

MAINE STATE LEGISLATURE

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MAKING MAINE WORK

Critical Investments for the Maine Economy



2022



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TO THE READER:

The Maine State Chamber of Commerce, the Maine Development Foundation, and Educate Maine have collaborated to produce the third *Making Maine Work* report to promote recommendations for public-private investments to improve the economy and quality of life in Maine. Modeled on two prior *Making Maine Work* reports from 2010 and 2018, we release this report in anticipation of the gubernatorial election in November to engage in dialogue on key issues for businesses in the state.

Like the earlier reports, the 2022 *Making Maine Work* report is based on extensive employer outreach and economic research. To start, we asked business and non-profit leaders for their input in a survey. Then, we convened a group of business leaders supported by consultants and experts, to review the survey findings and recent economic research to develop policy recommendations for the governor and legislature.

While today's business and social climates have changed considerably since the first report in 2010, the survey findings show that many of Maine business leaders' priorities have remained consistent. Key issues such as *workforce shortages*, *healthcare costs*, *broadband availability*, *innovation*, and *energy costs* remain high on the list for action. However, new issues have risen to the top such as *affordable workforce housing* and *workplace diversity and inclusion*. This report celebrates the gains made over the years and provides a call to action on these urgent issues.

We want to thank everyone who helped in this report: the nearly 500 business leaders who responded to our survey; the dozens of experts who gave us sound advice and guidance; and, our advisory committee members who gave us wise counsel – *LuAnn Ballesteros* of The Jackson Laboratory; *Paul Bolin* of Northern Light Health; *Ed Cervone* of the University of New England; *Anthony DiMarco* of IDEXX; *Clif Greim* of Frosty Hill Consulting; *Rick Leonard* of Cianbro; *Bob Montgomery-Rice* of Bangor Savings Bank; *Barry Sheff* of Woodard & Curran; and, *Catherine Wygant Fossett* of the Institute for Family-Owned Business.

Few places in the world have Maine's combination of talent, resources, and natural beauty. Few have a civic culture like ours, where people come together across ideological and geographic lines to find common ground for action. For these reasons, *we are upbeat about Maine's future*. We invite you to join us in this dialogue on the key recommendations for strengthening the economy and improving the quality of life for all in Maine.

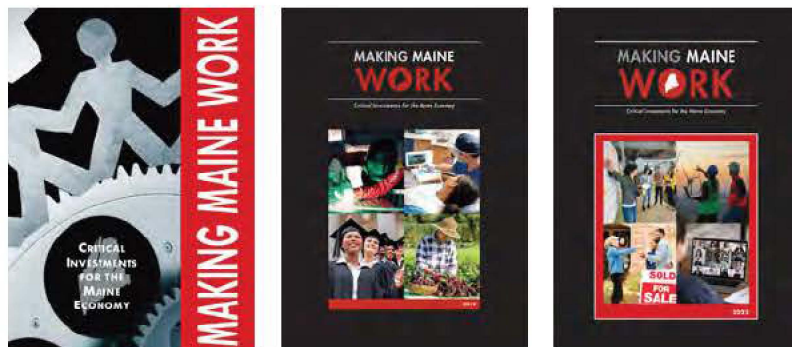
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The Making Maine Work Series

Making Maine Work is a series of reports designed to bring the insights of Maine's business leaders to bear on economic development issues in Maine. The series began in 2009 as a joint project of the Maine State Chamber of Commerce and the Maine Development Foundation. In 2018, Educate Maine joined the collaboration.



All three *Making Maine Work* reports that were produced in a gubernatorial election year, are grounded in extensive outreach and surveys with **business and nonprofit leaders in Maine** and provide broad recommendations for state government. The other five reports in the series address specific workforce issues such as the **workforce shortage**, **New Mainers and diversity**, **workforce training**, **early childhood education**, and the **role of the University of Maine System** in the state.

Over the years, the reports have spurred action. In 2010, business leaders ranked the cost of doing business and the regulatory climate as their top concerns. After the election, the business community worked closely with then-Governor Paul LePage to address these issues. Eight years later, the business leader survey revealed that regulatory issues dropped to the bottom of the ranking of concerns and new issues had come to the fore: the availability of broadband, the need for a state-level economic strategy, and workforce shortages, among others. In response to the new needs, the business community worked closely with Governor Janet Mills to develop a state economic growth strategy and promote new investments in workforce training, education, and broadband.

Our intent is that the 2022 business survey and set of recommendations will play an equally constructive role as past reports in helping the next governor and legislature address our state's pressing economic issues.

"Maine has a lot going for it - wonderful communities, a fantastic post-secondary educational system, and outdoor assets to name a few. Political leadership at all levels will be criticized, but we, as a state, need to find a way to rise above the division and find better ways to work together to improve our business and political climate."

Anonymous Respondent,
Making Maine Work Survey

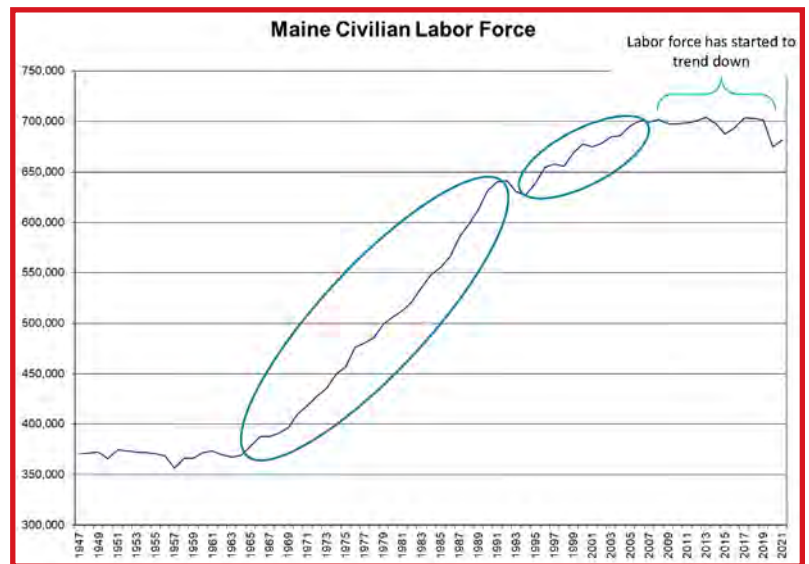
PRIORITY ISSUES

Where Is Maine's Economy Today?

The COVID-19 pandemic has dominated the economic experience of the past two years leaving a lasting impact on our economy.

