

## **The State of Working Maryland: The Gap Widens Between Top Earners and Everyone Else**

### **Maryland Policy Reports**

Vol. 6, No.7  
November 2006

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### **Summary**

- Both the U.S. and Maryland economies are strong. Nationally, productivity has grown steadily over the past 25 years. Close to 40,000 jobs have been added to the state's economy in 2006. Maryland's unemployment rate is 4.1 percent.
- However, in recent years, the incomes of many working families have stagnated. The exception is high-income workers, whose wages increased faster than those of low and middle earners between 2000 and 2005. These dynamics increased the income gap between high earners and everyone else.
- Although many of Maryland's low- and middle-wage workers earn more than their counterparts both nationally and in neighboring states, they also face growing costs of living for housing, child care, education, and health care.
- The wages earned by Marylanders in the 20<sup>th</sup> percentile – about \$10 per hour – are insufficient to cover basic living expenses in virtually every part of the state.
- Higher education levels contribute to higher wages. Maryland's workforce is highly educated compared to the national average and all but one of its neighbors. Still, more than half of Maryland's workforce lacks a college degree. This trend contributes to the wage gap by education level that exists among middle earners.
- Policy options to help Maryland's low and middle earning families include: expanding the state's earned income tax credit, expanding the renter's tax credit, promoting the child care subsidy program, increasing access to higher education, and bringing Medicaid eligibility in line with other states.

## Introduction

Every two years, the Economic Policy Institute (EPI) prepares the *State of Working America*, an analysis that includes data on family incomes, wages, taxes, unemployment, wealth and poverty. Since 1988, *The State of Working America* has examined the impact of the economy on the living standards of the American people.

In conjunction with EPI, the Maryland Budget and Tax Policy Institute has prepared, for the first time, *The State of Working Maryland*. This report highlights the findings and themes of the national study that are most relevant to working Marylanders. The intent of this report is to create a realistic picture of the hurdles faced by working families in Maryland.

It includes a discussion of the following:

- National and state wage trends;
- Impact of the minimum wage in Maryland;
- Challenges facing low and middle earning families; and
- Policy options that could be used to address these hurdles.

## National Wage Trends: Economic Indicators Suggest Growing Economy but Workers “Feel” Otherwise

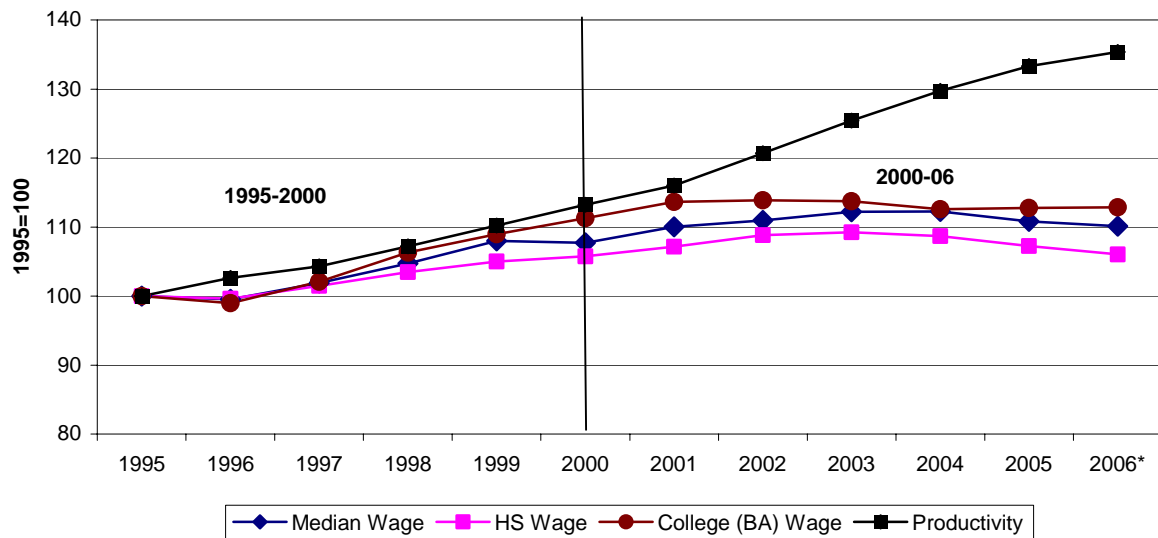
By most economic indicators, the national economy is strong. Productivity – the level of goods and services produced per hour of work – is up and continues to rise (See Chart 1 – next page). Productivity grew 1.4 percent per year since the mid-1970s before accelerating to 2.6 percent per year between 1995 and 2000. It rose even higher between 2000 and 2005 to 3.3 percent annually. This post-1995 trend is often referred to as the “new economy”. Historically, economists associate a rise in productivity with an upward swing in living standards, which is good for the overall economy.<sup>1</sup>

However, many workers are not feeling as if the economy is thriving. Let’s look back. In January 2000, in a survey conducted by the Pew Research Center, 71 percent of respondents expressed a positive view of the economy, rating it as “good” or “excellent”. In 2006, only 34 percent of respondents to the same question had a positive view of the economy.<sup>2</sup>

**If, in 2006, the national economy is producing more goods and services and as a result more wealth—then why are many Americans feeling unsettled and even pessimistic about the economy?**

Herein lies the answer: **Most working families have not experienced the increase in their standard of living typically associated with productivity increases.**

**Chart 1.  
Productivity and Real Wage Growth, 1995-2006:  
The Gap Continues to Widen**



Source: State of Working America, 2006/07.

\*Wages through the first half of 2006; productivity through first quarter of 2006.

Wage data reveal two trends affecting working families:

- 1) Wages (as adjusted for inflation) for both high school and college-educated workers have seen little growth since 2000 (See Chart 1).
- 2) Real income – the amount of goods and services that can be purchased with a person’s income – has declined. For most families, “real income” was higher in 2000 than it was in 2004.

Combined, these trends mean that most families have not seen a meaningful increase in their incomes, and their incomes are not stretching as far as they once did. Between 1995 and 2000, real wages grew with productivity. The divergence between productivity and wages began in 2002. From 2003 and forward, real wages remained flat for college-educated workers and fell for median and high school workers at the same time that productivity continued to increase (See Chart 1).

