
Strategies to Advance Low-Wage Workers in Maryland

Opportunities and Challenges

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STRATEGIES TO ADVANCE LOW-WAGE WORKERS IN MARYLAND

EXECUTIVE SUMMARY

By many measures, Maryland's long period of sustained economic growth has had a positive impact on the state's poorest citizens. Unemployment is at an all-time low, and the rate of families living in poverty is among the lowest in the country. Yet a closer look reveals that the state's booming economy has left many working families with incomes that are too low to adequately sustain themselves. In Maryland today, 22 percent of Maryland households still have incomes that provide only the minimum necessary to meet their basic needs. Twelve percent of Maryland households earn incomes below \$15,000, just \$1,300 above the poverty line for a family of three. And in some parts of Maryland, poverty, particularly among children, remains stubbornly high.

Maryland's strong economy presents a unique opportunity for the state to address the needs of those families who continue to struggle to make ends meet, while also addressing the needs of employers and enhancing the conditions for continued economic growth. By implementing state policies that help low-wage workers advance, Maryland has the opportunity to help thousands of families improve their economic status, provide employers with a greater supply of skilled workers, and improve the state's competitive advantage and overall economy. In certain communities in Maryland, economic and workforce development agencies have forged innovative public/private partnerships to build workers' skills and supply employers with the labor they need. With state-level vision and leadership that promotes an agenda focused on the advancement of low-wage workers, these strong models could be replicated to meet employers' needs and improve the outlook for all Maryland residents.

This report analyzes Maryland's current efforts to address the needs of the working poor, and it draws on national and local examples to present strategies that could be pursued to expand and enhance those efforts.

Key Findings

The bottom 20 percent of families in Maryland have been left behind by the booming economy.

Twenty-two percent of Maryland households earned \$25,000 per year or less. This is below the level that many believe is necessary to meet minimally basic needs for a family of three.

Many Marylanders, even those who work, still live in poverty.

In Baltimore City, the poverty rate was 24 percent in 1995—and 36.3 percent among children. This rate persists despite work efforts among the poor. Over 60 percent of Maryland's poor families have at least one working adult.

44 percent of the top 50 jobs with the highest number of annual openings in Maryland pay starting wages of \$7.00 per hour or below.

The average wage among these jobs is \$6.19 per hour, providing annual wages of \$12,380 which is \$824.80 below the poverty line for a family of three.

Business participation in public/partnerships indicate that employers are eager to work with the state to meet their labor needs.

Many employers have already turned to the state for help in meeting their need for skilled workers; they are participating on the Governor's Workforce Investment Board, on local WIBs, and in partnerships with community colleges and departments of social service. State policies focused on the strategic development and expansion of employer partnerships can provide low-wage workers with pathways to advancement and provide employers with the skilled labor they need.

Expanding the focus of state policies from job placement to advancement of those working at very low wages could have a positive impact on both workers and employers.

By increasing skill development and job retention efforts, Maryland could create greater stability and opportunities for low-wage workers and ensure that employers can find the workers they need.

Closer coordination among agencies involved in workforce development could improve Maryland's ability to leverage resources for the benefit of low-wage workers and make the system more responsive to employers.

Greater coordination between the workforce development systems operated by the Department of Human Resources and the Department of Labor, Licensing and Regulation could expand opportunities for the joint development of employer partnerships and sharing of resources for the benefit of the employer and client customers of both agencies.

Greater coordination between Maryland's economic development efforts and its workforce development efforts could also have a positive impact on workers and employers.

Efforts to establish common goals between the economic development system operated by the Department of Business and Economic Development and the workforce development systems of the Department of Human Resources and the Department of Labor, Licensing and Regulation could result in greater opportunities for workers and an expanded pool of trained employees to meet employer needs. Some partnerships have already been established at the local level, and current efforts of the Governor's Workforce Investment Board to strengthen ties among these agencies have laid the groundwork for joint strategies that serve employers and low-wage workers.

“Making work pay “ is another important strategy being pursued in Maryland and other states.

A variety of approaches, including an increased Earned Income Tax Credit, a state minimum wage, and increased child care investments, can play important roles in ensuring that all workers receive family-supporting wages

Several states have developed effective models for initiatives designed to help low-wage workers advance.

State efforts include career-ladder initiatives undertaken in partnership with employers. Indiana conducts a “skills gap analysis” to target areas of the state for investments of training funds. Training focuses on identified industry clusters in these areas that offer livable wage and career advancement opportunities.

Lessons can be learned from states that have strategically coordinated their workforce development and economic development activities for the mutual benefit of low-wage workers and employers.

In Iowa, state workforce development and economic development officials work together closely to target training for low-income populations to occupations that provide access to growing industrial sectors. State economic development resources are used to fund these programs.

Maryland possesses the creativity, innovation, and resources to make a real difference in the lives of many of its families. Recent state efforts to create common goals and alliances across systems are promising, and many local efforts at integration and coordination provide innovative models for replication across the state. State-level leadership to address the needs of the working poor can also help employers and further boost the state’s economic growth. This is a unique time for Maryland, and one that provides the opportunity to ensure that the state’s growth and prosperity benefits all Maryland residents.

INTRODUCTION

Across the United States, people who work but remain poor are the subject of growing concern and debate. The large number of working poor families stands in sharp contrast to the wealth generated by the strong economy and the creation of substantial new jobs. In addition, the success of welfare reform in terms of declining caseloads is marred by the reality that many who have left the rolls continue to struggle to support their families.

Concern over issues affecting the working poor have increased in Maryland as well. The low income of those who have left welfare, continued high rates of poverty, particularly in Baltimore, the large number of working poor families, and the growth of low-wage jobs have led to calls for more aggressive, state-level leadership and for enhanced public policies to address the needs of the working poor.

Maryland is in a particularly strong position to shift the focus of its public policy efforts from reducing the welfare rolls to increasing the opportunities for low-wage workers to advance to jobs that enable them to support their families:

- The tight labor market has increased the number of employers turning to the state for assistance in meeting their labor and training needs.
- Many public and non-profit agencies at the local level have developed comprehensive services and coordinated systems to address the needs of low-wage workers. These models can be replicated across the state, with the assistance of state policies and resources.
- Due to increased tax revenues, and declining TANF spending on cash assistance, significant resources could be strategically targeted toward reducing poverty.