In the spring of 2020, federal and state health agencies urged people to avoid gathering to slow the spread of the highly contagious new respiratory virus and help reduce the burden on our healthcare systems. As employers from both private and public sectors made accommodations to follow the guidance by closing in-person transactions, setting up remote work, reducing hours, and laying off workers, the state lost 40,000 full and part-time jobs in a matter of weeks. Fortunately, much of the job loss was temporary and many of those jobs have been restored and new jobs added. As of spring 2022, peak employment was higher than in 2020.

Yet, the recovery has been uneven. While some sectors did well such as real estate, home improvement, appliance sales, and automotive sales, other sectors, primarily hospitality, retail, and service sectors struggled significantly.

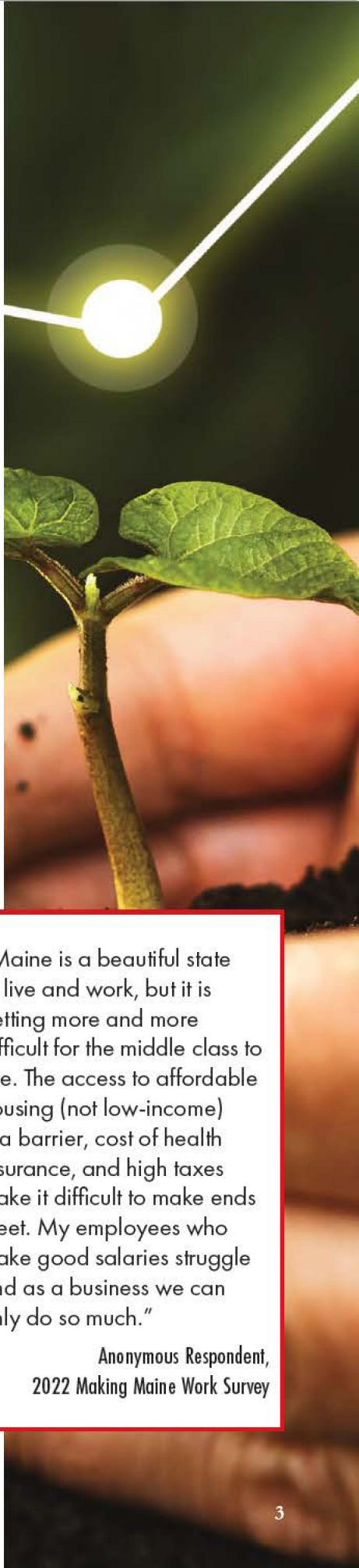


SOURCE: Maine Department of Labor

The long-anticipated decline in the size of the Maine labor force – discussed in earlier *Making Maine Work* reports – came earlier than forecasted because of the pandemic. Many older workers decided to retire earlier; young parents left jobs to take care of their children while they were at home; others decided this was a time to make a career change. As schools and businesses reopened, many workers returned to the labor force, but the underlying causes of the labor force shrinkage – Maine's aging population, low birth rate, and low number of people in their 20s entering the workforce– remain.

An encouraging note is that the pandemic stimulated an increase of in-migration to Maine. Net in-migration has long been a state goal set forth in past *Making Maine Work* reports, although the details are not yet fully understood regarding how many newcomers are in the workforce or whether they are working for in or out of state employers. Moreover, Maine's population is increasingly racially and ethnically diverse – with people of color accounting for all of Maine's net population increase over the past decade, and Maine's overall population reaching more than 9% people of color, according to the 2020 U.S. Census.

More people mean more demand for housing, but years of underinvestment in Maine's housing stock has created a tight supply for home sales and rental units. Moreover, many homes are being sold for use as a second home or have been converted to short-term rentals. As fast as homes and rental units come on the market, they are quickly occupied. For both home sales and rentals, prices are soaring, making it difficult for first-time homeowners to buy into the hot market and workers to find an affordable place to live. Inflation is affecting other sectors, such as energy, food, and automobiles. Incomes are increasing as employers seek to attract and retain workers, but costs are also rising quickly.



"Maine is a beautiful state to live and work, but it is getting more and more difficult for the middle class to live. The access to affordable housing (not low-income) is a barrier, cost of health insurance, and high taxes make it difficult to make ends meet. My employees who make good salaries struggle and as a business we can only do so much."

Anonymous Respondent,
2022 Making Maine Work Survey

"We have increased our overall number of employees. However, much of our net new staff is coming from outside of Maine working remotely. We have also had staff that had been hired and lived in Maine, move to another state while remaining employed with our company."

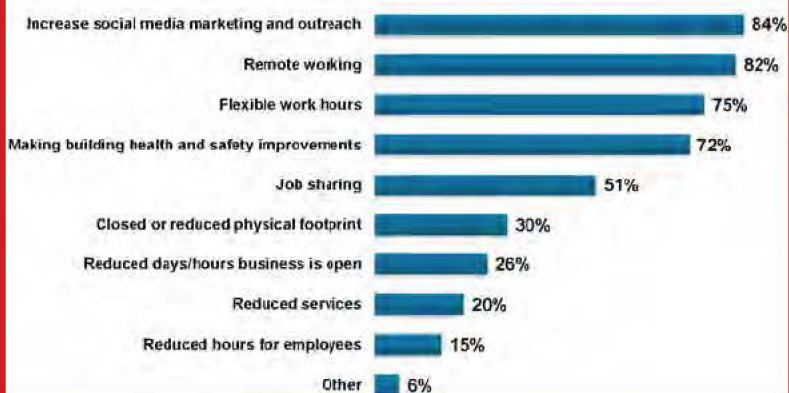
Anonymous Respondent,
Making Maine Work Survey

Business Leaders Report: The Workplace Has Changed for Good

In the spring of 2022, the Maine State Chamber of Commerce engaged Hart Consulting and Market Decisions Research to survey Maine business and nonprofit organization leaders about their priorities for state government action. The survey repeated the core questions asked in 2010 and 2018 to understand how priorities have changed over time and added new questions to understand employers' responses to the COVID-19 public health and economic crises. They recruited approximately 500 responses through a snowball sample approach by asking partner organizations to share the survey link with their professional association lists. It is important to note that the respondents were not selected through a scientifically drawn random sample, and therefore the results cannot be generalized. One way to think of the results is that it represents a large focus group of Maine leaders.

