

MEASURES OF GROWTH

Performance Measures and Benchmarks to Achieve
a Vibrant and Sustainable Economy for Maine

2022



28TH
REPORT OF
THE MEGC








Administered by
mdf

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FUNDAMENTAL PERFORMANCE INDICATORS



PROSPERITY

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In 2020, poverty fell slightly from 10.9% to 10.6% due to federal stimulus measures.
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COMMUNITY



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HEALTH & SAFETY

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 From 2018 to 2019, GHG emissions fell 2%.

 **Exceptional Performance**
Very high national standing and/or significant positive progress compared to past performance.

 **Needs Attention**
Very low national standing and/or established trend toward significant decline. The indicator may show improvement but is still viewed as needing attention.

 Favorable movement since the last available data.

 No significant movement since the last available data.

 Unfavorable movement since the last available data or data not available.



AT THE HEART OF IT ALL, IT'S ABOUT OUR PEOPLE.

VISION: A HIGH QUALITY OF LIFE FOR ALL MAINE PEOPLE

The Maine Economic Growth Council is pleased to present *2022 Measures of Growth*. This nonpartisan, data-driven report shows where Maine sits relative to other states and the U.S. as a whole. It is a resource for policy and decision makers at all levels, helping them to focus their efforts and understand the connections between the major issues affecting Maine's economy and the well-being of its people.

In total, this report tracks 31 indicators that represent Maine's enduring assets—including the health of our environment and the relative safety of our communities—and areas of persistent challenge—including workforce development, investments in research and development, maintaining our transportation infrastructure, and health care costs.

Call to Action

This report is also an urgent call to action. It is not enough only to measure our standing. As we look to the future, envisioning a high quality of life for all Maine people, we know progress will require collaboration, disciplined adherence to a long-term strategy, and a renewed commitment to systemic change necessary for equitable, sustainable, shared prosperity.

Maine's Mission-Critical Workforce Challenge

This year, the Council is highlighting the importance of having a vibrant labor market – one where all Maine people can find a rewarding job that supports them and their family, and where businesses can find the talented people they need to succeed and grow. The urgency of Maine's workforce challenge is becoming more and more clear, and understanding their root causes is critical. See page 4 for more detail.

Strength in Community

The Council steadfastly believes that Maine has the potential to build a stronger, better connected, more resilient, and more equitable economy than ever before. We look forward to joining other Maine leaders to realize this vision.

Report Highlights

Taking stock of Maine's economic progress, the Council sees reasons for both celebration and renewed resolve. For 2022, it assigns Gold Stars for progress in Entrepreneurship, Greenhouse Gas Emissions, Safety, Wages, and Water Quality. It assigns Red Flags for needed attention to the Costs of Energy and Health Care, Housing Affordability, Labor Force Participation, Mental and Behavioral Health, and Research and Development.

This year's report includes a new measure: Mental and Behavioral Health, which acknowledges the growing impact of mental wellness challenges. Mental and behavioral health plays an important role in how children learn and grow, and how adults thrive as parents, employees, and community members. Achieving a high quality of life for all Maine people requires acknowledging this growing public health concern.

As always, this report provides a snapshot of Maine's economy at a moment in time (October of 2022). It reflects that 2020 was an unusual year for data collection. The COVID-19 pandemic complicated the process of knocking on doors and gathering at call centers. As a result, the data for several metrics in this report were not updated on their usual schedule. As the data become available, the Council may update the online version of this report.

A comprehensive, user-friendly, digital edition of this report is now available online for desktop, tablet and mobile devices. Visit www.mdf.org/economic-policy-research/measures-of-growth-report

Achieving our vision requires a vibrant and sustainable economy supported by vital communities and a healthy environment.



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SUPPORTING MAINE'S ECONOMIC STRATEGIC GOALS

Maine has a promising economic recovery plan¹ that builds on its existing ten-year economic development strategy.² These multi-pronged and potentially deeply impactful roadmaps can guide Maine toward recovery and sustainable, equitable growth for all residents. The state's strategy aims to achieve three goals by 2030.