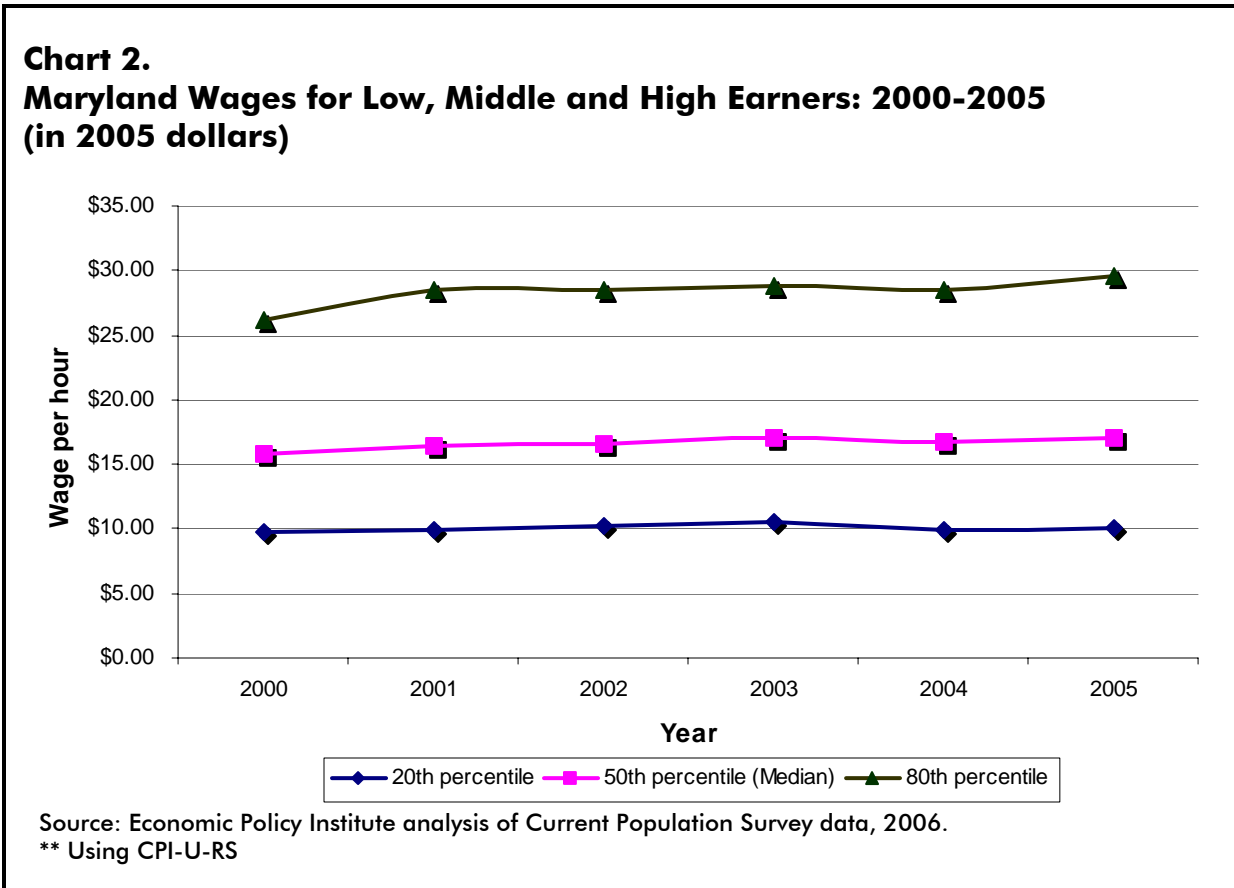
The question remains, **if in 2006, the national economy is producing more goods and services, but many of the incomes of working families are not increasing, then where is the wealth going?** Data indicate that increases in wages, income, and wealth are not distributed proportionately to all workers but are being drawn to the very top earners and families.<sup>3</sup> This trend marks a return to a wage distribution pattern that began in the late 1970’s – paused for a few years when the financial bubble burst in 2000 – and has now returned.<sup>4</sup>

## Wages in Maryland Follow National Trends

These national trends generally hold true in Maryland. Economic indicators show the state's economy and job growth are strong. In the first half of 2006, 39,000 jobs were added to the state's economy.<sup>5</sup> At 4.1 percent, the state's unemployment rate is slightly below the national average of 4.6 percent.<sup>6</sup>

Wage trends that are true nationally are also true in Maryland. There is a sizeable gap between top earners and low and middle earners (See Chart 2). Between 2004 and 2005, the wage per hour for Maryland workers at the 20<sup>th</sup> percentile increased from \$9.78 to \$10.04 per hour. The other two groups saw larger increases. Median earnings increased only slightly from \$15.78 to \$17.00, while the wages of the 80<sup>th</sup> percentile worker grew from \$26.20 to \$29.55 (See Chart 2).

Chart 2 depicts not only the striking differences in the hourly wages of the three major groups of earners; it also illustrates the stagnation of wages for workers in the middle and bottom percentiles. Between 2000 and 2005, Maryland's top earners saw their wages increase by a larger percentage than other earners. Compare the 13 percent increase for top earners to 8 percent for middle earners and 3 percent for low earners.



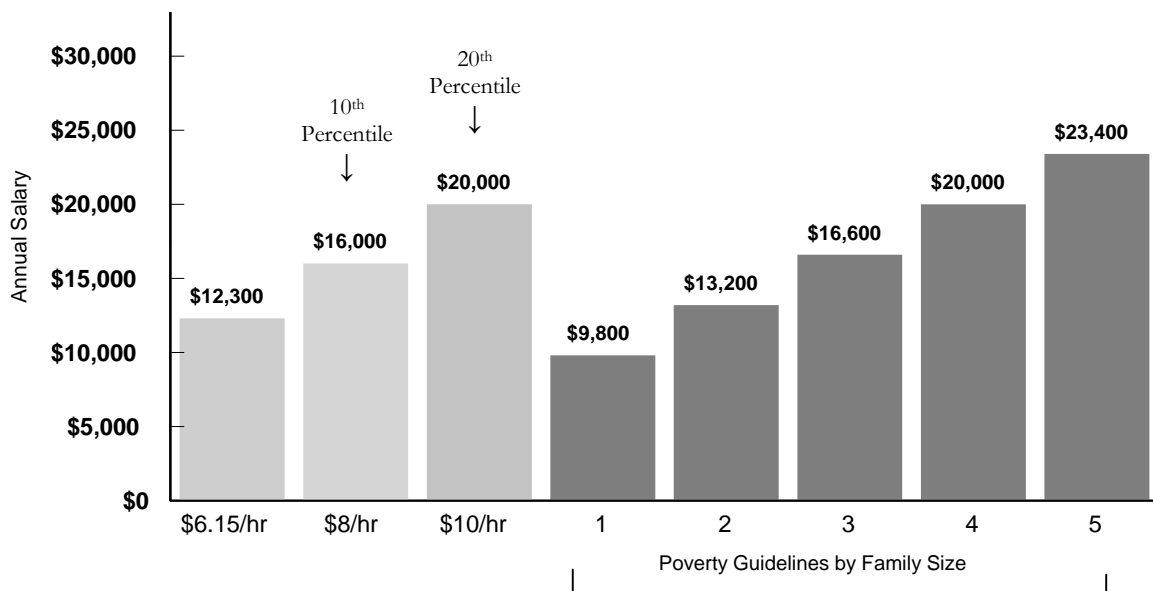
## Low Wage Earners in Maryland are Challenged in Meeting Basic Needs