The respondents represented a broad swath of the Maine economy: manufacturers, retail, health care, professional services, hospitality, and education. Most held management or decision-making positions. The business leaders reported implementing many health and safety improvements to respond to COVID-19, including setting up **remote working**, **flexible work hours**, using more **social media marketing**, reducing **physical building use**, and instituting **shorter hours** of business operation. They anticipate that some of these changes will continue, such as remote working options and social media use.

Business practices you will keep over the next five years (among those adopting)



These changes will have future ramifications. There may be less demand for office and retail space as more work and spending expands online. There will be more demand for high-speed internet service to homes and not just to businesses, as homes become places of work and study. And there will be new challenges to organizations seeking to maintain a unique working culture with higher staff turnover and workers with limited in-person interactions.

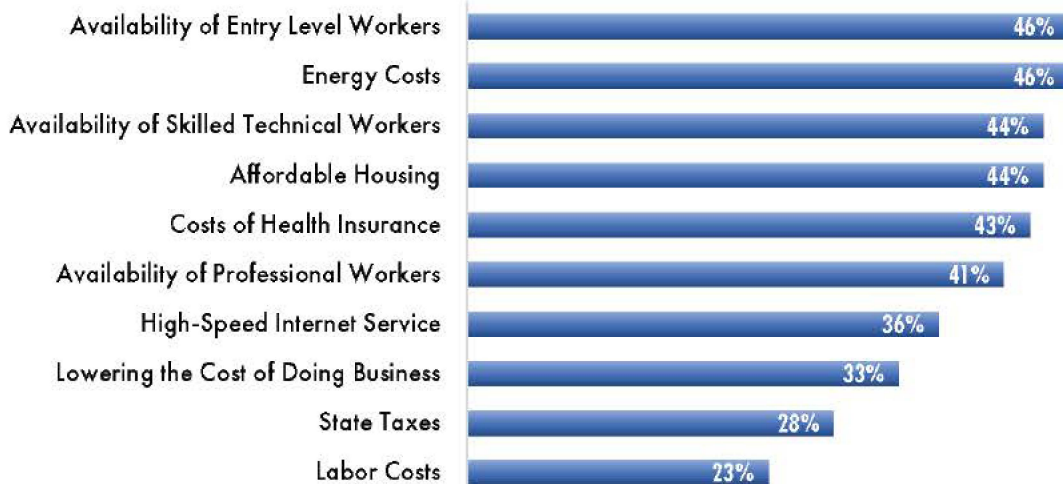
Business Leaders' Priorities for the Next Governor

Workforce availability and skill levels were the top priorities for business survey respondents in 2018. They remain as top concerns in 2022, but with a special emphasis on the **availability of entry level workers**.

The second broad set of priorities this year has to do with costs – the **cost of energy**, the **cost of health insurance**, and the **cost of housing**. Energy and health insurance costs are perennial business issues dating back to the 2010 survey. Housing is a new concern. The lack of affordable housing is making the challenges of worker attraction and retention even more difficult.

Issues of **diversity, equity, and inclusion** also generated discussion in this year's comments. Business leaders acknowledge the need to diversify their workforces, and some desired help with training and employer education.

Top Priorities for the Next Governor



Business leaders also continue to call for **innovation** in the economy, not just in research and development investment, but in improving processes and technologies in businesses of all sizes.

Business leaders' priorities for the governor and legislature are wide ranging and are closely intertwined with the needs of Maine's workforce.



Context: The Role of State Government

In the 2022 survey of business leaders, traditional issues like taxes, regulations, roads, and the cost of doing business were selected by fewer respondents as top issues for the governor. Those findings do not mean that the issues are not important, respondents were limited to selecting their top five priorities and those issues were not as pressing as others on the list.

The most important thing state government can do to promote economic growth is to perform its basic functions efficiently and effectively, such as providing for a sound transportation system, crafting budgets that are fiscally responsible, and creating sensible regulations. New initiatives can only be effective if the core functions of government are high functioning. Our recommendations for priority actions shared in this report are based on this important premise.

For many of the issues rated as a high priority – **energy, housing, health costs, education, and broadband** – state government is not the primary provider. These services are delivered statewide by a mix of private and nonprofit organizations, large and small, as well as by school districts and municipalities. State government’s role in these issues is to provide strategic guidance, resources, and incentives to help private and public efforts succeed.

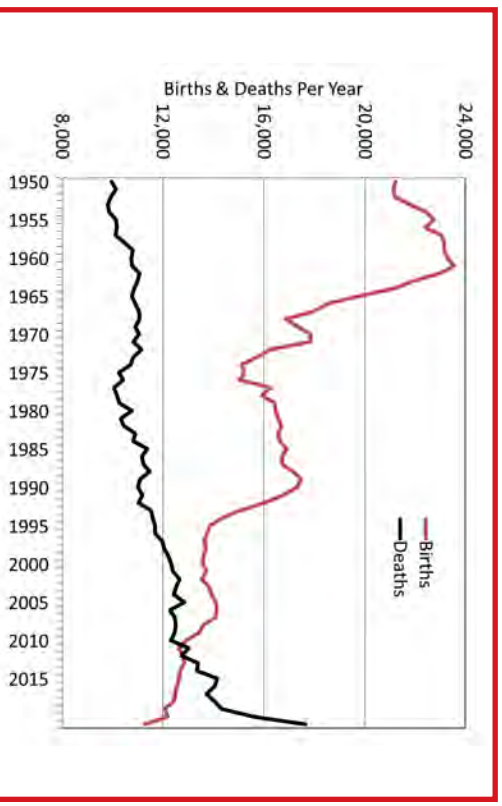
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GOAL B:

Expand the Maine workforce and its capabilities at all levels.

Workforce issues jumped to the top of the list of business concerns in 2018. At that time, the availability of professional workers was the highest concern for businesses, followed by the availability of skilled technical workers, and the availability of entry-level workers. This year, workforce issues remain paramount, but the order of concern is reversed. Now, the top concern is for more **entry-level workers**; next is **skilled technical workers**, and then **professional workers**. But the difference across the types of worker shortages should not be exaggerated. In both years, the availability of and the skills of all three segments ranked among the top six priority issues.



SOURCE: Maine Department of Labor

The general workforce shortage problem is longstanding and rooted in simple demographics. For 60 years, the number of births in Maine has been in decline. As the population has aged, deaths have increased. Around 10 years ago, the two trend lines crossed, where more people were dying in Maine than were being born. This is forecasted to continue for years to come.

