

# Brief: Providing workers the support they need to enter and stay in the labor force

## At a glance

- Maine has more jobs now than before the pandemic
- Labor force participation has mostly rebounded to pre-pandemic levels but is not adequate to keep pace with job growth and shifts in the labor force
- Tens of thousands of workers remain out of the labor force for reasons that public policies can address — particularly those focused on strengthening Maine's care economy and the capacity of families to afford care and meet basic needs
- Now is the time to make investments that address structural challenges for Maine's workers and employers, and foster greater long-term economic vitality

## Strong recovery can be made even stronger

Critical investments at the state and federal level helped Maine recover from the COVID-19 pandemic, and our state currently has [the lowest unemployment rate](#) on record. A tight labor market helped many working people, especially those in lower-wage jobs like retail and hospitality, demand higher wages to keep up with the rising cost of living. The historic job recovery is a testament to what our state can accomplish when leaders prioritize the needs of workers and families.

However, this historically tight labor market also means:

- Some employees must work unsustainable levels of overtime
- People who need care and other supports are not always able to get them
- Employers needing to hire workers to meet demand have difficulty finding them

Given Maine's demographic and labor force participation profile, Maine Center for Economic Policy (MECEP) asserts there are policy solutions currently being deliberated — including paid family medical leave, child care wage supplements and subsidies, modernizing the child tax credit, and extending benefits to direct care workers — that, taken together, could make significant contributions to supporting people who are out of the labor force return to work. These policies may also make Maine a more attractive place for workers from outside the state to relocate.

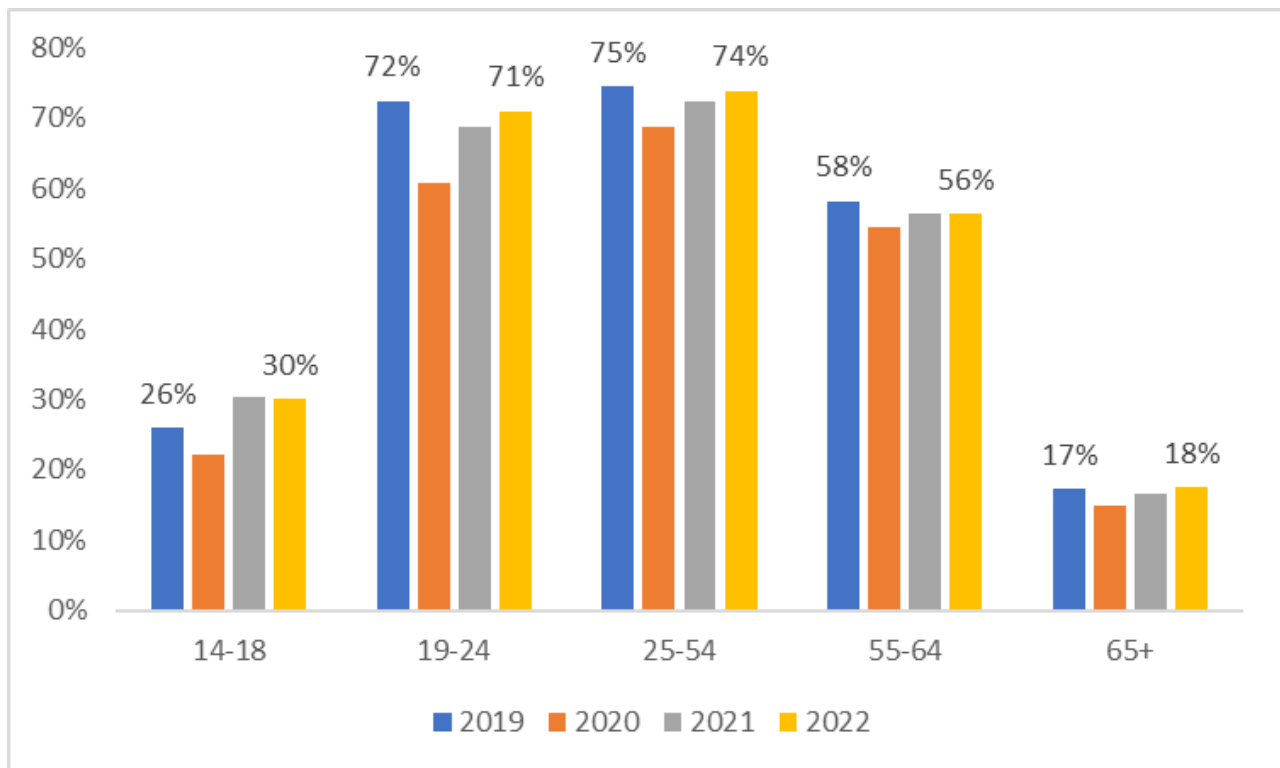
Maine faces worker shortages in many sectors and caring for a family member — a newborn or young child, an older or disabled family member, or a sick parent — is one of the primary reasons people who wish to work are out of the labor force. Policies that help workers support their families will positively impact our state's economic vitality in the near and long term. This brief details how these policies benefit workers and businesses.