### *Maryland's Minimum Wage*

In February 2006, Maryland increased its minimum wage by \$1 to \$6.15 per hour, surpassing the current federal minimum wage of \$5.15 per hour. This action placed Maryland in the company of 18 other states who have increased wage floors above the federal level. Of the 19 states that have undertaken such action, notably 4 states – Florida, Oregon, Vermont, and Washington – have minimum wages that will adjust annually for changes in inflation.<sup>7</sup> A wage of \$6.15 per hour yields annual income of \$12,300, a wage that is below the federal poverty level and well below the basic needs estimate for a family of three (See Chart 3).

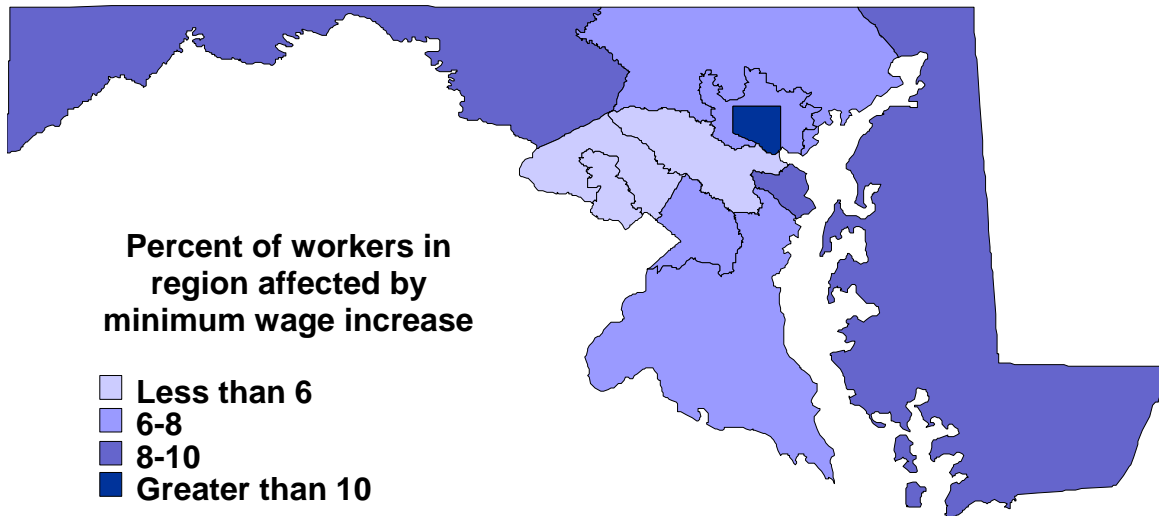
Estimates by the Economic Policy Institute (EPI), a nonpartisan research organization, reveal that the impact of Maryland's minimum wage increase varies by geographic location. In Maryland, approximately 173,000 workers were affected by the increase.<sup>8</sup> The greatest numbers of these workers were in Baltimore City (26,100 workers), Western Maryland (17,000), and Eastern Maryland (21,500) (See Figure A – next page). In these areas, raising the minimum wage affects greater numbers of workers, because these areas have higher concentrations of residents employed in low-wage work than other parts of the state.

**Chart 3.**  
**Salaries of Low Wage Earners Compared to 2006 Federal Poverty Line**



Source: Maryland Budget and Tax Policy Institute using data from the Federal Register, January 24, 2006. NOTE: Salary estimates assume full-time employment for 50 weeks a year.

**Figure A. Regional Impact of Maryland's Minimum Wage Increase**



Source: Economic Policy Institute, 2006.

*Working but Still Living in Poverty*

Most low-earning families in Maryland have incomes that are above the federal poverty line, but they are still unable to meet their basic needs each month. For example, Maryland workers in the 20<sup>th</sup> percentile earn wages that are higher than workers at the same percentile both nationally and in neighboring states. In Maryland, the 20<sup>th</sup> percentile wage is \$10.04 per hour – slightly lower than the District of Columbia (\$10.31) – but above the national average of \$8.83 (See Table 1). **However, these wages are insufficient to cover basic needs in virtually every part of the state.**

**Table 1.  
Low Wage Earners: How does Maryland Compare to its Neighbors?**

<b>20th Percentile Wages, Maryland &amp; Other States by Year (In 2005 dollars)</b>					
	<b>1979</b>	<b>1989</b>	<b>1995</b>	<b>2000</b>	<b>2005</b>
<b>U.S.</b>	<b>\$8.40</b>	<b>\$7.88</b>	<b>\$7.87</b>	<b>\$8.80</b>	<b>\$8.83</b>
Delaware	\$8.87	\$8.70	\$8.43	\$9.17	\$9.52
District of Columbia	\$9.82	\$9.24	\$8.98	\$10.12	\$10.31
<b>Maryland</b>	<b>\$8.99</b>	<b>\$9.23</b>	<b>\$9.04</b>	<b>\$9.78</b>	<b>\$10.04</b>
Pennsylvania	\$8.76	\$8.14	\$8.12	\$8.79	\$8.99
Virginia	\$8.05	\$8.31	\$8.27	\$9.16	\$9.17
West Virginia	\$8.20	\$6.33	\$7.03	\$7.58	\$7.98

Source: Economic Policy Institute analysis of Current Population Survey data, 2006.