Many states have begun shaping workforce development and economic development policies that prioritize the advancement of the working poor and simultaneously help employers meet their hiring needs. While no state has implemented a complete solution, many efforts are instructive and provide useful lessons for Maryland. The state strategies discussed in this report are:

- Increasing opportunities for skill development by going beyond a narrow “work first” approach;
- Working in partnership with employers to create explicit avenues for advancement of low-skill workers;
- Developing highly integrated workforce development and economic development systems; and
- Providing wage supplements and benefits that “make work pay.”

While states approach the problem in a variety of ways, the lesson that emerges is that success is most likely when state workforce development systems are highly coordinated and driven by a common mission to address poverty among those who work, meet employers' labor needs, and promote economic growth.

Maryland's economic conditions, the commitment on the part of state and local leaders, and strong local models are the necessary groundwork for bringing existing efforts to scale to help low-wage workers advance. Doing so can yield substantial benefits for the state, for residents, and for employers by promoting economic growth, reducing shortages of skilled labor, and reducing the costs of public assistance, among other benefits.

This report reviews the state's economic conditions and current workforce development efforts, and it highlights several strategies in use by states around the country. It ends by discussing the challenges and opportunities Maryland faces as it moves to improve the wage potential of low-skill workers. With heightened state focus and leadership, Maryland can eliminate poverty among those who work.

Methodology

Information for this report was gathered from recent published and unpublished documents on Maryland's economic conditions, demographics, and workforce development policy, as well as from documents about other states' workforce development policies. These reports include those produced by Maryland state agencies, public policy advocacy organizations, and university-based researchers. State officials (in Maryland and other states), advocates, and academic researchers also contributed through telephone and in-person interviews. Data on job growth, wages, and skill requirements were drawn from the Department of Labor, Licensing and Regulation Web site. Demographic data were drawn primarily from the U.S. Census Bureau Web site and the reports cited.

The report examines Maryland's current policies with an eye to their impact on low-wage workers, highlighting areas where stronger state-level vision and guidance could improve the state's capacity to advance the interests of low-income residents and of employers. It is not intended to be a complete cataloguing of all state policies and programs but rather an overview of the policies and programs that most affect low-wage workers. Similarly, references to local programs provide examples of innovative models; this is not an all-inclusive summary of local efforts. Because many of these programs are relatively new, significant outcome data are not available; nor are the program summaries intended as an assessment of program impact. Finally, other states' strategies are highlighted to underscore the benefit of workforce development policies that are driven by a mission both to provide advancement opportunities for low-wage workers and to meet employers' needs for skilled labor; again, this is not intended as a complete overview of all state-level efforts nationwide.

Many people contributed to the development of this report, including Jobs for the Future staff Lisa Hicks and Richard Kazis and the conference advisory

committee chaired by Patrice Cromwell of The Open Society Institute-Baltimore. Dick Mendel provided assistance by conducting several of the interviews with state officials. Marc S. Miller of Jobs for the Future edited the report.

THE ECONOMIC CONTEXT FOR WORKFORCE DEVELOPMENT IN MARYLAND

Poverty Amid Prosperity

Like many states, Maryland is experiencing strong economic growth and unprecedented prosperity. Median household income in 1997-1998 was \$47,714, third highest among the 50 states. For a family of four, household income during that period was \$71,000, second highest in the country. Wage increases have been particularly dramatic for the highest-earning 20 percent of Maryland families, whose incomes grew by nearly \$43,000 from the late 1970s to late 1990s (Hill 2000a).

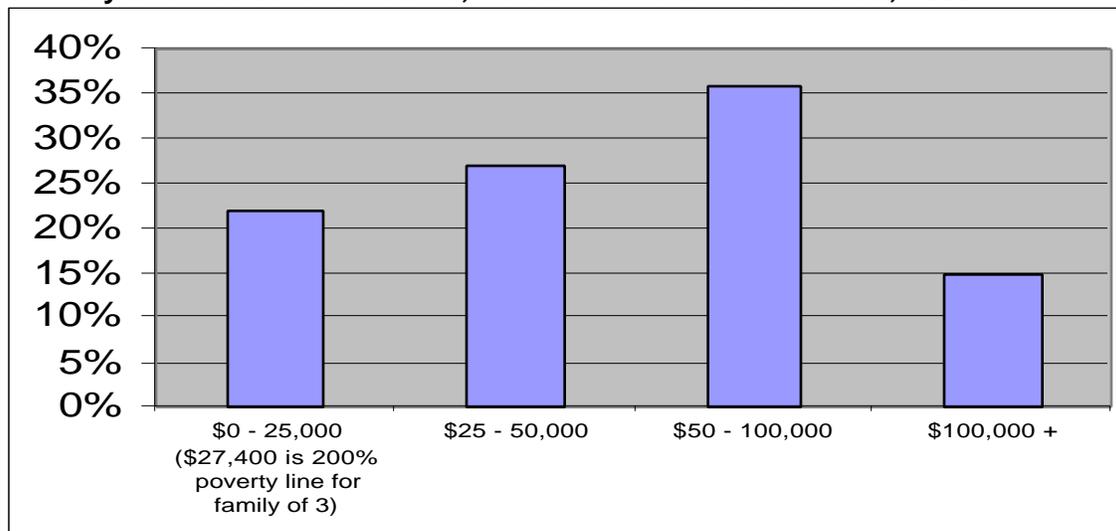
Equally astounding is the economy's impact on tax revenues. Personal income tax revenue grew from \$3.8 billion in 1998 to \$4.9 billion in 2001, despite a 10 percent cut in personal income taxes in 1997 (Hill 2000a).

This dramatic growth has not affected all families equally: 7.8 percent of Marylanders live below the poverty line (Economic Policy Institute 2000a). In many parts of the state, poverty climbs much higher, even among those who work. In Baltimore City, poverty was 24 percent in 1995, and 36.3 percent among children (U.S. Census Bureau 2000). Over 60 percent of Maryland's poor families have at least one working adult. The number of people working but living below the poverty line has grown 70 percent in the past two decades (Maryland Budget and Tax Policy Institute 2000).