GOAL 1: Increase wages by 10%

This goal would increase the value of Maine's annual average wage, adjusted for inflation, from \$45,370 in 2018 to \$49,907 by 2030. In 2021, wages remained well above this goal. As employers compete in a tight labor market, average wages were almost 12% above 2018 levels (\$50,638). The Wages metric on page 8 shows how this growth compares to other states.

GOAL 2: Increase the value of what we sell per worker by 10%

Goal 2 seeks to increase value-added per Maine worker from \$88,519 in 2017 to \$97,371 by 2030 (adjusted for inflation). In 2021, value-added reached \$99,832, an increase of 13% compared to 2017. Maine now ranks 43rd by this measure, up from 48th five years ago. For more information, see the Value-Added metric on page 14.

GOAL 3: Attract 75,000 people to Maine's talent pool

The final goal aims to increase Maine's labor force by 75,000 above previous projections for 2030, which showed a 65,000 decline. The result would be a net gain of 10,000 workers, or about 700,000 workers total. COVID dealt a blow to this goal, as many people stopped working or looking for work during the pandemic. As they resumed work in 2021, Maine's labor force grew by about 6,700. The estimated total talent pool is now around 692,000. See the Labor Force metric on page 12 for more details.

¹ State of Maine, Governor's Economic Recovery Committee, "Recommendations to Sustain and Grow Maine's Economy," November 24, 2020.

² State of Maine, "Maine Economic Development Strategy 2020-2029," November 2019.

MAINE'S MISSION-CRITICAL WORKFORCE CHALLENGE

Driving through Maine last summer, there were almost as many “Help Wanted” signs as those for lobster dinners and moose tours. Business leaders recently ranked the availability of entry-level, skilled technical, and professional workers as more concerning than historic issues such as state taxes and the cost of doing business.¹

Maine’s economy cannot flourish, and cannot create the opportunities Maine people desire, unless our workforce is large and skilled enough to support growing businesses. In 2022, as businesses try to regain momentum lost during the COVID-19 pandemic, their ambitions have outpaced the supply of workers.² Workforce participation remains below pre-pandemic levels and the U.S. average.³ The household survey from which participation is derived is small, and these estimates are subject to revision. Nevertheless, this may represent thousands of Maine residents no longer in the workforce.

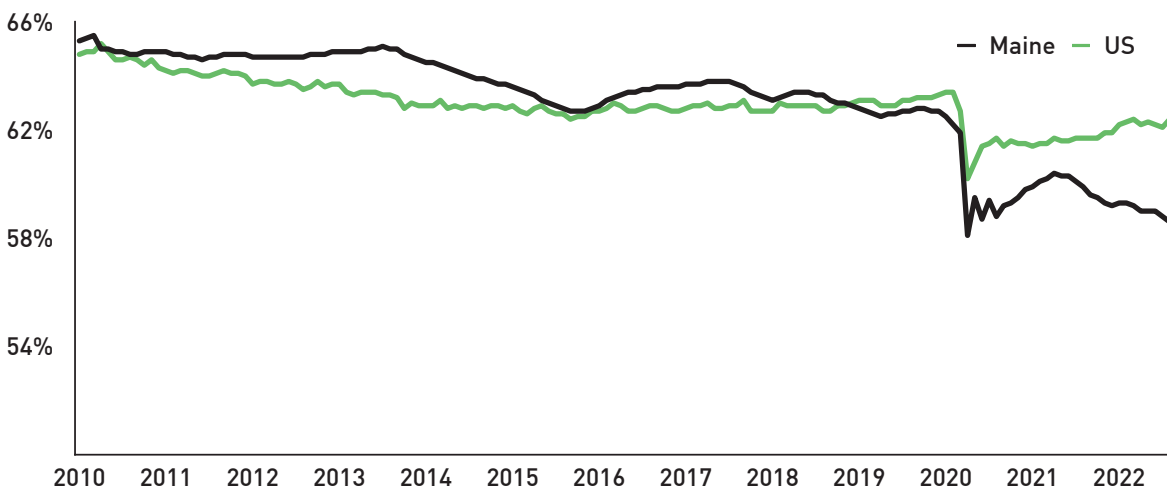
Reliable data on who has left the workforce, and why, are not yet available. Some people may be caring for children, changing careers, or returning to school, but the Maine Department of Labor (MDOL) suggests

