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Issues Facing the Maine Economy, 1998

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Issues Facing the Maine Economy

Background

Maine is a state of 1.2 million people inhabiting a space that is roughly the size of the other 5 New England states put together. Our economy has long been based on the bounty of our natural resources - fishing, farming, forestry and tourism. The very nature of these industries has meant that a significant portion of our employment opportunities are seasonal and overall earnings lag behind national averages.

Despite our strong natural resource heritage and the independent nature of our people, Maine's economic vitality has become highly dependent on regional and national activity. Further, as our economy has transitioned from an agricultural and industrial foundation towards a service and information-based economy, we have become increasingly dependent on the global marketplace. As in other states, Maine's economy is being shaped and propelled by several factors including:

- population dynamics,
- the changing composition of the job base,
- globalization,
- fiscal devolution,
- technology, and
- women in the workforce.

The major transformation of our economic underpinnings is creating both opportunity and challenge.

The Forces of Change

1. Population Dynamics:

Maine's population growth can be described in three ways - our population is growing slowly, it's growing older and it's growing very unevenly. First, given that Maine is 98% Caucasian and has never served as a major port of entry for immigrants, our population growth has always been a fraction of that of the US. At its peak in the 1970s and 1980s, our population grew at 1% per year which was very close to the national average. The 1990s have been abysmal with 6 years of outmigration and the lowest number of births ever recorded. Secondly, Maine shares the national trend in the aging of the population as the baby boomers head towards their golden years. However, this "aging phenomenon" has been a bit more pronounced in Maine as the young working-age cohort has left the state and the immigration of retirees has increased. Finally, the average population statistics for Maine are very misleading when considering county level activity. Over the past 45 years, Aroostook and Androscoggin counties have suffered significant population declines, fully 7 counties stretching from Oxford County through the vast central Maine area to Washington County have all seen either losses

or very minor increases. Only the coastal counties have experienced any population growth, with the very hottest growth occurring in the 5 most southerly counties.

2) The Changing Composition of our Job Base:

Fifty years ago, one out of every two jobs in Maine was in the manufacturing sector. That figure has now fallen to around 15% and we are projecting further decline over the next decade. While it would be misleading to say that every manufacturing job is good and every nonmanufacturing job is bad, it can certainly be said that a typical manufacturing job pays more than a typical nonmanufacturing job, and the benefit packages tend to be significantly different. It can also be said that this movement away from manufacturing (as a provider of jobs) has very different implications for certain geographic areas and for certain segments of the population. Specifically, the western mountain region of Maine remains very highly concentrated in the traditional, mature industries such as leather, textiles, apparel and wood products with 25%-35% of their job base in these very industries that are being the hardest hit by global markets. Throughout Maine, the loss of manufacturing hits those with lower educational attainment the hardest. In the old Maine economy, landing a job in a mill following your grammar school or high school education ensured a fairly decent standard of living and future as you ascended the union scale. As these particular opportunities disappear, Maine people who choose not to further their education and skill training face a very bleak future of dead end jobs. Higher education has become exponentially more critical and Maine currently has one of the worst track records for post-secondary attainment.

3) Globalization:

The globalization of the marketplace has dramatically changed the structure of the Maine economy, providing growth in entirely new industries and hastening the decline of the state's core industries. Globalization has also put a great deal of pressure on areas that have higher cost structures. Whereas relatively high energy prices, tax burdens, workers compensation costs may have had some influence historically on siting and investment decisions, these very factors have become far more important in the current economy. Extra and excessive costs are simply not tolerated in the evolving marketplace.

4) Fiscal Devolution:

Over the past three decades, Maine's dependence on Federal expenditures has grown exponentially. By the early 1990s, Maine ranked fourth in the nation in terms of our dependence on federal defense expenditures (\$1.8 billion which was nearly 8% of our gross state product). We currently rank in the top 10 in our reliance on Medicaid expenditures. This increased dependence has made us much more vulnerable to changes in federal spending policies.

5) Technology:

As in the rest of the world, Maine's commercial and industrial workplaces have been revolutionized as new technologies have been developed and deployed. Our state of the art telecommunications infrastructure has served us well this decade as a whole new industry has developed and is, currently, thriving. Fifty-two percent of Maine households now have a personal computer and every school and library in the state is connected to the internet.

6) Women in the Workforce:

Since 1960, the participation rate of Maine women in the workforce has grown from 35% to 78%. Further, the percentage of executives and managers who are female has tripled from 15% in 1960 to 45% in 1990. Despite rising participation and managerial status, average earnings for Maine women remain at about 50% of their male counterparts across all occupational areas.

Issues Created By These Changes:

- **The lifeblood is being drained from the northern two-thirds of Maine.** The movement away from agriculture and traditional manufacturing along with rapid advancements in mechanization and technology have led to a half century of population decline or stagnation in 9 of the state's 16 counties. In addition, the income gap that separates north and south has significantly widened over the past 25 years. Poverty rates are relatively high at 13.7%, but vary dramatically by region, ranging from 10% in York County to 22% in Washington County.
- **Post-secondary education and training have become the most critical determinant of attaining a decent standard of living.** The opportunity to walk out of high school and into a solid mill job has all but disappeared. Without some form of post-secondary education and an expectation of the necessity of lifelong learning, the gap separating rich and poor will continue to widen. Currently Maine ranks near bottom in post secondary educational attainment. Further, transportation and childcare issues continue to hinder the progress of women.
- **Investment in research and development has become the threshold condition for success in the knowledge-based economy.** Maine currently ranks dead last in terms of R&D expenditures. We have a wealth of natural resources whose potential has yet to be tapped.
- **The flight of our younger working-age population is robbing our communities of their leadership thereby stifling economic vitality and permanently altering our social fabric.** Throughout Maine, most markedly in the 10 most northerly counties, parents anguish over the perception that their children have absolutely no future in Maine and are forced to leave.
- **Development "sprawl" is overtaking Maine's southern and coastal regions and threatens rural lands around every town center in the state.** It is expensive, costing the state budget \$50 -\$75 million per year in controllable expenses, and local budgets millions more. It hurts the environment. It is a leading cause of our ozone days, threatens more than 200 lakes, and destroys habitat. It eats away open space and productive rural lands and is a nuisance to the lands that remain. It saps

traditional regional centers. They face the triple threat of a fleeing middle class population, high tax rates, and isolated dependent populations.

■ **Maine is for sale.** With the SAPPI and Bowater forest lands recently being put on the market, nearly 15% of our land mass has gone up for grabs, and with it our identity, our culture, our economy, and our future.

Maine is one of the most beautiful places on earth. Preserving our heritage and natural wonder while providing a future for our young people will be the greatest challenge we face in the century ahead.