The number of working poor grows higher still using standards other than the poverty line to measure economic well-being. According to an analysis by the Economic Policy Institute, a family of four in Maryland would need an income of \$34,732 to meet their minimal, basic needs (Bernstein et al. 2000).¹ By that standard, ***over one-fifth of Maryland households earn only enough to meet their most basic needs; 22 percent of Maryland households earned \$25,000 or less in 1999, roughly 200 percent of poverty for a family of three.***²

¹ In "Playing by the Rules but Losing the Game," Gregory Acs, et al. (2000) from the Urban Institute indicate that many social science researchers have determined 200 percent of the poverty line to be a more accurate standard to meet basic family needs. This is consistent with the findings of the Economic Policy Institute, which established a family self-sufficiency standard for Maryland of \$34,732 for a family of four, roughly 200% of poverty for a family of four.

² The average household size in Maryland is 2.63. \$27,400 is 200 percent of the poverty line for a family of three. Maryland 1999 household Income estimates are from National Decision Systems, Inc., and were provided by the Baltimore Metropolitan Council.

Maryland Household Income, Percent of Total Households, 1999

While employment participation of these households is not known, data from the Maryland State Data Center indicate that 70 percent of all households have at least one wage-earner. Extrapolating from this statistic, 70 percent of the households earning below \$25,000 equals 410,690 households, or 15 percent of all Maryland households. This is consistent with national data from the Urban Institute, which indicate that 16.7 percent of non-elderly persons nationally live in working poor families earning 200 percent of the poverty line or below (Acs et al. 2000).

Another common proxy for well-being is the number of people with health insurance. According to the Maryland Budget and Tax Policy Institute, one out of six Marylanders lacked health insurance in 1998, due to Medicaid policies that set income eligibility at \$522 per month or below (Hill 2000a). The good news is that the Children's Health Insurance Program has helped insure for large numbers of children, and Maryland is particularly strong in this regard. According to U.S. Census Bureau data, only 6.6 percent of Maryland children below 200 percent of poverty were uninsured between 1995 and 1997; 31 percent of children were living in households earning below 200 percent of the poverty line. While the rate of insurance among children is good news, health coverage for adults is critical for their effective participation in the labor market.

The booming economy has left the bottom 20 percent of families behind. This report identifies strategies to address the needs of this population, a group that has experienced wage gains, after adjusting for inflation, averaging only \$.12 per hour during the past eleven years of growth (Hill 2000a).

Job Growth and the Labor Market

Maryland's job growth rate in 1999 exceeded that of the nation, ranking sixteenth among the 50 states. An analysis of the jobs with the highest number of annual openings reveals that **44 percent of Maryland's top 50 jobs are in**

occupational areas paying wages of \$7.00 or below. The average wage among these jobs is \$6.19 per hour, providing annual wages of \$12,380 for a full-time worker, which is \$825 below the poverty line for a family of three.³ While many Maryland residents enjoy ever higher incomes, others struggle to meet their families' basic needs.

The jobs with the lowest wages tend also to be the ones most accessible to workers with fewer skills. According to the Maryland Department of Labor, Licensing and Regulation, 63 percent of the top 50 jobs require no more than on-the-job training; 11 percent require previous related experience or some postsecondary education; the remaining 25 percent of jobs require a bachelors degree or above. The average starting wage for jobs requiring no more than on-the-job training is \$7.05 per hour while jobs requiring a bachelor's degree start at \$16.10 per hour on average. Maryland's profile of jobs by required skill-level roughly parallels that of the nation. According to projections by the U.S. Bureau of Labor Statistics, 60 percent of the job growth between 1998 and 2008 will be in jobs requiring less than an Associates degree (Osterman 2000). In this context, strategies for "making work pay" such as increased Earned Income Tax Credits, a state minimum wage, and increased child care investments can play important roles in ensuring that all workers receive family-supporting wages.

Regional Differences in Job Growth

The issue of linking low-income people to jobs becomes more complicated by what is referred to as a "spatial mismatch": Maryland's economic growth has not occurred in areas where the greatest number of low-skilled workers reside. This problem is particularly acute for low-income individuals in Baltimore City, where poverty climbs as high as 24 percent (U.S. Census Bureau 2000) and the rate of unemployment is 7.1 percent, twice the state rate of 3.5 percent (Maryland DLLR 2000b). According to a recent study conducted for the Job Opportunity Task Force, Baltimore City has not experienced the strong economic growth that can be seen in the rest of the state. In fact, from 1990-1996, Baltimore City lost more than 10 percent of its jobs, and projections for the future are not much brighter. While jobs in the entire Baltimore metropolitan region are expected to grow 9.2 percent between 1995 and 2005, Baltimore City is only projected to grow less than 1 percent (Jacob France Center and Institute for Policy Studies). This low rate of job growth is exacerbated in the Baltimore metropolitan region by a labor market profile in which more than 50 percent of total jobs are low-skill, low-wage jobs.

With declining jobs in the central city and increasing opportunities in outlying areas, transportation becomes a critical jobs-access issue. According to the

³ The top 50 jobs with the highest projected number of annual openings can be found in the appendix. The top 50 jobs referred to are those in which the Department of Labor, Licensing and Regulation projects the highest number of annual openings between 1996 and 2006 (Maryland DLLR 2000a). These include jobs created through economic growth and those created when an employee leaves and must be replaced.

Citizens Housing and Planning Association, over 35 percent of all entry-level jobs in the Baltimore region are inaccessible by public transportation (Citizens Housing and Planning Association 1999). A concerted effort to build a stronger transportation infrastructure will be a critical part of an agenda to expand opportunities among Maryland's poorest families.

CURRENT WORKFORCE DEVELOPMENT STRATEGIES IN MARYLAND

Maryland's high rate of economic growth presents a great opportunity to develop policies to ensure that all Maryland workers benefit. But this is no small task. The number of people working in low-wage jobs and the rate of growth among those jobs underscores the need for strong and strategic workforce development and economic development systems.

This section provides an overview of how Maryland policies are currently addressing the needs of low-wage workers. Four key areas are discussed: skill development; employment retention strategies; the structure of Maryland's workforce development system; and "making work pay" through wage supplement and enhancement policies.