that as many as two-thirds may be older workers who have retired.⁴ Nationwide, a high percentage of people who left the workforce during COVID were at or near retirement age. Soaring real estate and financial markets may have enticed them to stop working. Maine’s high percentage of older workers means this phenomenon may have been even more prevalent here than elsewhere in the U.S. It is not yet clear whether these individuals will return to the labor force and, if so, in what capacity.

A Crisis Years in the Making

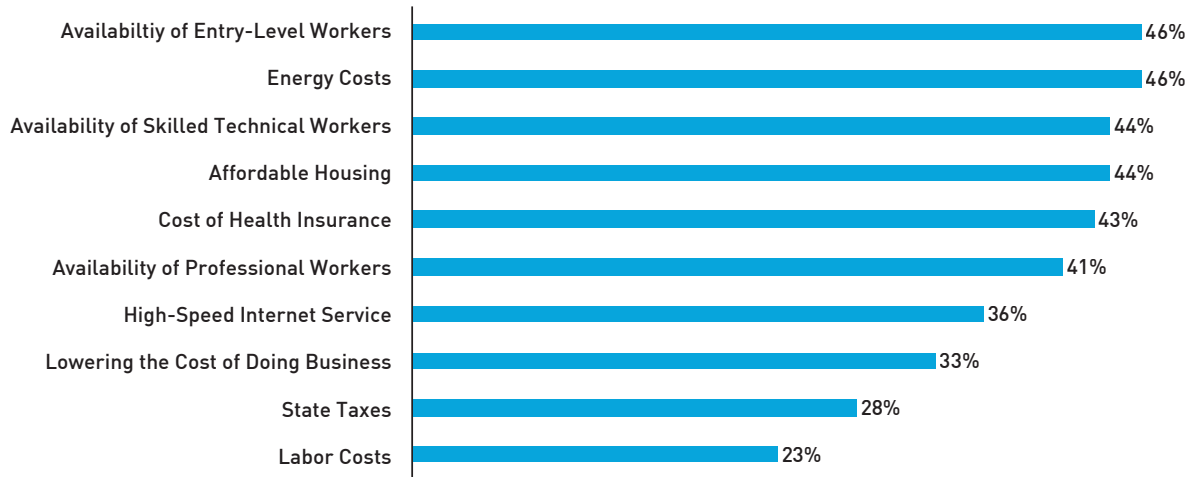
This workforce challenge has been simmering for years. In 2013, Dana Connors, President of the Maine State Chamber of Commerce, said, “There is a real sense of urgency here—Maine’s economy will not have a workforce with diverse skills unless there are enough people of diverse talents to fill the openings.”⁵ COVID-19 turned up the heat on this challenge—sparking a wave of retirements, but also worsening the shortage of child care for working parents, and aggravating mental health and substance use issues. Below are some of the long-term factors that have converged to create today’s very tight labor market.

LABOR FORCE PARTICIPATION RATE (SEASONALLY ADJUSTED)



Source: Maine Department of Labor, Center for Workforce Research and Information

BUSINESS LEADERS' RECOMMENDED TOP PRIORITIES OF NEXT GOVERNOR



Source: 2022 business survey by Maine State Chamber of Commerce, Maine Development Foundation, and Educate Maine

Demographics

The age of Maine's population is a key determinant of workforce size. As the oldest state in the nation, Maine is experiencing a wave of retirements among older workers.⁶ In many other states, Millennials are filling their shoes, but in Maine, for a variety of reasons, there are fewer young people.