## Understanding the current labor market in Maine

During the COVID-19 pandemic, tens of thousands of Mainers either lost their jobs or were furloughed as businesses closed to protect public health. Throughout 2020, 2021, and much of 2022, however, we saw these individuals return to work, and the number of people employed in payroll jobs today is now *higher than it was before the pandemic*.<sup>i</sup>

An accurate estimate\* of labor force participation can be derived from data on unemployment insurance contributions by current wage earners in Maine. This dataset is only available through July of 2022, but shows a general recovery in workforce participation from pandemic-era lows. The general pattern shows increasing employment among the youngest workers and workers “65 and older” offsetting some of the shortfall among “prime-aged” (25–54-year-old) workers.

### Employment-population ratio by selected age groups in Maine, 2019-2022



Source: MECEP analysis of US Census Bureau, Quarterly Workforce Indicators data. Data is for the first month of Q3 each year (i.e., July). Employment ratios are calculated using a 3-year rolling average of population by age groups in the US Census Bureau, American Community Survey. 2022 population data includes an adjustment based on trends for 2017-2021.

\* While some measures appear to show that since the pandemic we have seen a decline in labor force participation — the share of people who are working or looking for work<sup>ii</sup> — this appears to be exaggerated because of flaws in the dataset used to measure labor force participation. The Maine Department of Labor provides an [explanation of the issue](#).

**If more Mainers are working than before the pandemic, why are employers reporting a shortage of workers?** There are two contributors:

1. **The reallocation of workers within the economy.** It appears that a significant number of workers who left their jobs during the pandemic returned to work, but in different parts of the economy. For example, the food services and accommodation sector in Maine still has 5,000 fewer workers than it did in February 2020, and the health care and social assistance sector is short 2,000 workers from pre-pandemic levels. It is likely that a combination of low wages, poor working conditions, and danger of exposure to COVID-19 made workers reluctant to return to jobs in restaurants, hotels, and care settings.
2. **Even though the workforce has grown since 2020, the number of job openings has grown even faster.** According to Bureau of Labor Statistics estimates, there were 6,600 more payroll employees in February 2023 than in February 2020 — but the number of open jobs waiting to be filled had grown even faster, with 14,000 additional open jobs compared to pre-pandemic. This would be consistent with an economy that has seen robust growth since the pandemic, with additional spending driven by federal and state relief efforts.

To meet the demand for workers, Maine needs to both assist existing residents in getting into the labor force, and to attract new workers to the state.

Economic research and recent survey data shows **investments that help workers balance their work and personal responsibilities can significantly improve labor force participation.** This session, lawmakers are considering several effective policies to support working families so Mainers can get back to work and stay in the labor force:

- Paid Family and Medical Leave
- Child care wage supplements and expanded subsidies
- Dependent Exemption Tax Credit (Maine's Child Tax Credit)
- Direct care worker benefits

### **Paid Family and Medical Leave (PFML) — LD 1964**

The culmination of years of work and a bipartisan legislative commission, LD 1964 would establish a Paid Family and Medical Leave Benefits Program and provide financial security to more than 600,000 Maine workers.