Skill Development

Skill development is central to the advancement of low-wage workers and, in the view of many employers, critical for Maryland's continued growth. A recent survey of employers indicates that the lack of skills among their employees harms their competitiveness: **38 percent of firms said that labor market conditions in Maryland hinder their business, and 35 percent said that labor market conditions represent a "competitive weakness."** The employers surveyed cited lack of skills among new employees that include training/vocational (18 percent), communication (21 percent), basic education/skills (14 percent) and computer/technology skills (9 percent) (Jacob France Center 1999).

Research also indicates that skill development is essential if many low-wage workers are to advance (Clymer et al. 2000). Effective strategies for skill development and advancement are especially important in a state like Maryland, where the large numbers of low-wage jobs threaten to maintain a sizeable percent of the population at low-wage status.

While Maryland's employers and low-income population both could benefit by worker-training opportunities, access to training for low-skilled workers and the unemployed has been limited by the "work-first" orientation of two of the primary federal sources of workforce development funding administered by the state: Temporary Assistance for Needy Families and the Workforce Investment Act. The Department of Human Resources (DHR) allocates \$57 million of its \$328 million TANF funds to the "Work Opportunities Program," about \$40 million of which is allocated to 24 local Departments of Social Services (DSS) (Nowakowski 2000). These funds provide assessment, job placement, education, training, and retention services. According to a report to the Maryland legislature on its education and training policies for TANF recipients, the Department of Human Resources describes its approach as a "progressive mixed approach" wherein "work first is emphasized; however, education and training are also allowed and encouraged depending on what is best suited to meet the individual needs and circumstances of the TCA [TANF] customer. This is best described as Maryland's *Individualized Approach coupled with Local Department Flexibility*" (Maryland

Department of Human Resources 1999a). While the report indicates that local DSS offices can tailor individualized plans for clients that integrate education and training, TANF recipients engaged in these activities are in the minority. In its report to the legislature, DHR indicated that of 7,106 recipients involved in “Work Opportunities Program,” 1,528 were engaged in education or training activities. Two-thirds of these were involved in vocational education or community college.

The Department of Labor, Licensing and Regulation (DLLR) manages several federal Department of Labor (DOL) programs focused on the employment needs of low-income adults. Largest among them is the Workforce Investment Act (WIA), which provides \$44 million for a range of employment services for low-income adults, dislocated workers, and youth. These funds are administered at the local level by a network of Workforce Investment Boards—WIBs—and fund One Stop career centers in each county that provide assessment, job search assistance, and some training. The state’s WIA plan was launched in July 2000 and, in the view of those interviewed, substantially limits the training that will be available at each county One Stop. The state has not established targets for service or training, and officials indicate that the availability of training will be determined by each local WIB and how they manage their funds within the context of WIA’s “work first” regulations. Several county-level WIBs also seek additional funds and provide training with funding other than DOL funds administered by the state.

The federal work-first orientation that began with welfare reform and was further supported by WIA legislation has redirected the efforts of many states away from skill development in favor of more immediate job placement. In some states, the pendulum has begun to swing back in favor of pre- and post-employment skill development, in recognition of the fact that the development of basic and occupational skills are critical for workers’ long-term ability to earn family-sustaining wages. The challenge states face is to develop creative strategies to look beyond “work first,” such as combining WIA and TANF funds with funding that is more flexible and making full use of the flexibility afforded through new TANF regulations (*see next section*). In Maryland, meeting the challenge to expand skill development opportunities within the context of a “work first” federal climate will produce rewards for low-wage workers as well as for employers seeking workers with adequate skills.

Some localities in Maryland have begun to create initiatives that draw on public and private sector resources to offer opportunities for pre-employment training:

- An agreement between the **Baltimore City Department of Social Services and Baltimore City Community College** created Impact 2000, an initiative that allows 200 TANF recipients to attend college in lieu of the work requirement. Students receive support services through DSS. The University of Maryland School of Social Work is evaluating the project (Malone 2000).
- **Baltimore City’s Department of Social Services** has developed substantial partnerships with Giant Foods, CVS, and Rite Aid pharmacies to train TANF participants as pharmacists’ assistants or photo processors. The employers

receive a tax credit for hiring TANF participants and are reimbursed for all training costs (Nowakowski 2000).

- **The Baltimore County Office of Employment and Training** has initiated several training programs to respond to the needs of job seekers and employers. The county is frequently cited as a local One Stop that creatively packages funding sources to match job seekers of various skill levels with employers. Training is frequently customized to particular employment opportunities, providing entry-level opportunities in areas that include information technologies and manufacturing (Brooks 2000).

Post-Employment Advancement Strategies

Strategies focused on skill development during the post-employment period present an important opportunity to effectively match employers with new employees to meet both their needs, customizing training for particular employers and providing workers with the skills they need to advance. Such efforts can be brought to greater scale through strategic planning, partnership-building and resource development at the state level. The employer involvement inherent in these strategies ensures that workers are trained to employer's specifications and are a good fit for the job, thereby helping employers to overcome their recruitment and retention challenges. And it ensures that workers can advance by creating pathways to higher wage jobs.

- **Empower Baltimore Management Corporation** has worked closely with the Baltimore City's Office of Employment Development (OED) and University of Maryland Medical Center to design a customized training program for entry-level hospital employees. Current employees are trained to become surgical technicians at Baltimore City Community College. OED pays for the training, leveraging Empowerment Zone funds. This model "career ladders" program trained ten surgical technicians in its first year, all of whom earned \$11 to \$18 per hour upon completing the program. Twenty-five people have graduated from the program to date; 85-90 percent of them currently work as surgical technicians (Prince 2000).
- **Through a federal MetroTech grant**, about 200 people will receive pre- and post-employment training in Maryland counties located within 50 miles of Washington, DC. The \$22 million DOL grant was pursued jointly with Washington and Virginia, and it provides employment opportunities in high-tech firms. Training includes occupations from entry-level to higher skill, from cable pullers earning wages of \$11 to \$15 per hour, to software programmers earning \$40,000 per year. The states and counties involved in the effort are also designing programs to help people who start in entry-level positions upgrade their skills and advance to higher-wage jobs.
- **The Arundel Mills Mall Project** focuses on training to upgrade the skills of low-wage retail workers. It includes the development of a "retail skills center" to provide training for current store employees and new workers. While jobs in retail are frequently low-paying, some stores pay up to \$10 per

hour. Funding for the initiative comes from a local community college and the employers themselves (Pasternak 2000).