\*\* Using CPI-U-RS.

## ***The Federal Poverty Level is too Low to Help Many Low-Income Families***

Low-earning families that could benefit from work supports often have incomes that are too high to qualify for state-based programs, as most government programs use a multiple of the federal poverty level (FPL) (e.g., 150% of FPL = \$24,900 for a family of three). Because the FPL itself is low, many Maryland families do not have access to the supports that encourage steady employment.

Simply adding higher multiples (e.g., 100%, 200%, 300% of the FPL) does not solve the inherent problems within the measure. Analyses by Wider Opportunities for Women, a Washington, D.C.—based research organization specializing in widening economic opportunities for women, find four major problems with the federal poverty measure:

- ***It is based solely on the cost of food and not a mix of basic needs.*** When the FPL was developed (more than 40 years ago), American families spent approximately 1/3 of their incomes on food. This “food budget” estimate was multiplied three times to create the FPL. It is adjusted annually to reflect inflation only, and it does not adjust for costs of items that have grown faster than food costs, such as housing and health care.
- ***The FPL has not been adjusted to capture changes in family demographics.*** Currently, the FPL assumes a two-parent family with a stay-at-home wife. Therefore, it does not capture the costs associated with a second earner in the workforce, such as taxes, transportation, and child care.
- ***It does not distinguish between working and non-working families.*** The FPL was developed during a time period when taxes and transportation costs were much lower for poor families. Therefore, the relative gap between a family with no income and one with a low but earned income was not as wide as it is today.
- ***The FPL contains no geographic adjustment.*** The FPL contains no geographic adjustment. The measure accounts for some geographic differences to the extent of their existence 40 years ago, but the tremendous variations in the cost of housing that exist today are not captured at all. <sup>9</sup>

Given these problems with the FPL, many researchers call for a revamping of the method used to measure poverty to make it more reflective of today’s demographics and costs trends. In the meantime, there are several other basic needs thresholds and guidelines that capture the cost-of-living differences between states.

One such measure is the “Basic Needs Budget”, a formula that estimates the income necessary to support families of different sizes, developed by the Economic Policy Institute (EPI). The “Basic Needs Budget” takes into account the geographic differences in the costs of housing, food, clothing, transportation, and health insurance.

It is a broader estimate than merely measuring the distance from the federal poverty line. Using EPI's formula as a guide, wages in the 20<sup>th</sup> percentile, \$20,000 per year for a single-parent family or \$40,000 for a two-parent family, fall well below the income needed to meet basic family expenses in virtually all parts of Maryland (See Table 2).

**Table 2.**  
**Family Expenses Vary Widely Across Maryland Counties: 2004**

**Basic Needs Budget – Maryland Areas by Family Size**

Area	1 parent, 2 children	2 parents, 2 children
Cumberland	\$ 30,156	\$ 36,996
Hagerstown	\$ 35,736	\$ 41,112
Wilmington-Newark*	\$ 39,984	\$ 45,516
Baltimore City	\$ 40,776	\$ 45,996
Washington*	\$ 47,808	\$ 52,896
Columbia	\$ 49,956	\$ 55,068
Rural	\$ 34,116	\$ 39,708

Source: Basic Family Budgets for 2004. Economic Policy Institute, 2006.  
\* Maryland portion.

### **The Strain on Middle Income Earners**

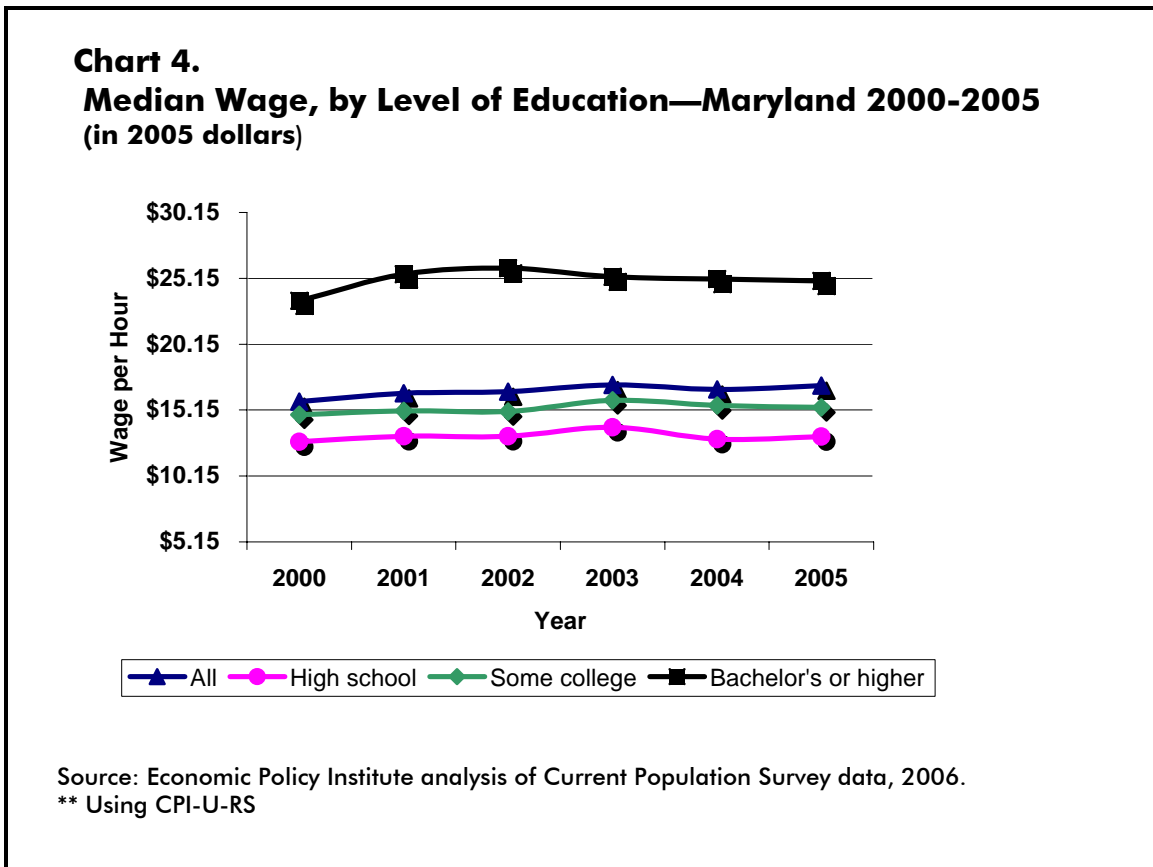
Middle earners are an important focal point for measuring the impact of wage changes, because median incomes are a reflection of the living standards of “regular” people. Wages and salaries make up three-fourths of most families’ total income. Middle-income earners tend to receive the majority of their income from employment, thereby solidifying the strong link between wages and income growth.<sup>10</sup> Thus, middle earners are hurt when incomes fail to keep pace with inflation, for example in times of economic recovery, such as that starting in 2001.