More seniors are working into traditional retirement years, either by choice or necessity, but not yet at rates high enough to forestall the approaching wave of retirements.⁷ This will become more of a factor as the percentage of Mainers over age 65 grows—from 13% in 1990, to 21% today, and an estimated 32% in 2038.⁸

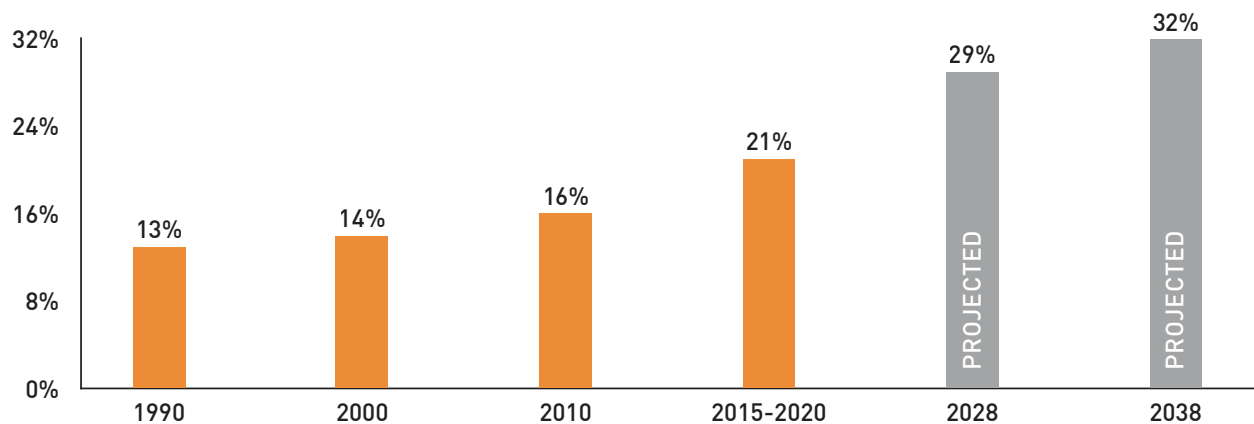
Baby Boomer retirements can have ripple effects throughout an organization. When senior people leave,

younger employees often take their place, sparking a shuffling of personnel that results in entry-level openings.

Younger Workers

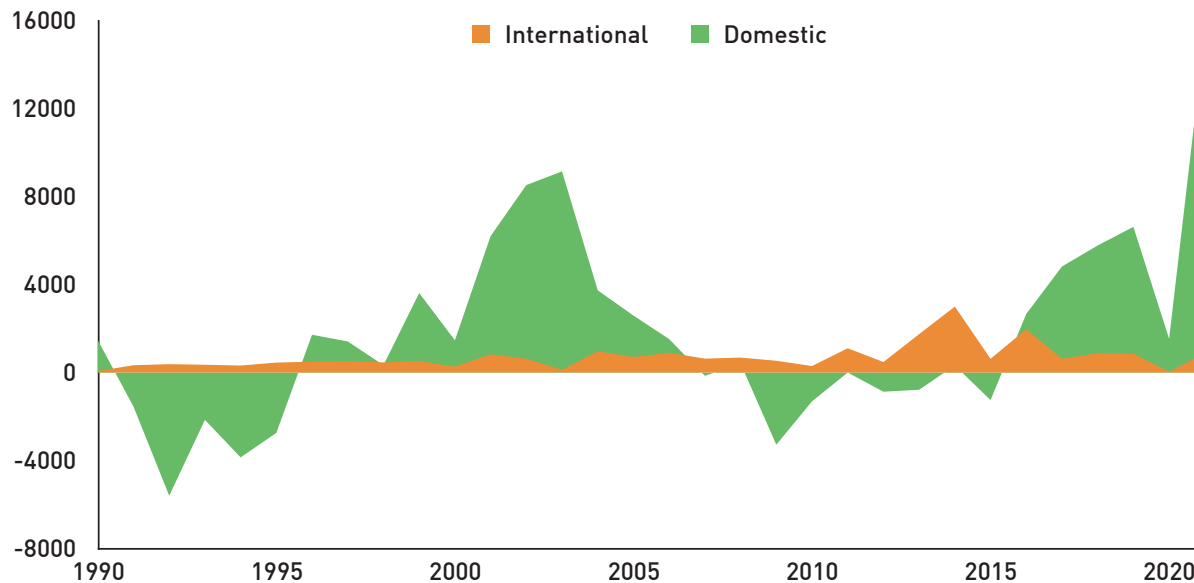
Some Maine industries—especially tourism and hospitality—are struggling with the loss of a different cohort of workers: teens and young adults. This population has historically been an important source of seasonal help. Today, there are fewer young people in the population and the percentage of those who work has declined.⁹ In some cases, teens are opting for internships or¹⁰ some young adults are pursuing post-secondary credentials rather than entering the workforce right after high school; and still others may be taking a circuitous path through work and school. International workers with H-2B visas can sometimes fill the gap, but recent volatility in this program highlighted the frailty of Maine's seasonal workforce.