11 states and the District of Columbia have paid family and medical leave programs, providing ample evidence of the program's potential benefits. Research from these cases demonstrates **a PFML program would offer financial security for workers and reduce the rate at which people, especially women, drop out of the workforce altogether.** The experience of small business in other states shows allowing employees to take paid leave **improves productivity, reduces turnover, and helps keep workers attached to their jobs.** A statewide program covering workers employed at firms of all sizes would also help level the playing field between

the large businesses which already provide this benefit and smaller employers who would like to administer their own benefit program, but can't afford to.

- A [study](#) examining the impacts of paid leave in California and New Jersey, the first states to adopt such a program, found the programs **reduce maternal labor market detachment by 20 percent in the year of a birth, an impact that persists for many years after birth.**
- A [survey of California businesses](#) found the program **increased retention among workers in lower-quality jobs.** Overwhelming majorities of respondents reported the program had either a positive or no noticeable effect on productivity (89 percent), profitability/performance (91 percent), and turnover (96 percent). Workers in low-quality jobs who used paid leave were more likely to return to the same employer after taking paid leave, were better able to care for newborns, and were better able to make child care arrangements. Another study from California [found](#) firms employing 25 or fewer people saw a **14 percent decrease in per worker labor costs when workers use paid leave, and the smallest firms experienced the greatest percentage-based reductions in labor costs.**
- In New Jersey, most businesses reported [no negative effects on business profitability](#) and found complying with the law was not difficult. A survey of Rhode Island employers conducted a year after the state's paid family leave law went into effect found [a majority of employers, both large and small, were strongly or somewhat in favor of the law.](#)

### **Child care wage supplements and expanded subsidies — LD 1726**

**24,000 Mainers cite a lack of available child care as the [primary reason they aren't in the labor force](#).** According to a 2021 Maine DOL [survey](#) of unemployment claimants and active job seekers, 39 percent of respondents aged 25-44 identified child care as a needed support, the most-needed support for that age group.

While many issues impact access to and availability of child care, the primary factors are low wages for child care workers and high costs of child care services.

Data from the Bureau of Labor Statistics shows the median hourly wage for child care workers in Maine is lower than that of retail salespeople and food prep workers. Even though many child care workers hold early childhood education degrees and prepare young children for school, **they earn on average 60 percent of what kindergarten teachers make and just over half (53.5 percent) of what elementary school teachers earn.**

Low wages make it extremely difficult for child care centers to recruit and retain staff. A 2021 survey by the National Association for the Education of Young Children found **85 percent of child care centers in Maine were experiencing staffing shortages, with low wages overwhelmingly identified as the biggest barrier to recruitment.** A survey last year found the top challenges for Maine's child care centers were [growing waitlists and staff shortages](#). And according to one analysis, by the end of 2022 Maine had [280 fewer child care centers](#) than two years earlier.

In 2021, Maine Department of Health and Human Services [found](#) the market rate for full-time toddler care at a licensed center was **more than \$11,000 per year in Washington County and over \$14,000 in Cumberland County**. According to the US Department of Health and Human Services definition of child care affordability, infant care is affordable to [only 11.9 percent](#) of Maine families. A young family with two working parents who earn the state median income and have two children in child care are currently ineligible for assistance, leaving them to pay somewhere in the range of \$25,000 for full-time child care. Faced with this reality, many workers, particularly women, choose to leave their jobs.

Senate President Jackson has introduced LD 1726, a bill that would:

- Double the wage supplements for child care workers from \$200 to \$400 per month, helping early childhood educators remain in their field of choice.
- Expand eligibility to Maine’s Child Care Subsidy Program (CCSP) from 85 percent to 125 percent of State Median Income so more working families can afford child care.
- Improve CCSP’s administration so more providers are incentivized to participate and offer subsidized placements for families in their communities.
- Establish a cost-of-care model that involves people who know the system best, including educators and parents, to assess what it costs to offer high-quality early childhood education while paying workers a living wage. The bill would also set a course to ensure by 2030, all working families who want child care can afford it.