Elizabeth Warren, co-author of the book, *The Two-Income Trap: Why Middle-Class Mothers and Fathers are Going Broke*, vividly describes the pressures on many middle class families in her article for Harvard magazine called the “Middle Class on the Precipice”. She writes that both single- and two-parent families experience middle class “strain”. In two-parent families, “every penny of both earners incomes is ‘fully committed’ to mortgages, health insurance, and other payments.” The loss of either income could rapidly move a family from middle income to “near poor”.<sup>11</sup> Single parents are in dire need. Virtually any available income is accounted for in family finances and there is often little to no “slack”. If the primary earner loses their job or a family catastrophe strikes (e.g., a sick child or an elderly parent needs care), the family’s entire income is in jeopardy. Additionally, these families have the same needs – housing, day care, health insurance, and education costs – as two-parent families, only with less income.

Warren concludes, “Almost 75 percent of family income is earmarked for recurrent monthly expenses. Even if they are able to trim around the edges, families are faced with a sobering truth: Every one of those expensive items – mortgage, car payments, insurance, child care, is a fixed cost. Families must pay them each and every month, through good times and bad; there is no way to cut back from one month to the next, as can be done with spending on clothing or food. Short of moving out of their house, withdrawing their children from preschool or canceling the insurance policy altogether, they are stuck.”<sup>12</sup>

### Education Gap Exists for Middle Earners while Wages Stagnate

In Maryland, wage data indicate a noticeable gap in wages per hour among middle earners by education – high school, some college, and those with a bachelor’s degree or higher (See Chart 4). Not surprisingly, wages increase as education level increases. This education gap has existed for years. In 2005, approximately 34.6 percent of Maryland’s workforce held a bachelor’s degree or higher (See Table 3). This percentage is well above the national average and all of its neighbors, except the District of Columbia.



One explanation for this gap in the wages of college-educated and other workers is the increase in employer demand for workers with greater skills and education. This demand explains this trend in part, but there are many other factors that affect the size of the wage gap. For example, one alternative explanation for the education wage gap is not a large upward increase in wages for college-educated earners.<sup>13</sup> Rather, it is the stagnation of wages for less-educated workers, those with some or no college (See Chart 4). In Maryland, wages were stagnant among *all* middle earners between 2003 and 2005. The stagnation of wages, the decline in real income, and the resulting challenges affect a large portion of Maryland’s workforce, as more than half of workers have not completed a college degree (See Table 3).

**Table 3. Maryland’s workforce is highly educated compared to the national average.\***

Educational Attainment, by nation and state, 2005.

	<b>&lt; High School</b>	<b>High School</b>	<b>Some College</b>	<b>Bachelor’s or higher†</b>
<b>U.S.</b>	<b>15.9</b>	<b>29.6%</b>	<b>20.1%</b>	<b>27.2%</b>
Delaware	14.4%	33.0%	18.1%	27.5%
District of Columbia	16.5%	21.0%	14.0%	45.3%
<b>Maryland</b>	<b>13.0%</b>	<b>26.7%</b>	<b>19.6%</b>	<b>34.6%</b>
Pennsylvania	13.4%	38.6%	15.3%	25.7%
Virginia	14.6%	26.7%	19.0%	33.2%
West Virginia	18.8%	41.9%	16.9%	17.0%

Source: Maryland Budget and Tax Policy Institute calculations of American Community Survey Data, 2006.

\* Includes 25 and older population. Excludes adults living in institutions, college dormitories, and other group housing quarters. † Includes Bachelor’s, Master’s, Professional, and Doctorate degrees.

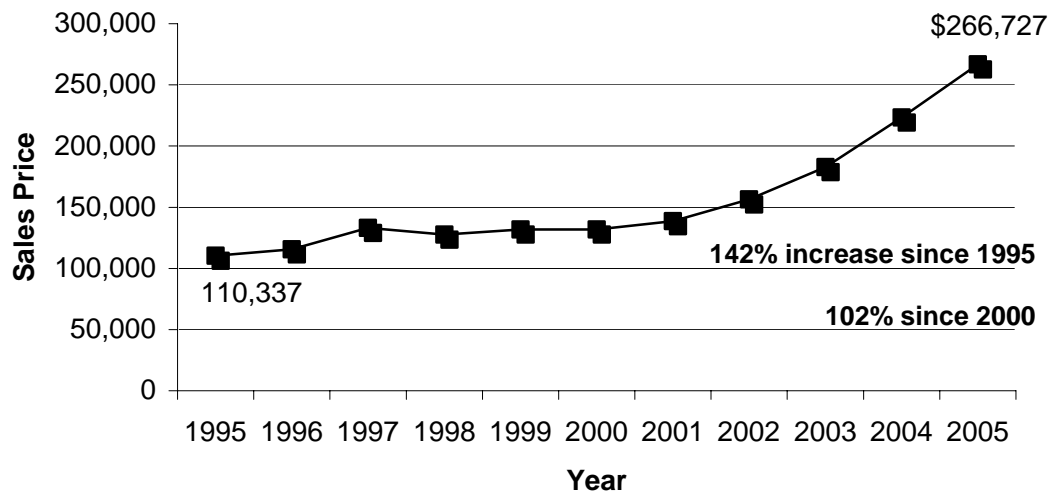
## Challenges to the Living Standards of Middle and Low Earning Families

Wage trends in Maryland suggest three findings that impact Maryland families: 1) the gap between high earners and everyone else is widening, 2) the education gap in wages among middle earners affects a large portion of Maryland’s workforce, and 3) working families are facing greater challenges to maintain and/or increase their standard of living. Middle earning families face major *challenges* to their standard of living, such as the costs of housing, child care, access to higher education and health insurance. Similarly, factors that “challenge” middle earning families have become substantial *barriers* for low earners who seek to improve their living standard and work opportunities.