PERCENTAGE OF MAINE RESIDENTS AGE 65 AND OLDER



Source: U.S. Census Bureau, Maine State Economist

MAINE'S NET LOSS/GAIN OF RESIDENTS FROM MIGRATION



Source: U.S. Census Bureau

Migration

People moving to Maine from other states and countries are another source of workers, but historically Maine has not gained enough in-migrants to replace the aging Baby Boomers. The chart above shows the net flow of residents since 1990. In about one-third of these years, the number of people leaving Maine exceeded the number moving here. The recent spike in domestic migration may foreshadow a welcome shift, but it is not yet large enough to meet the needs of today's employers. Furthermore, it is important to remember that new residents increase the demand for labor as well as supply. Retirees, children, and non-working spouses can increase the demand for goods and services in an area without adding to the workforce.

Housing Affordability

For people on the move, housing availability and affordability is a major determinant of where they will go. In many areas of Maine, rising costs are hindering the ability of workers to live near jobs. On page 31, the Housing metric shows that nearly two-thirds (62%) of Maine households could not afford payments on the median-priced home sold in 2021. Meanwhile, the rise of short-term rentals has reduced the amount of affordable rental housing, especially near tourist communities. Businesses near Portland report losing job candidates because they cannot find affordable housing.¹¹ Along the coast, some employers have begun providing housing to workers who could not otherwise live near the business.¹² Building restrictions, Maine's high percentage of second homes, and the propensity

of Baby Boomers to age in place rather than downsizing like past generations are all pushing prices upward.¹³ In many places, these housing challenges are further straining an already tight labor market.