In addition, two programs operated by the Maryland Department of Business and Economic Development (DBED) provide funding to upgrade the skills of existing employees in certain targeted industries:

- **The Partnership for Workforce Quality** reimburses employers for up to 50 percent of training costs. Employers must demonstrate the impact of training funds on the economy in terms of increased jobs or productivity. In FY 1999, 7,193 workers were trained through grants made to 322 businesses (Chara 2000).
- **The Advanced Technologies Center Initiative** provided \$7 million over three years to assist community colleges to develop the capacity to create customized training programs for employers. Sixteen community colleges have received funding. (Chara 2000).

These DBED programs are not intended to provide pathways for low-skill, low-wage workers to higher-wage jobs. Program administrators state clearly that the goals focus on economic growth, and, in the case of the Partnership for Workforce Quality, employers are chosen who can demonstrate an increase in productivity and jobs. However, the strategic use of these funds could create significant pathways to higher-wage jobs for low-wage, low-skilled workers. Creating links that join economic development initiatives like these to workforce development initiatives are an important strategy to increase opportunities for low-wage workers.

Legislative Initiatives to Expand the Skills of Low-Wage Workers

While some strong local models exist, the limited training opportunities overall for Maryland's unemployed and low-wage populations has motivated a number of legislative initiatives. One or both of two bills filed last year are likely to be filed again this year, with a strong chance of passage:

- **The Working Parents Opportunities Act**, introduced in the House, nearly passed. It would have provided \$9 million in state funds in the first year and \$17 million in subsequent years for training incumbent workers up to 200 percent of the poverty line.
- **The Community College Job Training Opportunity Program** called for TANF funds to be used to broaden training opportunities for TANF recipients and former recipients at community colleges.

Other legislative initiatives being considered include funding to upgrade the skills of incumbent workers through the Partnership for Workforce Quality/MD Industrial Training Program and matching funds to encourage multiple jurisdictions to pool resources and create joint workforce development efforts.

The Role of Community Colleges

Community colleges are at the core of much of Maryland's workforce development activity. They have been a primary provider of education and training services for TANF recipients and other low-income, low-skilled populations funded through TANF, the former Job Training Partnership Act, and other county and state funds.

Several community colleges offer certificate programs in high-growth areas, customized to meet employers' needs. According to the Maryland Association of Community Colleges, approximately 28,000 continuing education enrollments are in customized contract training programs, out of a total 65,000 continuing education enrollments (Kallis 2000).

- **Howard Community College** is a leader among community colleges that have created high-tech course offerings, cooperating with such companies as Corvis, for which it has designed training in laser and fiber optics (Keaton 2000).
- **Baltimore City Community College**, as noted, implements a specialized training program for surgical technicians in cooperation with the Office of Employment Development and the Empower Baltimore Management Corporation.
- **The Maryland Applied Information Technology Initiative—Maryland Association of Community Colleges—MAITI-MACC**—is a \$5 million state initiative to help community colleges increase enrollment in high-tech courses and programs.

In addition to its community college system, Maryland is fortunate to have a large number of prestigious, four-year educational institutions, such as Johns Hopkins University, that create important opportunities for advanced education and skill paths and lifelong learning opportunities.

Employment Retention Strategies

Employment retention strategies are critical to ensuring that new workers can succeed in the workplace. Their importance was underscored by the release of a report suggesting that individuals making the transition off welfare have an especially tenuous relationship with the world of work. In an October 2000 report to the Department of Human Resources, University of Maryland Professor of Social Work Cathy Born noted that among TANF recipients in Maryland who left the TANF rolls between 1998 and 1999, 54 percent were back on the rolls a year later. This was true of only 25 percent of families who had left the rolls between 1996 and 1997. These findings were part of a longitudinal evaluation of welfare reform, conducted by the University of Maryland for the Department of Human Resources. (*Baltimore Sun* 2000). Equally troubling, earlier reports indicated that just half of former TANF recipients in the sample entered

the workforce. Median wages for the group who had entered employment were just \$800 per month (University of Maryland 1999).

Concerned about the lack of support for TANF recipients entering the workforce, the state legislature enacted legislation creating the “Job Skills Enhancement Pilot Program,” a \$1 million effort to provide skill enhancement, retention, and support services in eight counties. The programs, which have just begun, are in the recruitment phase. They are projected to serve 517 people.

In addition, each local Department of Social Services offers retention services to clients making the transition from welfare to work. Many local offices work in partnership with community-based, non-profit organizations that lend critical expertise about the barriers faced by their constituencies. Through these collaborations, community residents receive work-readiness training designed to provide the “soft skills” that are essential to success in the workplace. Currently, the state steers these efforts through performance standards that include wage and retention rates but leaves program design to local decision makers. Creating a state-level agenda focused on the retention and advancement needs of low-wage workers would provide an opportunity for state guidance and leadership that could maximize the effectiveness of local efforts, ensuring that they draw on best practices and leverage all available resources.

Examples of local programs include:

- **A Baltimore County “Super Saturday” program** that invites already employed recipients to take part in computer training and literacy instruction, while offering activities for their children;
- **A mentoring program in Calvert County** that pairs new workers with more experienced professional women who offer coaching and support;
- **Emergency hotlines at several sites** that help participants avoid unexcused absences from work by offering child care and transportation; and
- **Evening workshops, offered by several counties**, on budgeting, parenting, and personal finance.

Transportation

The location of much of Maryland’s job growth has made transportation as critical a jobs-access issue as skill development or retention. The growth of jobs in suburban locations that are generally inaccessible by public transportation has created a sense of urgency and activity among a number of organizations focused on expanding transportation options. In 1999 the Maryland Mass Transit Administration applied for federal funds under the “Job Access and Reverse Commute Grant Program” and received \$5.1 million over two years. The state expects to receive an additional \$2 to \$2.4 million for year three. The Department of Human Resources is also supplying a state match of \$2.4 million in year two using state TANF funds.