### **[Child and dependent tax credit — LD 1544](#)**

[Legislation](#) being considered this year would expand and improve Maine’s version of the Child Tax Credit (CTC) — the Dependent Exemption Tax Credit — increasing the value of the credit from \$300 to \$350 per dependent and, importantly, removing minimum income requirements so that the estimated 157,000 dependent adults and children in families with the lowest incomes can receive the full credit for the first time. The Center on Poverty and Social Policy estimates the improvements **would lift 3,500 Maine children out of poverty**.

[Researchers](#) recently looked for evidence that the expanded CTC reduced participation in the labor force. They found [no evidence](#) that it did and, in fact, analysis suggests that, like the Earned Income Tax Credit, an expanded CTC may actually help [increase labor force participation](#).

Maine already witnessed the difference an increased refundable CTC makes for families. While the 2021 expansion of the federal CTC was far more generous than what is being considered at the state level, it also eliminated minimum income requirements and allowed Maine children in families with very low income to access the credit for the first time, [helping them pay for necessities like food, rent, and child care](#).

The income boosting effects of the CTC puts families in a better position to thrive. For children, the credit provides resources they need to be [safer](#), [better nourished](#), and [better educated](#), both now and in adulthood. For adults, the credit’s assistance reduces the psychological strain that poverty can place on parents, enabling them to be more attentive and supportive with their children and reducing rates of neglect and abuse. The CTC has such

a transformational impact on children’s lives that every dollar spent on the credit has a [ten dollar return on investment](#) to society in the form of increased future earnings, better health, improved educational outcomes, and reduced involvement with the criminal justice system for impacted children.

## **Direct care worker benefits — LD 1718**

Last month, MECEP released a report, [The High Cost of Undervaluing Direct Care](#), which investigates the significant yet rarely acknowledged costs of Maine’s direct care workforce challenges. We found:

- Undervaluing direct care and support workers is **keeping nearly 8,000 people out of Maine’s labor force.**
- Their absence from the labor force means they’re spending less money in local economies, harming businesses, other workers, and our state’s overall economic output. We estimate the absence of these workers **results in foregoing over \$1 billion in state GDP each year.**
- Low wages for direct care workers results in many turning to public assistance programs, including MaineCare and Supplemental Nutrition Assistance Program (SNAP). Meanwhile, the drop in labor force participation due to direct care responsibilities means fewer workers are contributing taxes. **These combine to cost our state and federal budgets more than \$70 million each year.**
- Direct care workforce shortages place undue strains on Maine’s health care system. In March 2023, Maine Medical Center had about 50 people under its care who were approved for discharge but could not find an alternative care setting; meanwhile, Northern Light Health noted that over a nearly six-month period, the cost of delayed discharges across the system’s hospitals **totaled \$13.6 million and amounted to approximately \$63,000 per person.**

If enacted, [LD 1718](#) would represent an important step toward attracting and retaining more direct care workers. Modeled after the AmeriCorps Service Program, it would award a \$4,000 tuition voucher to a worker who works at least 30 hours per week for a year, for up to four years. The tuition voucher could be used by the worker, their spouse, children, or grandchildren, at Maine’s public institutions of higher education.

The proposals outlined above would help Mainers not currently working get back into the labor force and make Maine more attractive to workers who live elsewhere. Given the hurdles many people face in entering the labor force, along with the long-term demographic challenges our state confronts, investing in these supports would significantly improve our overall economic resilience.

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<sup>i</sup> As of March 2023, there were an estimated 645,700 people in nonfarm payroll jobs in Maine, compared to 640,800 in January 2020. Seasonally adjusted estimates from the Maine Department of Labor. See <https://www.maine.gov/labor/cwri/ces.html>

<sup>ii</sup> See for example the data in [this series](#).