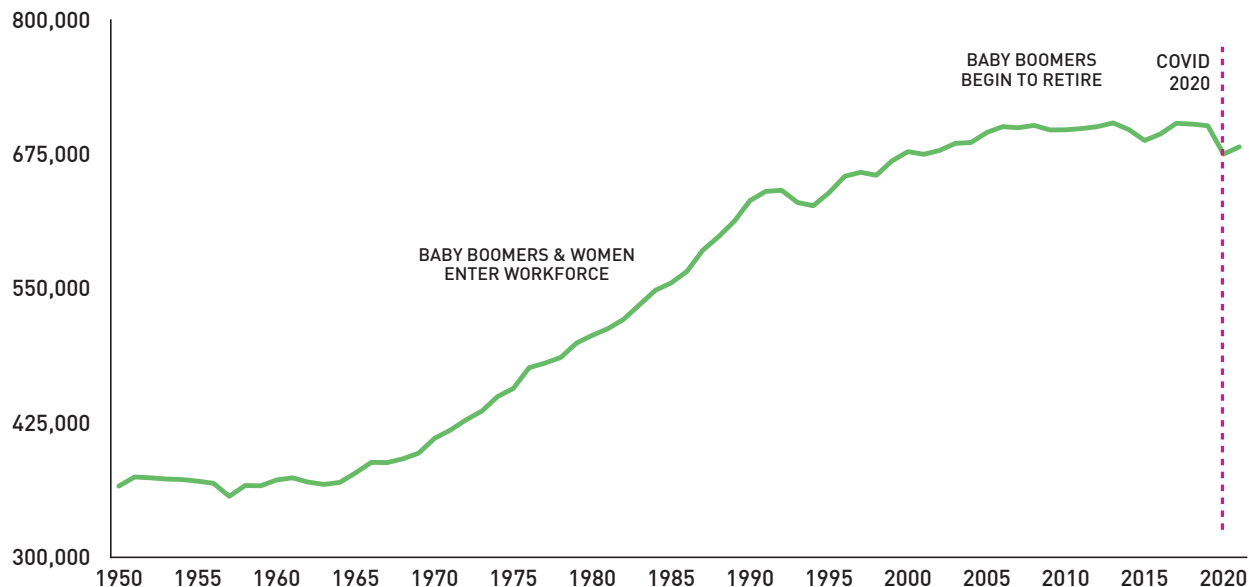
Wages

As the costs of housing and other necessities rise, low wages and lack of benefits are making it difficult for some employers to find help. The pandemic highlighted this challenge for several health and social service industries. In early childhood care and education, for example, there is a fundamental misalignment between families' ability to pay tuition or wages and providers' ability to offer wages high enough to attract and retain qualified staff.¹⁴ In 2021, childcare workers earned just \$14.90 per hour on average—about the same as food preparation workers (\$15.00) and hotel clerks (\$15.24).¹⁵ Given the training requirements and strenuousness of childcare work, increasing compensation is one of the industry's top priorities.¹⁶ Similar difficulties face nursing homes, assisted living facilities, and providers of services such as home health and personal care.¹⁷

Skills

Some tightness in the labor market is not due to lack of people or wages, but to lack of the specific skills needed by today's employers. As the nature of commerce and technology evolves, some businesses need people with skills that are not yet common in the local labor market. Finding them can be a challenge. In 2019, just 53% of Maine adults had a "credential of value," meaning a degree, certificate, or license

MAINE'S WORKFORCE



Source: Maine Department of Labor, Center for Workforce Research and Information

that gives them the knowledge and skills to succeed in today's economy.¹⁸ To address this, MaineSpark (a coalition of business, education, and nonprofit leaders) seeks to increase the share to 60% by 2025.

What Now?

There are no easy solutions to Maine's workforce challenges. They stem from years of demographic, economic, and social changes, compounded by a global pandemic. In the long run, the nature of Maine's workforce will depend on our ability to attract more working-age people from other states and countries, retain more of the young people born here, and help people of all ages, genders, abilities, races, and ethnicities to participate fully in our economy. It will also require helping adults already in the workforce to improve their skills. The Council supports the goal of Maine's 10-Year Economic Strategy, which calls for using these strategies to increase the labor force to about 700,000 by 2030. See page 12 for more detail.

Survey, 2020, Table S0101).

⁷ CWRI, "Employment Outlook to 2028."

⁸ Maine Department of Administrative and Financial Services, Office of the State Economist, "Maine State and County Population Projections to 2038," April 2021.

⁹ CWRI, "Labor Force Participation of Teens and Young Adults Has Declined," February 6, 2015.

¹⁰ Lauren Bauer, Patrick Liu, Emily Moss, Ryan Nunn, and Jay Shambaugh, "All School and No Work Becoming the Norm for American Teens," Brookings Institute, July 2, 2019.

¹¹ Alexis Wells, "The Lack of Workforce Housing in Maine Is Impacting Many Local Businesses and Residents," Scarborough Leader, July 29, 2022.

¹² Peter McGuire, "Some of Maine's Seasonal Businesses Are Going to Extremes to House Workers," Portland Press Herald, May 15, 2022.

¹³ Michael Kolomatsky, "Baby Boomers: Rich With Real Estate and Not Letting Go," New York Times, July 8, 2021.

¹⁴ Lana Cohen, "Child Care Providers Say Industry Needs Consistent Financial Support to Survive," Portland Press Herald, March 14, 2022.

¹⁵ CWRI, Occupational Employment and Wage Estimates, 2021, accessed August 4, 2022.