## Housing

Access to affordable housing is out of reach for many working families. Data from the Census Bureau for 2005 place Maryland fifth among states in monthly housing costs for renters—behind California, New Jersey, Hawaii, and Massachusetts. Similarly, Maryland ranks sixth in the nation when comparing the median price of a single family home – following California, the District of Columbia, Hawaii, Massachusetts, and New Jersey. The state average for median home prices has risen 142% between 1995 and 2005 (See Chart 5). However, the median sales price for a single family home within 13 of Maryland’s 24 localities *exceed* the state average.

**Chart 5.**  
**Prices of Single Family Homes are on the Rise in Maryland, 1995-2005**



Source: Governor’s Workforce Housing Taskforce, 2005.  
Note: Data are based on median sales prices.

## Child Care

Child care is essential for single parents and for parents with two earners in the workforce. Many families will attest to the difficulty of finding quality and affordable child care. Families across the state spend an average of 19 percent of their incomes on child care costs. In Maryland, cost prohibits parents from securing child care more often than other factors (See Table 4).

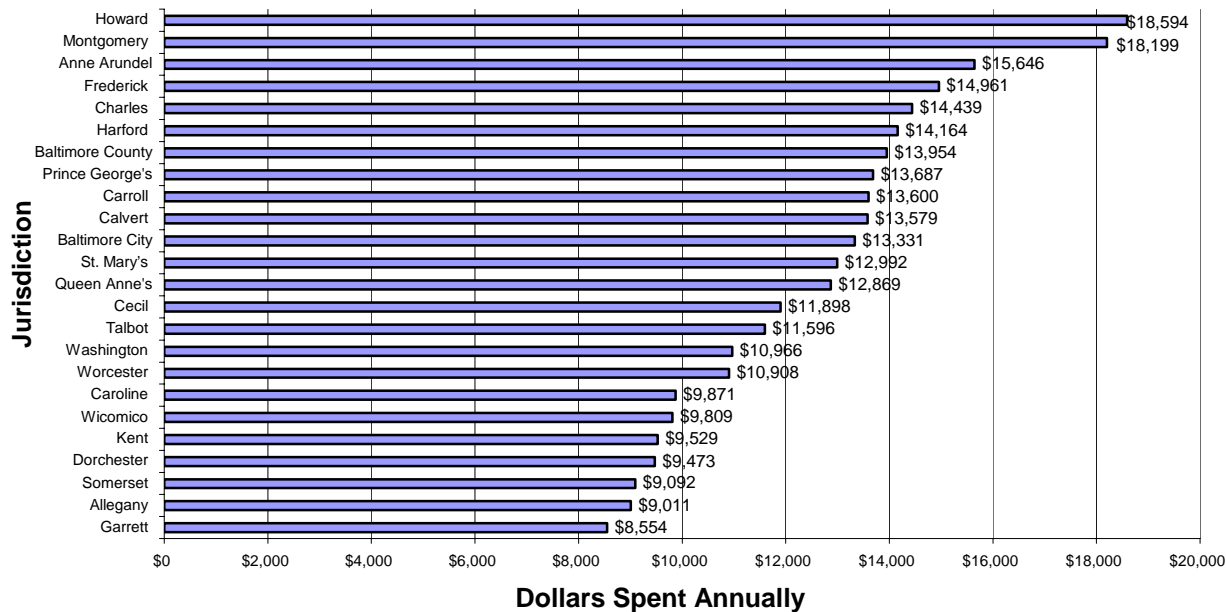
**Table 4.**  
**Major Reasons Parents Could not Find Child Care in Maryland**

Reason	# of children*
Cost	450
No vacancies for infant	374
Schedule	149
Other	149

Source: LOCATE: Child Care, Maryland Committee for Children, Child Care Demographics, Maryland Report, 2006. \*Indicates count by LOCATE: Child Care.

Data from LOCATE, a project of the Maryland Committee for Children, reveal that in 2005 child care costs varied widely across Maryland’s counties (See Chart 6).<sup>14</sup> For example, child care for 2 non-school aged children in Howard County costs a family approximately \$1,549 per month. In Baltimore City, the cost for children of the same age is \$1,110 per month. Compare these estimates to Kent and Garrett Counties, where monthly child care costs average \$794 and \$713, respectively.<sup>15</sup>

**Chart 6.**  
**Child Care Costs Vary Widely Across Maryland Counties: 2005**



Source: LOCATE: Child Care, Maryland Committee for Children, 2006  
 NOTE: Costs include an infant in home-based care and a pre-school aged child in center-based care.

## *Higher Education*

For many workers and families alike, higher education is a means of improving one's standard of living. Recently, state higher education spending decreased significantly. In 2004, general fund support for public universities declined by \$58 million, or almost 7 percent. The current budget significantly increased general fund support for higher education and financial aid, while freezing tuition rates for one year. However, the major reduction in 2004 was partially responsible for major increases in tuition and fees at Maryland's public colleges and universities.

Since 2002, tuition and fees have increased by more than 30 percent at all but two of twelve four-year public universities. For example, at the University of Maryland College Park (UMCP), tuition and fees increased 39 percent from 2002 to 2006. Although these increases are consistent with those of UMCP's benchmark schools, they have alarmed many students and families.<sup>16</sup>

Research from the National Center for Public Policy and Higher Education indicates that for middle earning families the portion of incomes dedicated to paying for attendance at a 4-year college or university in Maryland has increased from 18 percent in 1992 to 22 percent in 2005. Low earners without financial aid find themselves in a worse position, as tuition costs would consume 67 percent of the income of a person earning less than \$20,000 in 1992 and 79 percent of this income in 2005.<sup>17</sup>

## *Health Insurance*

A recent study by EPI found that between 2000 and 2005, the share of Marylanders with employer-sponsored health insurance coverage declined. Among adults aged 18-64, coverage declined by approximately 6 percent, down from 62 percent to 56 percent. The largest decline – 10 percent – was in employer-sponsored coverage of children under 18 years of age.<sup>18</sup>

As is true nationally, declines in the number of employers offering health insurance coverage often push a family into the ranks of the uninsured. Rising health care costs are prompting employers to pass on more costs of coverage to their employees through higher premiums, particularly for family coverage, and greater out-of-pocket expenses. Not all employers can afford to absorb these costs, so they are often forced to pass the costs on to their employees.

