been exacerbated by the longer-term trends of declining manufacturing employment and population aging. From 2000 to 2018, the share of Maine’s workforce employed in manufacturing fell from almost 17 percent to just over 10 percent).⁵ Meanwhile, the median age has been rising, from 38.7 in 2000 to 44.9 in 2018 (compared with the national median age of 37.8), and Maine’s population has grown older at a faster rate than the country’s as a whole.
As manufacturing and related jobs have disappeared, wages for unskilled and semi-skilled workers have stagnated. The pay scales for construction workers, laborers, maintenance workers, machinists, those working in personal care and services, and other production occupations have hardly risen over the last decade. Likewise lower- and mid-level managers have had hardly any increase in pay. Only top-level managers, the top decile, have seen significant wage increases. The share of households in Maine receiving more than $100,000 rose almost 50 percent in the last decade, rising from 14 percent to more than 20 percent of the population. This rate of increase was even faster than that for the United States as a whole. Meantime, the number of households in the middle brackets fell, as did the number in the lowest income brackets. So while income growth has reduced the poverty rate, it has not built a larger middle class. Figure 3 shows that Maine has followed the national trend in the concentration of incomes at the top, although Maine has a lower share of extremely high-income households.

Rising economic inequality—the fact that bottom- and mid-level incomes have stagnated while top-level incomes have steadily risen since the late 1970s—directly affects economic opportunity and mobility. The economy has increased geographic sorting of households by neighborhood and town. As incomes in rural and small-town communities have fallen behind and metropolitan communities and affluent neighborhoods within them have become more prosperous, the gap between the social and educational backgrounds of families are reproduced across generations (Reardon 2011). Better-off families pass on their advantages to their offspring; struggling families are left with a diminishing social safety net and the steady privatization of public goods such as education and health care (Chetty et al. 2014, 2017; LaRochelle 2020). The result is that economic inequality by socioeconomic category is closely related to economic inequality across towns and regions. Together, they widen disparities, close off opportunity, and fuel social polarization.

This point is evident in the crisis caused by the COVID-19 pandemic. Maine being hit so hard by the economic effects of the pandemic despite having relatively low infection rates underscores the threat of long-term economic inequality to both public health and national prosperity. The prevalence of precarious and low-wage employment leaves many Maine workers vulnerable to the spillover effects of the pandemic on employment and income security. Policies aimed at reducing disparities in the distribution of income, security, and opportunity will reduce inequality, protect public health, and stimulate economic growth. Much of the current public discussion has focused on the disparate health and economic effects of the pandemic on minorities and urban areas, where long-term inequality trends have intensified health and economic vulnerability. However, the economic impact of the pandemic is also acute wherever economic precarity and inequality have hollowed out public goods provision. For this reason, economic inequality, employment opportunity, and social security must be seen as interrelated facets of a single problem. A workforce strategy coupling skill formation, employment opportunity, and income security will therefore spur both short-term economic recovery and longer-term economic development.

LINKING SKILL, EMPLOYMENT OPPORTUNITY, AND INCOME SECURITY

Our World War II-era system of employer-based health insurance has been failing for many decades as part-time, short-term, and gig forms of work have spread (Thelen 2019). The COVID-19 pandemic, which forced many workers out of their jobs with the potential loss of employer-sponsored health insurance, has accelerated these
trends. However, even if the structure of employment were to return to the status quo ante following the end of the pandemic, we would still confront the reality of highly unequal incomes, falling social mobility, and high levels of precarious employment. Therefore, it is important to construct new institutional linkages among employment, opportunity, and security, taking into account long-term trends in the labor market. To analyze how this might be done, we can employ a conceptual framework proposed by the Brookings Institution (Bahar 2020).