These funds support several local Job Access efforts. Examples include:

- **The “Bridges to Work” program**, a project of the Historic East Baltimore Community Action Coalition, provides van pools for 249 people to select suburban locations.
- Working with the new **Arundel Mills Mall**, the Mass Transit Administration is developing several new bus routes funded through the Job Access and Reverse Commute grant.
- **The “Van Arundel” project**, jointly developed by Anne Arundel County and the City of Annapolis, seeks to improve access to jobs in Arundel County.

These projects have been praised by organizations seeking to link job seekers with good jobs, but several concerns have also been expressed. One is the projects’ sustainability after the five-year federal grant cycle ends. Some van pools plan to charge riders when public funding wanes, in some cases up to six or seven dollars per day. For workers earning less than \$200 per week, that can be prohibitive. Others point out that pilot efforts and van pools should be only the first step in the development of large-scale transportation infrastructure. Still others suggest that the focus should be economic development efforts that bring jobs into the central city.

Conclusion

At the state and local levels, creative initiatives are being undertaken to provide skill development, retention, and job access for low-wage workers. State agencies, county and city governments, community-based organizations, and community colleges are all taking important steps to provide opportunities that will enable families to support and sustain themselves. These efforts represent effective models to serve the employer community as well, and they are contributing to the state’s economic growth by doing so.

Expanding these efforts through the development of a state-level agenda can advance the cause of creating economic growth, meeting the labor needs of business and improving the wages of low-income workers. And state policies that promote the development of effective skill development, retention, and advancement strategies can be developed without sacrificing the local flexibility that has been embraced in Maryland. Such policies would ensure that:

- Best practices are supported and replicated;
- Local initiatives leverage all available resources; and
- Local planning proceeds with a vision and mandate to design services that help working poor families move ahead.

THE STRUCTURE OF MARYLAND'S WORKFORCE DEVELOPMENT SYSTEM

The Multiple Systems of Workforce Development

The workforce development "system" in Maryland is not one system but several, overseen by multiple agencies at several levels of government. Better coordination among all agencies focused on workforce development could help ensure that workers can access the services they need to advance and that employers can know where to turn when seeking a pool of skilled labor to meet their growing needs.

Reducing fragmentation in Maryland's workforce development system could enhance the state's ability to leverage resources for the benefit of low-wage workers and employers. For example, closer coordination between DLLR and DHR at the state and local levels could open important job opportunities for TANF clients: many Workforce Investment Boards, which manage DLLR funds locally, work closely with employers seeking assistance in meeting their labor needs. In addition, TANF funds, which federal regulations allow to be spent on low-income, non-TANF populations, provide much greater and more flexible resources than those available through the Department of Labor. Coordination between DLLR and DHR could result in a strategic plan for investing DOL and TANF funds in ways that benefit all low-wage workers and make the best use of each funding source. Pooling resources in this way would also help make the system more accessible for employers, opening the opportunity to create customized training programs with a mix of funds.

Several examples of local coordination provide excellent models for other counties and the state:

- **Baltimore County**, through its Office of Employment and Training, has combined all its DOL, TANF, and local economic development funds to serve employers and job seekers flexibly and responsively through its One Stop center. This pooling of resources reduces the limitations that One Stops typically encounter when trying to manage federal programs with differing eligibility standards and allowable activities. Rather than allowing someone's eligibility to dictate what service they can receive, One Stop staff can determine each customer's service need, then find the pot of funds that will pay for it (Brooks 2000).
- **The One Stop Center in Southern Maryland** integrates staff from several agencies (DSS, Vocational Rehab, Job Service) to provide common intake and case management for all customers. This eliminates confusing duplication of staff roles and enables all staff to serve any customer (Cassidy 2000).
- **In Montgomery County**, the local Workforce Investment Board and Chamber of Commerce are one and the same, ensuring coordination of services to worker and employer "customers." In addition, the WIB links all of its state, federal, and county funding sources to provide all customers with

individualized services. A new pilot effort blends unspent Welfare-to-Work funds with TANF and WIA universal and dislocated worker funds to provide upgrade training for low-wage workers.

There are signs that Maryland is moving to remedy its fragmentation at the state level. The growing demand from employers for skilled labor, the challenges presented by welfare reform, and the mandate for coordination that is central to the Workforce Investment Act have motivated state officials to move toward better coordination of workforce development efforts. The body charged with this coordination is the Governor's Workforce Investment Board, which has been in existence for several years. After being re-constituted to increase its business membership, the Board is leading a collaborative effort to develop a comprehensive workforce development system that meets the needs of Maryland workers and businesses alike. The board's membership includes business leaders, labor, community based organizations, and the heads of all state agencies involved in workforce development. According to its five-year "Strategic Plan for Workforce Development," the GWIB will:

- Develop an umbrella agreement among the state partner agencies—the Department of Labor, Licensing and Regulation; Department of Human Resources; Maryland State Department of Education; Department of Business and Economic Development; Department of Juvenile Justice, and the Maryland Higher Education Commission—to establish clear state-level guidelines to promote and simplify the process for local affiliates to cooperate and enhance the workforce development system;
- Promote the flow of resources among partner agencies and to the system of local One Stops;
- Increase the accessibility of partner agency services within the One Stop system; and
- Develop a quality-assurance framework and statewide performance measures for the workforce development system.

While significant structural barriers stand in the way of this level of coordination, success could make a substantial difference in the lives of Marylanders working hard to be part of the economic life of the state.

The Gap between Workforce Development and Economic Development

The greatest structural barrier to an integrated work force system is the gap between workforce development and economic development. ***Closing this gap holds the greatest promise for substantially increasing job opportunities available to the working and non-working poor.***

As in many states, Maryland administers the functions of economic development and workforce development separately, with little coordination and divergent goals. Economic development activities managed by the Department of Business

and Economic Development provide funding to growing businesses seeking to upgrade the skills of existing employees and train generally well-educated new hires. On the other hand, the workforce development “system” operated by DLLR and DHR focuses on the employment needs of low-income, low-skilled populations. The “sides” of the system operate with essentially two different customers: business in the case of DBED, disadvantaged workers in the case of DLLR and DHR. Lack of coordination between these agencies leaves a system that trains disadvantaged people in one area but addresses business’ skill needs in another.