There are several strategies to address the workforce shortage, including attracting more young people to move to Maine, improving the skills of the existing Maine workforce, and removing barriers to work for certain populations. Let's examine them a bit further.

2 Increase the participation in the labor force of the existing population.

The most immediate source of potential workers is from our existing population. Maine has a lower percentage of adults participating in the workforce than the national average. During the pandemic, older workers retired earlier, young parents withdrew from work to care for their children who were at home, and others took the opportunity to find more satisfying jobs.



SOURCE: Maine Department of Labor's Center for Workforce Research and Information, <https://www.maine.gov/labor/cwri/laus.html>

There are populations in Maine that are capable of working, but who were not participating in the labor force, even before the pandemic. These include older workers; young people who may have dropped out of high school, or may have completed high school but are not working; people who have come out of prison experiences, who may have committed a minor offense, but can't find employers willing to take the chance to hire them; veterans returning to Maine and needing help integrating into the workforce; people with disabilities who find many workplaces to be inaccessible; asylum-seekers who want to work but who are prevented by current federal immigration laws; refugees who are capable of skilled and professional work but whose professional credentials are not recognized in Maine; people recovering from the diseases of opioid or other substance use disorder with gaps on their resumes.

The state should collaborate with partners to tailor workforce training and education strategies for populations with lower workforce participation rates. The goal is to engage people by connecting them to training pathways through business and industry partnerships that address their specific circumstances and backgrounds. The training and education strategies include:





-
- a. **Skilled trade programs** in Career and Technical Education (CTE) centers, adult education, and employer-led training programs (like Cianbro Institute) – in such professions as construction, shipbuilding, forestry, aquaculture, agriculture, tourism, and health care;
 - b. **Apprenticeship programs** with private employers (“earn and learn”);
 - c. **Sector partnerships** where providers, educators, trainers, and the state connect individuals to jobs and help offset the cost of training – now going on in health care, forest products, and data sciences;
 - d. **Internships** are a longstanding practice with larger employers, but now some state funding is available to help small businesses establish such programs; and,
 - e. **Free community college** is available for eligible young adults to gain valuable credentials and degrees at no cost.

We have highlighted five sub-populations with low workforce participation rates and high potential for future employment. Each group has unique needs that can be addressed to link people who want to work to jobs, or to existing training and education opportunities and ultimately to a job.

Population 1: Disengaged Youth

There are an estimated 12,000 young Mainers between the ages of 16 and 24 who are not working and not in school. Some face barriers such as homelessness, mental health challenges, and substance use disorder.

To succeed in gaining employment, these youth need supports such as stable and affordable housing and counseling services. Several Maine organizations are working to engage youth with education and employment, including the highly successful Jobs for Maine Graduates (JMG) program. State government can help them scale up their efforts with more funding.

Population 2: New Mainers

There are an estimated 87,000 immigrants and refugees in Maine, including asylum seekers, undocumented people, and their U.S. born children. They can be connected with training pathways and jobs in ways that address legal and cultural hurdles. Some also need state and federal help to remove the obstacles blocking them from participating in the workforce.

Members of New Mainer communities should be engaged to help develop, market, and implement workforce training programs in culturally appropriate ways.

State government can help communities impacted by immigration by providing temporary (3-5 years) financial help with Adult Education, General Assistance, and General-Purpose School Aid. In addition, state government can support welcome centers, modeled on

the New Mainers Resource Center, to help immigrants learn to speak English, qualify for employment, gain credit for foreign credentials and licensures, start new businesses, and become involved in their communities.

Population 3: Working Parents

A spring 2022 Census survey found that nearly 34,000 adults in Maine with children under the age of 5 experienced a childcare disruption in the prior four weeks. As a result, many parents and caregivers had to cut their work hours. More than 14,000 were unable to work at all and some had to take unpaid leave.

Controlling the spread of COVID-19 to limit closures and expanding access to affordable childcare are two ways that state government can help young parents fully participate in the workforce. Moreover, the state should take action to increase the total number of childcare slots by increasing childcare worker's pay and subsidizing workforce training.

Population 4: Older Workers

Older workers need supportive, flexible workplaces that provide opportunities to stay engaged in the workforce. Two best practices to retain and engage older workers are to address age bias in hiring and promotion decisions and to support more accommodating work arrangements such as allowing remote work and flexible scheduling. Although there are laws prohibiting age discrimination in the workplace, it remains common.

Companies benefit from employing older workers. Research has shown that mixed-age work teams increase productivity for all age groups. The Center for Aging and Work at Boston College has developed an online assessment tool to help businesses improve their ability to integrate older workers into their workplaces. Employers should also include age in their workforce diversity and inclusion strategies.

The state should promote age-friendly employer best practices to link employers to resources for support.

Population 5: Veterans

Veterans gain important skills and experiences in the military that are highly transferrable to civilian workplaces. For example, former soldiers who saved lives as medics in the military often face licensing obstacles to serving in civilian healthcare positions. At a time when there is such a shortage of healthcare workers, this is a potentially important source of help.

The state should continue its outreach, training, and employment supports for veterans including tailoring workforce training and education opportunities to this group.



"More than 6 in 10 workers aged 45 and older say they have seen or experienced age discrimination in the workplace ... more than 3 of 4 older workers said their age was an obstacle to finding a job."

The State of Age Discrimination
and Older Workers in the U.S.
50 Years After the Age Discrimination in
Employment Act (ADEA),
Victoria A. Lipnic, 2018



3 Help existing workers to upskill.

The Maine Legislature – at the urging of education, business, and nonprofit leaders in the MaineSpark coalition – set a goal for 60% of Maine adults to have a “credential of value” by 2025. A credential of value is a college degree (associate, bachelor’s, or graduate); a professional certification, license, a digital badge; or military service. Such credentials enable workers to qualify for jobs that pay more, therefore contributing to raising the average income in Maine. As of 2019, 53% of Maine workers had such a credential. This is up from 51% in 2018, but still well behind other states in New England.

Adult Ages 25-64 Degree Attainment Rates, 2019

	Associate Degree	Bachelor's Degree	Graduate or Professional Degree	Credential or Certificate	Total
Maine	11.1%	22.2%	11.5%	7.8%	52.6%
New England	8.3%	25.2%	18.0%	6.4%	58.0%
United States	9.2%	21.8%	12.7%	8.1%	51.9%

SOURCE: Lumina Foundation

To meet this goal, tens of thousands of additional Maine workers must attain a credential of value in the next three years. This goal can be met in this short timeframe by improving the skills of adults already in the workforce – a process known as “upskilling.”