In this framework, occupation types are classified along two axes. The horizontal axis represents the immediate impact of the pandemic on employment; the vertical axis shows the longer-term trends in employment. Occupations experiencing high layoff rates due to the pandemic lie at one end of the horizontal axis; occupations with low layoff rates lie at the other. Along the vertical axis, jobs seeing a long-term increase in demand are at the top, and jobs for which employment has been declining over time are at the bottom. For occupations suffering high losses due to COVID but long-term increasing labor demand, economic recovery will likely drive an expansion in employment, especially if physical distancing is possible. Examples include the construction trades, health care, and social assistance. However, other occupations suffering heavy losses are unlikely to see much increased employment since they have been losing jobs over a longer time (e.g., retail clerks and clerical and data entry workers). A third category, occupations that have seen growing demand over time and fewer recent job losses, include jobs allowing work from home, for example, in information-intensive industries such as finance and logistics. Additionally some occupations have been losing employment for a long time, but are less immediately affected by COVID-19. Examples include jobs that can be automated, such as drafting and engineering technicians (see Figure 4).

Maine’s case is consistent with national trends. Figure 5 shows Maine Department of Labor projections of expected changes in employment by occupation between 2016 and 2026. These projections do not reflect the impact of the COVID-19 pandemic, but they do suggest how longer-term economic trends have been affecting labor demand. Job growth is likeliest in employment requiring personal service, while the greatest number of lost jobs are expected to be in sales, production, and administration. Job losses are concentrated in occupations where wage levels are lower, such as retail and hospitality, whereas job gains tend to be greatest in higher-paying occupations, such as in finance and professional services. However, some of the occupations with the highest projected employment growth rates are those requiring skilled personal service in the health sector, such as physical therapists, phlebotomists, physician assistants, and nurse practitioners. In these occupations, employment is likely to be affected by the pandemic in the short term, but over the long run, labor demand in these occupations is likely to rise again.

Therefore, a long-term strategy for reforming the link between employment and security must build bridges from existing skill sets to jobs offering greater employment opportunity and security in the postpandemic labor market. There are two sides to this task: provision of appropriate training and career navigation to equip workers for new employment and guarantees of income security to induce workers to equip themselves for new careers (cf Estevez-Abe et al. 2001; Iversen and Stephens 2008).

With respect to the first challenge, research on patterns of job transitions suggests some possibilities (Escobari et al. 2019). A worker in an office setting performing clerical work in many cases already uses office software. Such a worker could perform similar work at a managerial or supervisory level, in customer support, or as a system administrator. These roles are also in demand in expanding industries such as health care and software development.

However, there is no reason to expect that labor market supply will adjust quickly or automatically to
match demand. Research shows that markets for skill are inefficient and slow to clear. The supply of people qualified for medium- and high-skill jobs may fail to respond to market signals for a number of reasons, including the effects of inequality in blocking social mobility (Fuller et al. 2014). As a result, the United States wastes an enormous amount of human potential and leaves millions of people stuck in a recurrent cycle of low-wage work, intermittent employment, poverty, and discouragement (Boushey 2019). European coordinated market economies suffer far less from such problems due to elaborate long-term partnerships among labor unions, employers, and governments to coordinate education and training with labor market demand. This coordinated effort ensures social protection to encourage the joint investment in skill on the part of workers and employers (Remington 2018). Even in a more market-driven system such as in the United States, local institutional mechanisms for matching the supply and demand of appropriately skilled workers have been shown to alleviate such market imperfections—improving job opportunity and reducing inequality. The literature also shows that interventions at the individual level in the form of assistance with training and navigating the search for a new job are costly in both material and organizational terms. They require cooperation and commitment on the part of individual workers, employer groups, educational institutions, and local governments (Maguire et al. 2010; Osterman 2018; Roder and Elliott 2019).

One approach is to focus on the transition of youth from schooling to the workforce by establishing public-private partnerships that link secondary education, postsecondary education, and credential attainment with workplace-based learning. Such partnerships require the private sector to invest in efforts to bring youth into the workplace (through internships and apprenticeships) and the public sector to use its policy tools (educational program requirements, tax credits, local infrastructure investment) to create the incentives to induce private sector involvement. The most effective public-private partnerships are institutionalized in intermediary organizations that integrate economic development with workforce development (Conway and Giloth 2014).

Intermediaries work to build closer ties between educational institutions at all levels—from middle school through college—and employer associations.