In Baltimore, Mayor Martin O’Malley has also begun to address this issue. In partnership with The Open Society Institute-Baltimore, The Abell Foundation, and The Annie E. Casey Foundation, the mayor created the Foundation Workforce Development Collaborative to help integrate workforce and economic development efforts in Baltimore to improve retention and advancement among Baltimore’s low-skill, low-wage workforce and improve the overall economic prospects of the city. This effort has brought together a range of key city agencies and stakeholder groups.

As examples from other states will demonstrate, aligning the goals and activities of economic development and workforce development can be a powerful strategy for ensuring that economic growth benefits low-wage workers. Efforts that view both economic development and low-wage worker advancement as goals can seek creative ways to provide these workers with skills to help them advance, while improving the business climate by providing an expanded array of industries with a larger pool of trained, much-needed workers. As noted, certain Workforce Investment Boards, most notably Baltimore County’s, have already forged a partnership between economic development and workforce development with great success.

Aligning the goals of agencies with very different perspectives stands as the GWIB’s greatest challenge, and one that it recognizes. In a June 2000 board evaluation, members expressed that “the long-term problem is the development of cooperation between and among agencies” (GWIB 2000). Developing mutual goals and cooperation across departments is not impossible, but it is a task that requires strong leadership to make it a priority. The efforts of local WIBs described above provide strong models that can pave the way.

Making Work Pay

As important as skill development and system-building efforts are to the creation of opportunities for the working poor, equal attention must be paid to ensuring that all workers receive family-supporting wages. Efforts to “make work pay” include strategies that are outside the workforce development system yet operate in tandem to support low-income workers and enhance their wages. Several such strategies are being pursued in Maryland, and others could be undertaken to ameliorate poverty among those who work.

- **Earned Income Tax Credit:** The EITC has a powerful impact on child poverty. Maryland provides a modest credit equal to 15 percent of the federal credit. The state recently took the additional step of making the EITC refundable, increasing the benefit for very low-income families. It is one of only ten states to do so. Montgomery County has also instituted a local EITC (Center on Budget and Policy Priorities 2000). A recent legislative proposal would further increase the EITC for low-income workers with children.
- **Child Care:** Public investment in child care, one of the highest costs in a family budget, makes a critical difference for low-wage workers. Maryland has made a substantial investment in this area. In the fall of 1999, it made an additional \$45.8 million in child care subsidies available for low-income families. In FY 2001, Maryland funded 26,968 slots, which are accessible to families earning up to 45 percent of the state's median income. This is a substantial investment in child care, and while more can be done to support families earning above 45 percent of the state median income, this increase is a significant step forward (Maryland DHR 2000). Legislation is being proposed that would further expand child care through all-day kindergarten, increased child care program funding, and increased tax credits for child and dependent-care expenses.
- **Child Support:** Maryland policies create a major disincentive for custodial and non-custodial parents to cooperate with enforcement efforts. TANF recipients receive none of the payments collected through child support enforcement, which the state keeps for reimbursement of paid TANF benefits. (Hill 2000b).
- **Income Disregards:** Many states use income disregards as a key strategy to ease the transition from welfare-to-work. Maryland policies are extremely limited, disregarding only the first 35 percent of income before reducing a family's TANF benefits on a dollar-for-dollar basis. This low disregard level adds to the difficulty TANF recipients experience making the transition from welfare to work (Hill 2000a).
- **Cash Assistance:** Maryland's level of cash assistance is extremely low, limiting the use of TANF as an effective supplement to low wages. The maximum allowable earnings for a person to be eligible for TANF is \$521, which is 44 percent of the federal poverty level (Hill 2000a).
- **Living Wage Laws:** Baltimore's living-wage law has had a positive impact on low-wage workers employed on projects with city contracts. One study found a mere 1.2 percent increase in costs to the City. The study also found that the impact on earnings was lessened by the fact that many jobs covered by the Living Wage Law are part-time (Neidt 1999).
- **State Minimum Wage:** Maryland has no state minimum wage, a strategy that other states have employed to address poverty among workers.

- **Children's Health Insurance Plan:** CHIP is a critical support to low-income families struggling with the high cost of health care for their children. Maryland is a leader in this regard: only 6.6 percent of children are uninsured among families with incomes below 200 percent of poverty (Economic Policy Institute 2000a).
- **Medicaid:** Many working adults go uninsured due to the low eligibility threshold for Medicaid in Maryland. Family income must be no higher than \$522 per month, 45 percent of poverty for a family of three, putting Maryland's Medicaid eligibility level at one of the lowest in the country (Hill 2000a).

Many of Maryland's policies and locally driven initiatives to meet the needs of low-wage workers could be expanded through a strategic, state-led approach. The current economic environment provides an exciting opportunity to create a coordinated system to implement strategies focused on improving the skills and job opportunities of low-wage workers. Such strategies would help poor working families, while at the same time enhancing the climate of economic growth by providing business with an expanded supply of well-trained employees.

STRATEGIES USED IN OTHER STATES TO ADVANCE LOW-WAGE WORKERS

Many states share Maryland's economic good fortune, with resulting dramatic reductions in TANF caseloads, increases in surplus TANF funds, an abundance of jobs, and business communities eager to collaborate with government to meet their labor needs. Several states have taken full advantage of these conditions to expand efforts to help individuals struggling to work beyond poverty. While no one state has solved the problem, a number of state-led initiatives offer valuable lessons to states striving to go beyond job placement to achieve steady work and higher wages for their low-income residents. Many of these initiatives come out of welfare-to-work efforts yet can be extended to benefit all low-wage workers.

Emerging research on the most effective strategies for the advancement of low-wage workers is beginning to inform states' efforts. Several lessons are being applied in strategies aimed at skill development and job retention: steady work alone is not a path to higher wages; where someone starts in the labor market—her initial wages and occupation—matters for her future success; and postsecondary education or training is a key factor in who advances over time (Strawn and Martinson 2000). Each of these lessons is part of the strategic underpinning of state efforts in skill development and employment retention.

Skill Development

As in Maryland, many states have found that the the work-first orientation of welfare reform and WIA severely limits opportunities for low-income individuals to develop occupational skills. Nevertheless, a growing number of states recognizes that skill development is critical if workers are to attain jobs paying higher-than-poverty-level wages. This is especially clear after observing the outcomes of their former TANF populations.