Individualized, one-on-one guidance to the right pathways, and programs, as well as providing support services, increases the likelihood of success for adults returning to school or training. The hundreds of professionals in the MaineSpark Navigator Network provide these supports to adult learners.

The state should support the MaineSpark Navigator Network in its work and continue to support adult learners by providing more state tuition grants for adults, emergency grants, and encourage more flexibility from educational institutions in accepting prior course credits and learning experiences.

It is not enough just to have more workers with credentials of value. Maine also needs to focus its upskilling efforts and resources on economic sectors with growth potential, that pay good wages, and that have employers who are ready to participate in industry-education partnerships. There are several public/private partnerships underway in Maine with these attributes, including:

“Maine’s labor force shortage can hurt potential job, income, and economic growth. Investing in diverse educational pathways would be one of the key factors that will support business retention and expansion in Maine.”

Anonymous Respondent,
Making Maine Work Survey

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- 1 Healthcare Training for ME (Maine Department of Labor);
 - 2 Forest Products (FOR/Maine initiative);
 - 3 Aquaculture (FocusMaine, Maine Aquaculture);
 - 4 Biopharma (BioConnects New England); and,
 - 5 Manufacturing (Manufacturers' Association of Maine).

Maine's education systems can continue to help these efforts by creating short-term, "stackable" learning experiences (where individual credits can be accumulated to achieve a more advanced credential). Such experiences, embodied in micro-credentials, digital badges, certifications, and professional licenses, are more accessible for working adults, and valuable to employers.

Accessibility and affordability are critical. The state needs to increase access to training options that work with people's schedules such as online asynchronous learning, mobile training, and flexible scheduling to accommodate people who work during the day.

For Black, Indigenous, and People of Color (BIPOC) populations—whose rates of educational attainment fall below that of the general population—equity demands particular attention, especially to both boosting readiness and removing the barriers to participation in and completion of education and training programs.

4 Create more diverse, welcoming workplaces.

The challenge begins early. Students of color, indigenous students, low-income students, and students with disabilities graduate from high school at lower rates than the general student population. This pattern holds true through college and into the workplace, where Maine employees of color earn below average wages. Not surprisingly, families of color in Maine have also experienced greater health and economic burdens throughout the pandemic.

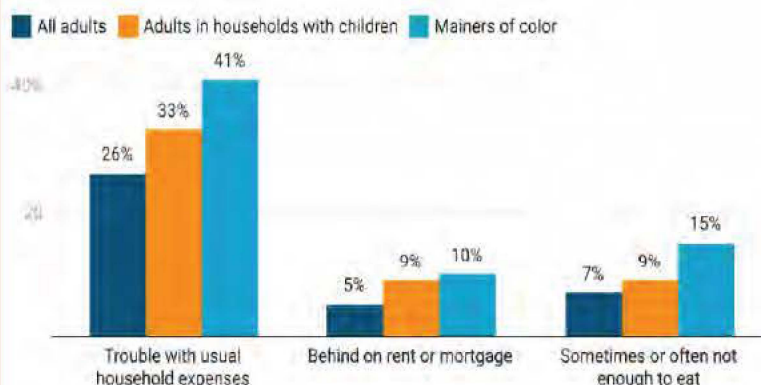




"When employees feel safe, supported, welcomed, and valued, they will stay. The person who is best positioned to promote this positive culture is an employee's direct supervisor ... All front-line supervisors should be as well-versed in diversity, equity, and inclusion work as the CEO and leadership. Equity work is done in small teams and departments. Leadership rooted in equity makes the difference - whether it is in the corner office or on the warehouse floor."

Tae Chong, Director of
Multicultural Markets and Strategies,
Maine State Chamber of Commerce,
2022

Despite expanded safety net, hardship persisted for some Mainers.



SOURCE: Maine Center for Economic Policy's analysis of U.S. Census Bureau, Household Pulse microdata, weeks 13-36 (August 30, 2020 to August 30, 2021)

All Maine businesses will benefit from having a more diverse workforce and more accommodating workplaces. Large employers are leading the effort today. State government can help the effort along by:

- Focusing assistance on small to mid-size businesses that do not have the human resource supports that larger corporations have in-house;
- Empowering people with lived experience to lead the work;
- Providing information, best-practices from across the globe, and financial incentives to invest in change;
- Leading a statewide initiative to improve human resource practices on hiring bias and workplace culture;
- Having state government model the desired human resources and employment policies by recruiting and retaining a diverse state workforce; and,
- Leading marketing efforts to promote a culture that values workforce diversity in Maine.

5 Attract new talent to live and work in Maine.

The necessity to work at home during the early months of the pandemic enabled professionals to move to Maine while maintaining a job in another state. Now it appears – based on the employer survey conducted for this report as well as other research -- that “work at home” may become a permanent feature for many jobs. This creates an opportunity for Maine to promote its sense of place and quality of life to lure more workers and businesses to the state.

The public-private partnerships of *Live + Work in Maine* and *Maine & Co.* are already succeeding in turning visitors into residents by telling a positive story about our quality of life and economic opportunities.

But anecdotal evidence suggests that many of the recent immigrants are working remotely for employers outside of Maine. They still provide a positive benefit to Maine’s economy but are not meeting the workforce needs described in this report. This suggests that future marketing efforts should be more targeted towards filling current and future jobs in Maine.

To this end, *Live + Work in Maine* in partnership with the Maine Department of Health and Human Services, is assisting healthcare providers like *Northern Light Health*, to identify, recruit, and support good candidates to move to Maine. Continued support of this employer-led approach is needed and can be applied to other sectors.

State government can support such initiatives, integrate “move to Maine” messages with the existing tourism attraction campaign, and market the newly expanded *Educational Opportunity Tax Credit* that may help reduce college loan debt. Additionally, a dedicated effort should be made to develop targeted outreach to the remote workers that moved to Maine during the pandemic and recruit them to fill jobs available in Maine today.

At the federal level, we must ask our elected officials to press for work visas to be granted at rates similar to past years for both entry-level and professional jobs.

“Maine has the opportunity to gain tremendously by welcoming all people, including their voices, and creating a state where all of us thrive. If there is a place in the world where this is both possible and necessary, it is Maine.”

Humza Khan, 2022

“The state needs more public private partnerships, similar to Live + Work in Maine, to solve the workforce shortage.”