In recent years, the number of programs seeking to overcome these market imperfections has expanded nationally and in Maine. An example in Maine is the Bridge Academy, which enables high school students to acquire college credits and career-oriented credentials. The objective of such programs is to ensure that when high school students graduate, they have a certain minimum number of college-level academic credits, a certain number of credits in career and technical education (CTE) courses, and meaningful workplace learning experience. Studies show that students who graduate from these programs have measurably higher rates of high school completion as well as greater success in obtaining jobs that offer good wages and opportunities for upward advancement. At the same time, research shows that they only succeed in the presence of deep and sustained involvement on the part of school and business partners. If either schools or employers (or employer associations) treat such a program as a short-term solution, the program will not achieve its goals (Beadle 2019). A fuller description of these sorts of programs may be found in Remington (2020).

Even before the pandemic struck, there was a sense of crisis with regard to workforce development in Maine.
Business leaders reported an acute shortage of new recruits for jobs in many occupations, both middle- and high-skill. A broad coalition of business, government, civic, and educational leaders agreed on a goal of raising the attainment of useful skills such that by 2025, 60 percent of Maine’s workforce should be equipped with a meaningful credential—a certificate or a diploma from a two- or four-year postsecondary institution. Currently the rate is only 43 percent (MDF 2018).

The classic model of meaningful workplace-based learning is apprenticeships. As of 2019, the number of active apprentices was only 633,000, less than 0.4 percent of the US workforce. In the last decade, however, the number of apprenticeships in the United States has doubled. Likewise, in Maine the number of apprenticeships has risen since the 2018 election (Maine DOL 2019). As the state plans its postpandemic economic recovery, it could enlist more of Maine’s most prominent employers, organizations, and trade associations to expand training options. As recent federal grant funds are providing Maine with $18 million to expand the apprenticeship program in the state, there is a real opportunity to match the state’s workforce needs and economic development strategy with the expansion of opportunity for Maine’s citizens to enter high-paying careers with good prospects for advancement.

Similarly, the state can take advantage of the current economic crisis to encourage employers and organizations to create internships and other workplace-based learning opportunities when apprenticeships are not feasible. Internships are less administratively burdensome, although the return on investment is also lower. Some high schools in Maine now require all students to do an internship as a condition of graduation (Old Orchard Beach High School is an example). Again, the state can facilitate the expansion of internships by offering employers small tax credits for offering internships.

Broadly speaking, the link between economic recovery, long-term development, and skill upgrading should focus on improving employability rather than protecting jobs. Efforts to improve skill levels—both hard and soft—that expand employment opportunity must be thought of as investment in people rather than employment. It is also important to recognize that the short-term urgency of reducing unemployment can come at the price of a deeper investment in training. To adapt to the increasingly rapid pace of technological change, workers will require a deeper and broader body of foundational knowledge along with the ability to apply it to a changing set of tasks. They will need to be able to build on that foundation and acquire new skills as job requirements change. The evidence from successful workforce development programs shows that taking a long-term perspective on skill formation, by investing in the person rather than the job, is not only more equitable from the standpoint of individual opportunity, it is also more efficient in the long-run for employers and society because it reduces the waste of human potential (Holzer 2011, 2017).

The other side of investment in people, however, is to reduce income insecurity (Hund-Mejean and Escobari 2020). This includes protection against the loss of income from unemployment and the lack of health care. As with co-investment in skill upgrading and career navigation, income and health security need to be thought of as a shared responsibility on the part of workers, employers, and taxpayers (Hanauer and Rolf 2015).

One widely discussed proposal is portable benefits. A system of portable benefits can be tailored narrowly or broadly. The general idea is to let workers pay into personal accounts that are part of broader risk pools for health or unemployment insurance. These programs serve those who are self-employed or who change jobs, and they relieve the individual worker of dependence on an employer for basic income and health protection. Portable benefits systems can also be adapted to encourage individual effort to upgrade skills or to pay for child care in order to make employment or training possible. They have several features: the benefits are tied to the individual, not to the employer; they are pro-rated, so that if a person works for more than a single employer, each employer pays a portion of the contribution corresponding to the number of hours worked; and they are universal, i.e., they are accessible to all workers. They can be financed in various ways (including through surcharges on customers or through individual and employer contributions), but the funds are pooled and the accounts are administered at the state level.