¹⁶ Maine Association for the Education of Young Children, "2022 Policy and Advocacy Priorities."

¹⁷ Phil Galewitz, "With Workers In Short Supply, Seniors Often Wait Months For Home Health Care," National Public Radio, June 30, 2021; Maine Health Care Association, "Long-Term Care Workforce Shortage Crisis: Who Will Care for ME?" Fall 2021.

¹⁸ MSCC, MDF, EM, "Making Maine Work," 2022.

¹ Maine State Chamber of Commerce (MSCC), Maine Development Foundation (MDF), Educate Maine (EM), "Making Maine Work: Critical Investments for the Maine Economy," July 21, 2022.

² CWRI, "Factors Contributing to Tight Labor Market Conditions," February 24, 2022.

³ CWRI, Local Area Unemployment Statistics, accessed July 26, 2022.

⁴ CWRI, "Two Years In," 2022.

⁵ Dana Connors quoted in "Maine State Chamber and Maine Development Foundation release "Making Maine Work: Growing Maine's Workforce," MSCC press release, November 19, 2013.

⁶ In 2015-2020, an estimated 20.6% of Maine's population was age 65 or older, the highest of any state (U.S. Census Bureau, American Community

BACKGROUND

The Maine Economic Growth Council was established by statute in 1993 to develop, maintain, and evaluate a long-term economic plan for Maine. Its members represent a broad cross-section of Maine's key constituencies. Members are jointly appointed by the Governor, Senate President, and Speaker of the House. The Council is chaired by Steve Von Vogt, President and CEO of Maine Marine Composites. The annual *Measures of Growth* report is a widely used and respected report on Maine's economy. The report is revised from time to time to provide the most current and meaningful assessment of Maine's progress toward long-term economic growth and a high quality of life for all Maine people.

The Council is administered by Maine Development Foundation (MDF), a public-private, non-partisan membership organization created in statute in 1978 that drives sustainable, long-term economic growth for Maine. The work of the Growth Council is financed by a state appropriation through the Maine Department of Economic and Community Development, with additional support provided by the membership of MDF.

ACKNOWLEDGEMENTS

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THE NATURE OF DATA

The Growth Council strives to provide the most accurate, timely, and consistent data available. Some source data are regularly revised as methodologies improve and more information becomes available. As a result, the data presented here may differ slightly from that of past reports. The Council accounts for these limitations in identifying overall trends and policy implications.

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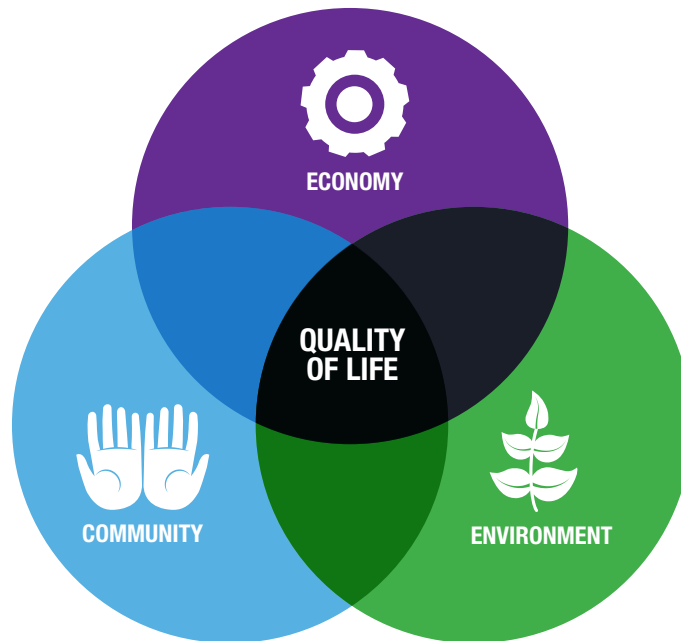
(Commissioner's Designee)
Implementation Director, State of Maine Economic Development Plan. Maine Dept. of Economic and Community Development



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VISION

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