Anonymous Respondent,
2022 Making Maine Work Survey

SUCCESS

INNOVATION

IDEAS

RESEARCH

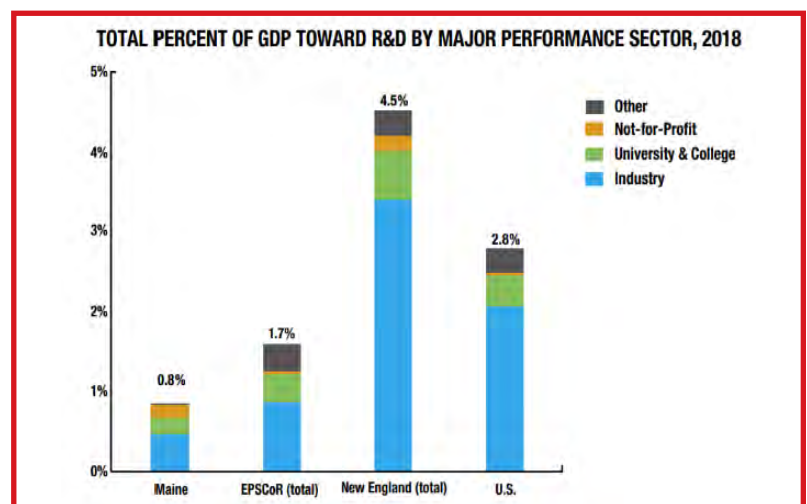
GOAL C:

Champion investments in innovation.

We often think of innovation as the province of start-ups – and they are important. Vibrant, growing regions boast a greater rate of new business starts compared to failures. Maine has recently enjoyed a positive ratio, with more business start-ups than closures – and we need to continue to nurture a healthy ecosystem for entrepreneurs.

However, every organization in Maine, whether large or small, for-profit or non-profit, needs to innovate to remain competitive. On a regular basis, products and services are abandoned or modified in response to market demand, as well as the availability and cost of labor and supplies. Improved processes and equipment lead to new product lines, programs, and services.

In short, innovation is not solely for a few specialized science laboratories in Maine. Innovation must be a priority for every organization and in all parts of Maine's business and labor culture. This mind set will drive increased productivity in Maine. In turn, increased productivity will drive demand for Maine products and services, which will also generate higher wages for Maine employees. This value chain growth – and the resulting economic prosperity – cannot be accomplished without a dual focus on innovation and an increase in the workforce.



SOURCE: Maine Development Foundation, Measures of Growth 2021

6 Grow R & D spending.

Maine lags the country in research and development spending, at both the public and the private sector levels. The 2020-2029 Maine Economic Development Strategy recommends that state government use “a combination of public subsidies, tax incentives and higher education investments to partner with the private sector to lift this total number.” State government can **double its investment in R & D annually** without running out of viable projects. More frequent and robust State investment in The Maine Technology Asset Fund and support for the great work of the Maine Technology Institute will increase public/private partnerships, encourage innovation and new ventures, and support existing competitive, high-value research and development activities, by leveraging competitively awarded, matching investment funds. State government should also revitalize the Maine Innovation Economic Advisory Board to monitor and coordinate the effort.

7 Promote high value-added industry growth.

The *2020-2029 Maine Economic Development Strategy* featured research conducted by Dr. Andrew Crawley and Angela Hallowell at the University of Maine that identified four “thematic areas” of current and potential high-growth, high-value-added development in Maine: Food/Maritime, Forest Products, Technical Services, and Making/Manufacturing. In each of these areas there are public-private partnerships – FOR/Maine, SeaMaine, and BioConnects New England, for example – actively working to generate investments and train workers in Maine. The state should vigorously support and sustain the action plans for these industry-led growth efforts for the long haul. The *Strategy* also recommended nurturing geographic centers that combine innovative businesses, higher education graduate programs, first-class hospitals, arts and culture, social diversity, and quality of life. These are the kinds of hubs that foster a culture of creativity and innovation.





8 Support business efforts to streamline processes and create higher-paying jobs.

This report's first goal is to expand and improve the skills of the Maine workforce. The flip side of that goal is to invest in the processes and technologies that will enable those workers to enjoy higher-paying jobs. Put another way, Maine's productivity rate – its value-added per worker – needs to increase. As the chart above shows, Maine's productivity lags the region and nation. Higher productivity will bring higher wages.

Thinking more broadly, the world economy is in the midst of what has been called the Fourth Industrial Revolution – or Industry 4.0. This involves the creative combination of technologies such as advanced robotics, gene editing, and artificial intelligence. Some larger Maine organizations are already participating in the revolution. Eventually, many Maine organizations must join to stay competitive. And, these process and technological improvements must be implemented in a way that complements or improves the ultimate customer experience.

The *Maine Manufacturing Extension Partnership* (MEP) assists manufacturers in incorporating technological and process innovations. In part due to their work, manufacturing is a very productive sector in Maine, and the result is an average Maine manufacturing wage in 2021 of \$66,000. Similar help is now needed in Maine's service sector, whether it is provided by expanding Maine MEP's portfolio, or by creating new partnerships.

9 Continue to invest in broadband.

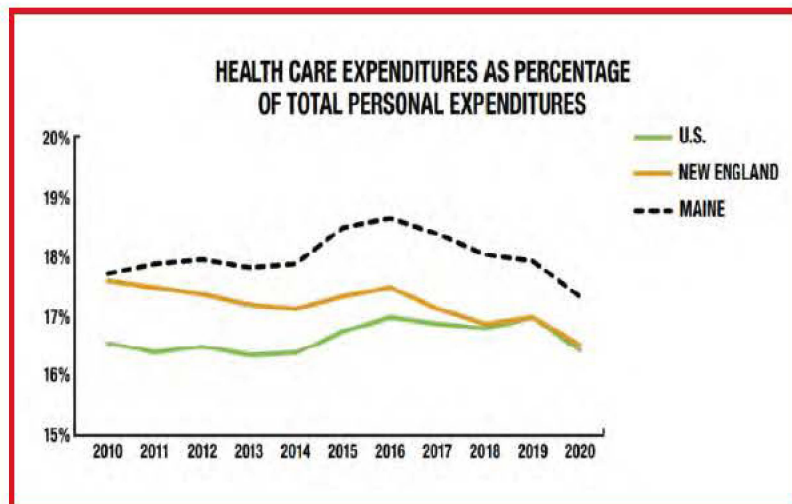
Broadband is the lifeblood of an innovation economy. Access to the best ideas, products, and markets around the world is essential, especially in a rural economy like Maine's. The extension and upgrading of broadband service must remain an ongoing priority. At the time of this writing, there is a large block of money committed to promoting broadband expansion in Maine.