An example is the New York State Black Car Fund. On-demand livery drivers contribute to a state workers’ compensation fund financed by a 2.5% surcharge on each ride. The fund operates as a statewide nonprofit organization administering health and safety benefits for drivers of on-demand car services, such as the traditional black car.
livery services and more recently Uber and Lyft drivers. The benefits include health care, disability and death benefits, wellness classes, vision care, and defensive driving courses.

Such programs can be readily adapted for other social insurance needs for independent contractors and other self-employed workers. Several states, among them Washington and Massachusetts, are considering similar programs. One promising extension of such systems would be to use them not only for social insurance—disability, unemployment, health care—but also for training and childcare expenses through a system of credits. People who provide personal services, such as hairdressers and barbers, or self-employed mechanics and technical services providers, could also benefit from such portable benefits programs by adding a small surcharge on each transaction. Likewise, those who work on a contract or part-time basis for multiple employers could take advantage of such a system by ensuring that a small percentage of the wage be paid into a notional individual-defined account that finances healthcare, disability, unemployment, training, and childcare benefits. As the economy slowly recovers, workers who have lost income and health insurance could be given both greater income security and a chance to improve their qualifications for a wider array of employment opportunities. Moreover, such portable benefits programs could be made part of a larger nationwide system of active unemployment assistance, such as that recently proposed by Michael Graetz and Ian Shapiro (2020). Their plan would provide individualized employment benefits covering both unemployment and assistance in retraining and job relocation, folding the current state-based system into it.

During the current pandemic, Maine has seized the initiative to address the challenges of rebuilding the workforce to respond to the problems of changing labor market. A successful strategy will take planning for the long term, not just coping with the immediate effects of the COVID-19 crisis. The effort will require cooperation and institutionalized partnerships between the public and private sectors. In May 2020, Governor Mills convened an Economic Recovery Committee to advise her on the best ways to respond to the immediate crisis. The committee’s final report, published in November 2020, emphasized the importance of developing Maine’s workforce by expanding access to postsecondary education and opportunities for workplace-based learning, improving early childhood care and education, ensuring universal access to broadband communications technologies, increasing access to stable housing, and widening inclusion of underserved populations into society (OPIF 2020). The report was linked to the state’s 10-year economic development strategy, which proposes to increase the number of high-paying jobs in value-adding industries, building on Maine’s traditional strengths in farming, fishing, and forestry (Maine DECD 2019). Therefore, Maine has a window of opportunity to take advantage of the crisis created by the pandemic—the short-term crisis provoked by the COVID-19 pandemic accelerating the longer-term crisis of an aging workforce—to restructure the institutional environment in a way that aligns the public and private sector incentives around trajectories of economic growth that reduce inequality. The state can take advantage of this moment of crisis to deploy the new funds made available by the federal and state government to devise new pathways that expand opportunity for individuals who have been left behind by the economic trends of the past four decades while at the same time enabling Maine to achieve longer-term economic development goals.

NOTES

1 According to the CDC, “Over 81,000 drug overdose deaths occurred in the United States in the 12 months ending in May 2020, the highest number of overdose deaths ever recorded in a 12-month period. While overdose deaths were already increasing in the months preceding the...pandemic, the latest numbers suggest an acceleration of overdose deaths during the pandemic.” https://www.cdc.gov/media/releases/2020/p1218-overdose-deaths-covid-19.html
2 Low-wage workers are defined as those earning less than two-thirds the median hourly wage for full-time, full-year male workers, adjusted for local cost of living.
3 https://www.mainegov/labor/cwri/qcew.html
4 https://www.mainegov/labor/cwri/cps.html
5 https://www.mainegov/labor/cwri/qcew.html
6 https://www.mainegov/labor/cwri/outlook.html
7 https://www.bridgeacademymaine.org/
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