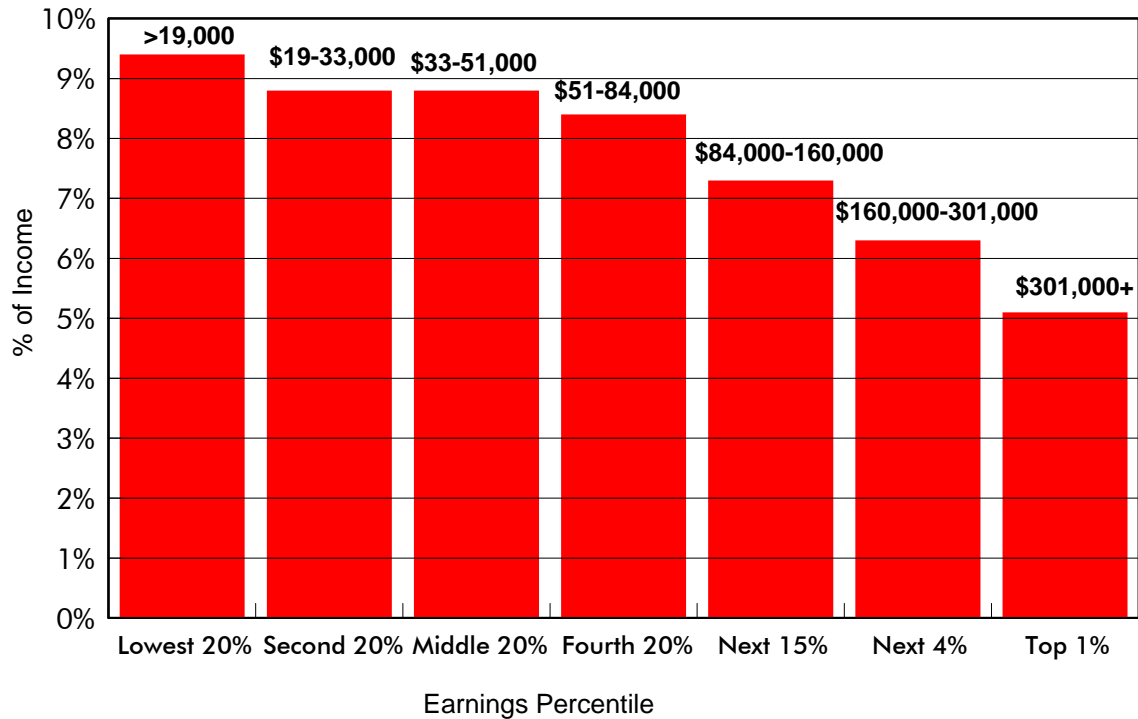
Medicaid, the Maryland Children's Health Program (MCHP), and the Primary Adult Care (PAC) program act as a safety net to prevent uninsurance; yet each of these programs comes with certain limitations:

- Eligibility for Maryland’s Medicaid program is among the lowest in the country at 39 percent of the federal poverty level (meaning that a parent earning more than \$600 per month is ineligible for Medicaid coverage). In a ranking of all 50 states, Maryland ranks 40<sup>th</sup> in Medicaid eligibility for working parents. Further, barring disability, uninsured adults without dependent children are ineligible to receive care;
- MCHP is the public health insurance program that provides health insurance coverage to working families with children who may not be able to afford private or employer-sponsored coverage. MCHP is facing a federal funding gap for FY 2007, meaning that without additional federal assistance, Maryland will have a \$64 million shortfall. As a result, the state may not be able to continue to provide health services at current levels to existing families, and it may be forced to close enrollment for new applicants to lower the costs of the program; and
- While adults without dependent children are eligible for Maryland’s PAC Program, income restrictions prevent many adults from qualifying for services. Eligibility for coverage is limited to adults earning up to 116% of the federal poverty line (\$947 per month for an individual and \$1276 for a couple). Additionally, it lacks a specialty care component for individuals who may need specialty care for existing conditions or who receive new diagnoses upon enrollment.

### **Low and Middle Earners within Maryland’s Tax Structure**

In addition to the challenges discussed above, low and middle earning families are confronted by a state tax structure in which they pay a larger proportion of their incomes in taxes than do higher earning families. Data from the Institute for Taxation and Economic Policy (ITEP) indicate that top earners in Maryland pay roughly 5 percent of their incomes in state and local taxes.<sup>19</sup> In contrast, middle earners pay roughly 8.5 percent of their income, and the lowest earners pay the highest proportion at 9 percent (See Chart 7). While there have been some modest changes to Maryland’s tax system since the release of the ITEP study in 2002 (e.g., adjustments to property taxes), its overall structure and regressive nature remain the same.

**Chart 7.  
Low and Middle Earners Pay Greater Proportion of their Incomes in State and Local Taxes: 2002.**



**Source: "Who Pays?" Citizens for Tax Justice and the Institute on Taxation and Economic Policy, January 2003**

## Policy Options to Address These Challenges

Maryland's low and middle earning families face sizeable obstacles in maintaining or improving their standard of living. Economic data indicate that in Maryland, wages among low and middle earners have stagnated, while wages among top earners have steadily increased. At the same time, middle and low earning families are confronted with high costs of housing, child care, health care and education. Consider these factors in the context of stagnant wages and one can see why many working families are not "feeling" the benefits of Maryland's strong economy.