The state should monitor, map, and evaluate this work on a regular basis to make sure that public investments are targeted for the maximum benefit to the Maine economy. Beyond this investment, the continual upgrading of our broadband infrastructure must remain a priority for years to come.

GOAL D:

Improve health outcomes to limit health cost inflation.

Healthcare costs are a constant issue in the *Making Maine Work* business surveys since 2010, and 2022 is no exception. Maine spends more of its income on health care than the nation or New England – about one in six dollars. The percentage decreased in 2020, mainly due to the decline in non-critical healthcare services offered in the early months of the pandemic. Now that healthcare services are fully available we can anticipate that costs will resume their historical climb.



SOURCE: Maine Development Foundation, Measures of Growth 2021

It's a situation that frustrates employers and employees alike. It distorts the labor market by workers choosing to leave a job they like, or stay in a job they don't like, because of health insurance considerations.

Though we spend a great amount on health insurance and health care, public health problems persist. Important chronic disease health indicators for our population are getting worse. Other factors such as homelessness, hunger, and lack of income also contribute to poor health outcomes.

There are duplications, mismatches, and gaps in services in our healthcare provider system. For example, hospitals report they are forced to keep people with mental illness in emergency department beds for weeks and even months while awaiting appropriate community placements to come open. This is expensive, ineffective, and can affect patient outcomes – emergency beds cost more than group housing beds, and no long-term therapy can begin in an emergency. Similar mismatches occur throughout the healthcare sector.

"Too many people stay in low wage jobs that they are over-qualified for because it offers health care for their family. Too many small businesses lose out on great candidates because they can't compete with larger employers. It's sad. Better social safety can help leverage the economic field for small businesses in Maine."

"More than once, we've had semi-skilled laborers quit after a few months because they have to avoid earning too much to keep their MaineCare coverage."

"Health insurance costs are a barrier to entrepreneurship."

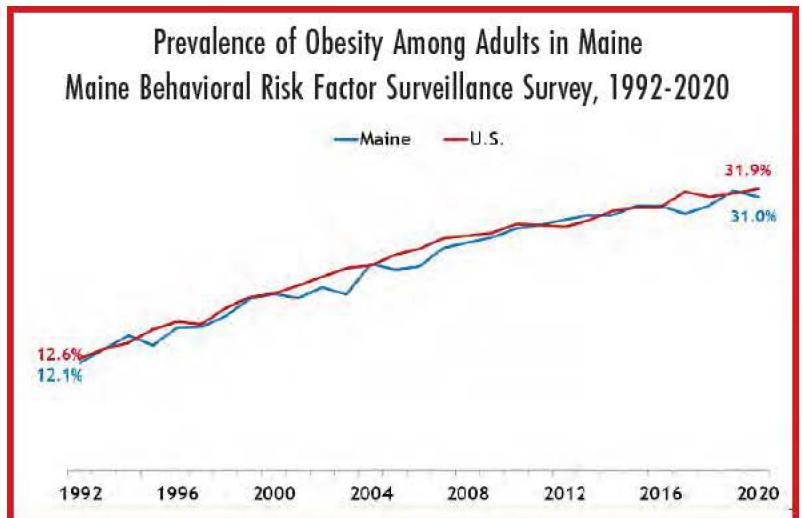
"Shake up the healthcare system and develop available, affordable health care for all employees."

Various Anonymous Respondents,
2022 Making Maine Work Survey



10 Improve the health of Maine citizens.

The ultimate way to reduce healthcare costs is to reduce the need for healthcare services by improving the health status of Maine people. Our population has a higher incidence of chronic diseases such as asthma, arthritis, cancer, high cholesterol, and hypertension compared to the nation. We have higher rates of people at risk for developing these conditions through tobacco use, physical inactivity, diets with low nutritional value, or obesity compared to other states.



SOURCE: Maine Obesity Advisory Council "Preventing and Reducing Obesity in Maine" 02/19/2022

Obesity is a particularly alarming trend. The incidence of obesity in the Maine population has tripled in the past 20 years. People with obesity have a greater risk of developing chronic diseases and early mortality. And tobacco use remains a major concern. Studies have concluded that both obesity and tobacco use account for hundreds of millions of dollars in both direct costs and lost productivity.

Improving our health will require the state to invest in the public health infrastructure, and a wide array of prevention programming, screening, intervention, and wellness measures by providers, employers, communities, and individuals such as those recommended by the Maine Obesity Advisory Council and the Maine Tobacco Prevention and Advisory Council. Making key investments in public health now, will reap economic and quality of life rewards into the future.

11 Grow the healthcare workforce.

The shortage of all workers in the healthcare workforce – and particularly entry-level workers – is jeopardizing the services available to Maine people, particularly in rural areas, and endangering the financial viability of long-term care homes and rural hospitals. To give just one example, Maine hospitals are now relying increasingly on traveling nurses and physicians to staff essential services, at a cost five times that of using regular employed staff.

Maine state government and healthcare institutions are doing the right things – loan forgiveness, scholarships, moving incentives, expanded University of Maine System and Maine Community College System programs. It just is not enough. The scale of these efforts needs to be stepped up. In addition, more incentives are needed for nurses and other health practitioners to serve as faculty for training programs.

12 Invest in community mental health residential beds and services.

Today our homeless shelters, hospital emergency departments, and jails are crowded with people who have behavioral and mental health disorders. They are suffering; their families are suffering; and without adequate services, public safety professionals are burdened as well. Maine people with mental illness often can't get the therapeutic help they need in a timely manner. Sometimes they self-medicate with alcohol and other drugs, compounding their problems. Responding effectively will require a major public investment in early childhood and education services, supports for young families in need, mental health services, and housing. It will require joint action by communities, nonprofits, the Department of Health and Human Services, the Department of Education, and MaineHousing.

13 Promote efficiencies and manage cost shifts.

The Maine Legislature created the Maine Office of Affordable Health Care in 2022. Its charge is to analyze healthcare cost and spending trends, and to recommend changes that would improve coordination and cost-effectiveness in Maine's healthcare system. This office should be staffed quickly and supported in its efforts to take on tough spending issues, ensuring a systems approach that doesn't unsustainably shift costs to the insured (including those with employer-provided plans).





GOAL E:

Create an energy strategy and investment plan.

Three of the four high-growth potential sectors identified in the state economic plan – food and fish processing, forest products, manufacturing/making – are energy-intensive.

Energy costs have long been a top concern for Maine businesses for years (ranked second in 2010, sixth in 2018). And Maine has long held a place where industrial retail electricity cost more than the national average, but less than the New England average. But this year a perfect storm has gathered, electricity and gas and oil prices are taking off, and energy is now at the top of the list of business concerns for the next governor to address. While all recognize many variables are driven by international conflict and other wider supply chain disruptions, it is important for Maine to have an energy policy that is comprehensive, competitive, and sustainable in this volatile context.

Maine has a climate change goal of reducing greenhouse gas emissions in the state by 45% by 2030. This will involve a process of “beneficial electrification” – moving the source of energy from oil and gas to electricity, and at the same time moving electricity production away from fossil fuels to renewable sources. Analyst Richard Silkman estimates that Maine will have to invest \$60 billion in new generation, storage, and transmission capability to achieve beneficial electrification.

But invest in what technologies? Where? When? And who pays? These are the questions this ambitious goal raises for Maine businesses. The state has set ambitious steps in motion for increased renewables, and many businesses are fully committed as well. At the same time, potential investors in Maine manufacturing need a predictable energy cost environment. The goal by itself is not a plan. Investors need to see that the climate change goals can be met in a way that avoids sudden and unsustainable rate hikes.

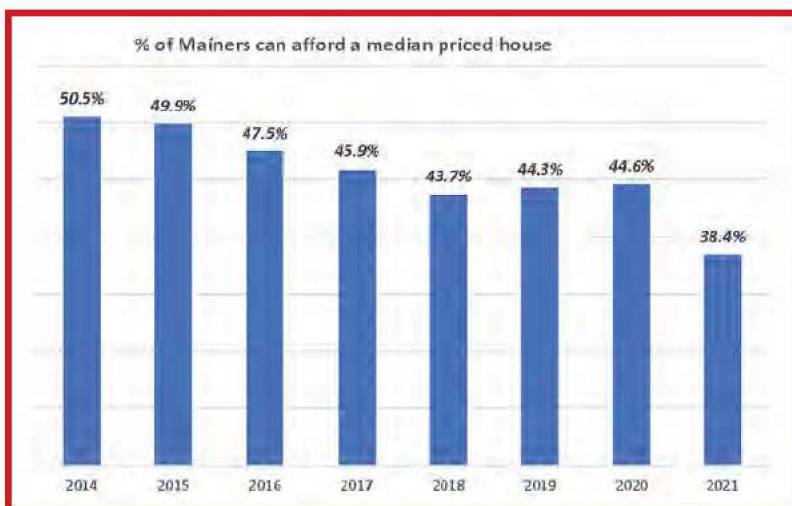
14 Establish a high-level commission to create an energy investment and affordability plan for the next 30 years and implement its recommendations.

Four years ago, the *Making Maine Work* report recommended a comprehensive state economic development plan. That plan was created by state government three years ago and is now guiding the investment of hundreds of millions of dollars. Maine needs a similar effort in the energy sphere to ensure that our approach is strategic, competitive, and sustainable.

GOAL F:

Expand the housing stock to meet demand.

Housing has been a crisis developing in slow motion over the decades, as new demand has exceeded the addition of year-round units for a long time, even as Maine continued to look cheaper on paper than southern New England. The crisis has a disproportionate impact across race, gender, class, and geography. The pandemic lit the fuse, however, and the crisis accelerated in 2020.



SOURCE: MaineHousing, www.mainehousing.org/policy-research/housing-data/housing-affordability-indexes

There are many factors that contribute to the current housing situation: the in-migration of workers who can work remotely into their offices in urban areas such as Boston and New York; supply shortages that drove up the cost of lumber and other essential construction materials; the continuing conversion of year-round homes into seasonal or short-term rental arrangements, which along the coast is taking more units out of the year-round market than new construction is adding. And now, increasing interest rates.

Affordable housing is a workforce issue for each segment of the market, not just “affordable” or “low-income” as defined historically in government programs. *Bath Iron Works* (BIW), for example, has experienced challenges recruiting qualified workers for its well-paying jobs due to a lack of housing. *The Island Nursing Home* on Deer Isle closed last year, in part due to a lack of affordable housing for workers in the area. It is an issue that particularly affects entry-level workers, which ranked highly on the business leader survey, but it also affects middle-class workers such as those at BIW, as well as professional and technical employees at hospitals, banks, and law firms.

“Housing costs are too high, and it is starting to impact hiring. Our wages are lower because we can’t charge more, but employees need higher wages because of increasing costs.”

Anonymous Respondent,
2022 Making Maine Work Survey



15 Establish goals for the construction of new housing at every price level and vigorously implement supportive policies and incentives.

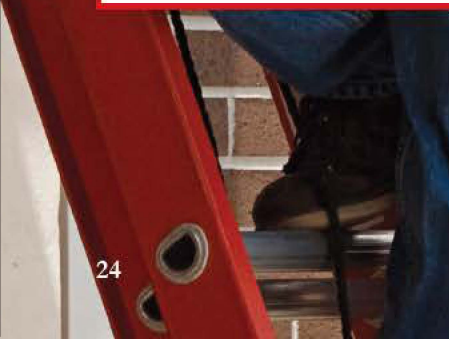
Passed by the Legislature in 2022, LD 2003 calls for the Department of Economic and Community Development to “establish, in coordination with the Maine State Housing Authority, a statewide housing production goal that increases the availability and affordability of all types of housing in all parts of the State.” This includes creating goals for “middle-income” housing that can serve the existing and future workforce – and creating supportive policies and incentives at the state and local levels to produce such housing.

In a local control state with local zoning, it is critical the state’s efforts be broad-based with wide buy-in and consider all its dimensions, unsubsidized as well as subsidized.

The goals and recommendations in this report respond to the new challenges of the Maine economy. They include bold ideas about **workforce, innovation, health, energy, and housing**. They are not the final say about these issues. Rather, we hope that they spur discussion, and possibly other bold ideas for consideration. Most of all, they are a call to action. Maine cannot make continued economic progress without forceful action on these critical areas. After reading this report, we hope you agree.

As we said at the beginning, **we are upbeat about Maine**. Few places in the world have our combination of talent, resources, and natural beauty. If we can trust each other, if we can work together, there is no limit to Maine’s future.

It’s time, once again, to make Maine work.



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