### What are some options to assist middle and low earning families?

Addressing the systemic characteristics that create the barriers discussed above is a difficult task. Below are modest proposals that could help Maryland's working families:

- **Expand the state’s earned income credit.** An earned income credit is a tax credit for low-income, working taxpayers—mostly workers with children—that supplements their wages and offsets the impact of other taxes. The federal government has had a credit since 1975, and Maryland has had a state credit since 1987. Montgomery County also has a local credit.<sup>20</sup>
- **Expand the Renter’s Tax Credit.** This credit of up to \$600 is available to low-income individuals with dependent children, among other people. It is intended to offset rent increases passed on by landlords due to increases in property taxes. However, the income limits for renters under age 60 are quite low—for example, \$15,071 for a family of three, which averages to a monthly gross income of \$1,256. Expanding eligibility for this credit by raising the income limits would assist more low-income families with their housing costs.
- **Promote the Purchase of Care (POC) Child Care Subsidy.** The waitlist for Maryland’s POC program has been open since November 2005, yet there have been insufficient funds appropriated to promote the existence of this subsidy for working families. As noted above, child care is essential for low and middle earning families, as it enables greater participation in the workforce.
- **Increase access to higher education.** The one-year tuition freeze was a tangible solution to the rising cost of tuition. Continuing to provide adequate state funding for higher education and financial aid would help individual workers to increase their level of education and further increase the likelihood that their children would go to college. Data indicate that there is a clear connection between educational level of parents and that attained by children.<sup>21</sup>
- **Bring Medicaid eligibility in line with other states.** Eligibility for Maryland’s Medicaid program ranks 40<sup>th</sup> in the nation for working parents. In addition to *decreasing* the number of working-aged adults without coverage, increasing eligibility from 39 percent to 100 percent of the federal poverty level would increase the likelihood that children who are currently uninsured but eligible for Medicaid would actually enroll. Research indicates low-income children with insured parents are nearly twice as likely to have health insurance as children with uninsured parents.<sup>22</sup>

## Conclusion

Maryland families work hard to make ends meet. There are many challenges facing low and middle earning families discussed in this report, among them are housing, child care, education, and health care costs. Many others, such as rising costs of energy, transportation, gas, and food are not discussed but also consume a larger portion of family incomes than they once did. Addressing these challenges would assist many working families. In the

state's political and fiscal climate, the decision to do so will be a difficult one and will require a strong political will and the financial resources to match. **MBTPI**

### **About the Maryland Budget and Tax Policy Institute**

The Maryland Budget and Tax Policy Institute is a nonpartisan research organization that provides timely, accurate and accessible analysis of state budget and tax issues. In addition to general budget and tax research and analysis, the Institute examines issues affecting vulnerable populations and the important community programs that serve them. For additional information on the Institute or to be added to our e-mail or publications mailing lists, contact us at 301-565-0505 ext.22 or visit our website at [www.marylandpolicy.org](http://www.marylandpolicy.org). This analysis was written by Joanna Shoffner.

The Maryland Budget and Tax Policy Institute gratefully acknowledges the Ford Foundation, which provides financial support for the Institute under the foundation's State Fiscal Analysis Initiative. Additional general support for the Maryland Budget and Tax Policy Institute is provided by the Aaron Straus and Lillie Straus Foundation, the Open Society Institute-Baltimore, the Public Welfare Foundation, and from generous individual contributions.

The Maryland Budget and Tax Policy Institute is a project of the Maryland Association of Nonprofit Organizations.

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<sup>1</sup> Lawrence Mishel, Jared Bernstein, and Sylvia Allegretto, "The State of Working America: 2006-2007," pg. 15.

<sup>2</sup> Jodie T. Allen and Andrew Kohut "Pinched Pocketbooks: Do Average Americans Spot Something that Most Economists Miss?" Pew Research Center, March 2006.

<sup>3</sup> The State of Working America: 2006-2007, pg. 15.

<sup>4</sup> The State of Working America: 2006-2007, pg. 16.

<sup>5</sup> FDIC State Profiles: Maryland and Washington D.C. Available from [www.fdic.gov](http://www.fdic.gov), Fall 2006.

<sup>6</sup> U. S. Bureau of Labor Statistics, "Employment Situation Summary," Available from [www.bls.gov](http://www.bls.gov).

<sup>7</sup> Economic Policy Institute, "Minimum Wage Issue Guide," Available from [www.epi.org](http://www.epi.org).

<sup>8</sup> Note: Estimates include workers who were earning between \$5.15 and \$6.15 per hour before the increase that saw a direct increase in their wages. It also includes workers who were earning slightly above \$6.15 per hour who are likely to receive a salary boost due to the spillover effects of the minimum wage increase. Economic research demonstrates that, for a variety of reasons, workers earning just above any new minimum wage level tend to experience a boost in their wages (e.g. as employers attempt to maintain the wage structures that were in place prior to a minimum wage increase). Source: Massachusetts Budget and Policy Center, 2006.

<sup>9</sup> "The Self-Sufficiency Standard for the Washington, D.C. Metropolitan Area 2005." Available from [www.wowonline.org](http://www.wowonline.org).

<sup>10</sup> State of Working America: 2006-2007, pg. 44

<sup>11</sup> Elizabeth Warren, "The Middle Class on the Precipice," *The Harvard Magazine*, pg. 31.

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- <sup>12</sup> The Middle Class on the Precipice, pg. 29.
- <sup>13</sup> The State of Working Maryland: 2006-2007, pg. 147-148 and 152.
- <sup>14</sup> Maryland Committee for Children, Child Care Demographics 2006 – Maryland Report. Available from [Hwww.mdchildcare.org](http://www.mdchildcare.org)H.
- <sup>15</sup> Note: Monthly calculations made by the author.
- <sup>16</sup> Joanna Shoffner and Stephen Elmore, “The Regular Person’s Guide to the Governor’s 2007 Budget Proposal,” February 2006.
- <sup>17</sup> The National Center for Public Policy and Higher Education, “Measuring Up 2006: The State Report Card on Higher Education,” Available from [Hwww.highereducation.org](http://www.highereducation.org)H.
- <sup>18</sup> Economic Policy Institute, “Health Insurance Eroding for Working Families: Employer Sponsored Coverage Declines for Fifth Consecutive Year,” Available from [Hwww.epi.org](http://www.epi.org)H, September 2006.
- <sup>19</sup> “Who Pays? A Distributional Analysis of the Tax Systems in all 50 States”, Institute on Taxation and Economic Policy. Available from [Hhttp://www.ctj.org/itep/](http://www.ctj.org/itep/)H, January 2003.
- <sup>20</sup> Stephen Elmore, Maryland Incomes: Spread the Gain, February 2006.
- <sup>21</sup> State of Working America: 2006-07, pg. 95.
- <sup>22</sup> Jeanne M. Lambrew, “Health Insurance: A Family Affair, A National Profile and State-by-State Analysis of Uninsured Parents and Their Children,” The Commonwealth Fund, May 2001. Available from [Hwww.cmwf.org](http://www.cmwf.org)H.