Several states have begun to take advantage of the 1999 federal regulations that give states broad flexibility to use TANF dollars to provide a range of skill development and support services leading to better jobs. Oregon and Minnesota are among states that have taken the additional step of using TANF funds to serve low-income individuals regardless of TANF status (Clymer et al. 2000), which is now allowed by TANF regulations.

Some states have used WIA funds to support skill development for low-wage workers by taking advantage of provisions that permit the funding of incumbent worker training programs with Governor's 15 percent Reserve Funds. WIA regulations make it clear that WIA-funded incumbent worker programs do not have to meet the same performance standards that are required of employed adult and dislocated worker programs served by local formula funds (Clymer et al. 2000). Maryland performance standards require an average wage increase of \$3,000 in six months. Maryland officials cite these performance standards as a barrier to offering advancement training.

Skill development is essential to assist workers to achieve employment that pays wages that can sustain a family, but the quality and type of skill development programs make a difference. Programs with the following design features significantly enhance program placement rates and wages. In general, successful programs (Strawn and Martinson 2000):

- Are developed to the specifications of employers or industries;
- Integrate basic education and life skills training with occupational training;
- Provide paid training opportunities;
- Prioritize placement into higher wage jobs and seek employer partnerships with that goal in mind; and
- Make support services available to trainees.

Several states have undertaken expansive skill development efforts based on these lessons. Among the most successful skill development programs are those that involve employers and combine pre-employment training with post-employment advancement strategies. **Career ladder initiatives** represent innovative examples of public/private partnerships to help workers advance:⁴

- **Shoreline Community College** in Washington State has created sector-specific training programs for employers in manufacturing and health care, as well as occupational programs, including information technology and customer service. Each “career ladder pathway” features an employer commitment to hire qualified participants, who include TANF recipients and other low-income individuals. The program involves 12 weeks of pre-employment training as well as paid work experience and the opportunity for continued career counseling and training post-employment. The state has essentially adopted Shoreline’s Job Ladder Partnership as the framework for workforce development for low-income populations, providing substantial resources for community colleges to develop such programs.
- **In Dane County, Wisconsin**, public, private, and non-profit representatives gathered together to create the Jobs with a Future initiative, consisting of industry partnerships in the manufacturing, health care, finance, and insurance industries. The Dane County Job Center refers job seekers and those working in high-turnover, dead-end jobs to pre-employment training programs in one of the four sectors. The Job Center also arranges any needed support services. Employers hire individuals who complete the training program. Those employers then sponsor joint training for

⁴ All examples in this section but the one indicated are drawn from research conducted by Jobs for the Future and compiled in the unpublished report “Community Career Ladders, Research Results,” June 2000.

incumbent workers, so the employees hired through the Job Center can gain the skills to fill higher-level vacancies in the participating firms.

- At a community college effort funded by **Oregon’s JOBS program**, participants enroll in customized training, with on-the-job training for 60 percent of class time and training at the college for the remainder. The training can be applied toward a certificate or Associates degree (Clymer et al. 2000).
- **In Indiana**, an initiative of the governor funded by the Joyce Foundation seeks to shift the emphasis of economic development from job creation to talent creation by conducting a skills-gap analysis that targets areas of the state for investments of training funds. Training programs for these areas are developed with information gathered by the Indiana Economic Development Council, Inc., which identifies industry clusters that offer livable wage and career advancement opportunities.
- **The Memphis Chamber of Commerce**, in partnership with the city Office of Planning and Development, manages an innovative strategy for aligning local business needs, high school career academies, community college training programs, and local workers in a system that seeks to “grow” the workforce. One outcome has been the creation of a career pathway between local telemarketing firms and FedEx. Employees of the telemarketing firms are referred to FedEx for employment in higher paid positions once they have demonstrated competencies in basic work skills. This arrangement has reduced turnover for the telemarketing firms and provided FedEx with a reliable source of qualified, entry-level workers.
- **Cuyahoga Work & Training, a TANF-funded agency in Ohio**, is beginning a three-tier, multi-employer initiative in the health sector. Cuyahoga Work & Training has partnered with Meridia, a health care provider with multiple locations, using TANF funds to subsidize the wages of former TANF recipients. A wide range of supportive services is available, such as childcare, transportation, and counseling. Employees are initially hired into entry-level, Tier One jobs, then become eligible to move to Tier 2 jobs after a year of continuous employment with a satisfactory work record. The next steps in the development process are to identify Tier 3 jobs and training needs and to expand to additional employers. The goal is to make the program industry-wide within the health care sector.

Employment Retention Strategies⁵

A number of states have begun to institute retention programs that are directed and designed by the state while providing room for local flexibility.

Public/Private Ventures has identified seven states with retention initiatives that are defined by state policy: California, Minnesota, Oregon, Rhode Island, Texas, Virginia, and Washington (Clymer et al. 2000). All programs focus services on those making the transition from welfare-to-work; Oregon and Washington also offer services to the non-welfare working poor.

These programs have many unique features and share some common elements:

- **Some include financial incentives for both employers and employees.** In California's program, employers receive \$2,000 per employee if the individual receives on-the-job training, demonstrates competency in skills, and stays employed for 90 days. Minnesota pays trainees for time spent in class at the completion of training.
- **Most programs offer intensive one-on-one support** that can include crisis counseling and coaching in "soft skills," such as social survival skills in the workplace.
- **Some programs offer cash assistance in the form of grants or loans for emergencies.**
- **Most programs offer job coaching and mediation.** In Texas, coaches visit work sites frequently to develop relationships and resolve work issues with employers. Staff meet with supervisors when needed to address barriers and learn about advancement opportunities.
- **Some states have opted to extend services beyond their TANF populations** as part of an overall strategy to support the economic self-sufficiency of low-wage workers. Washington state provides retention and advancement services to people up to 175 percent of poverty; Oregon offers these services to 180 percent. In Indiana and Ohio, individuals up to 200 and 250 percent of poverty, respectively, are eligible for a range of services and benefits.

⁵ Much of this section is drawn from the draft paper "Working for Change, State Policies and Programs to Help Low-Wage Workers Maintain Steady Employment and Advance," by Carol Clymer, Brandon Roberts and Julie Strawn of Public/Private Ventures. The paper was produced for the conference "Low Wage Workers and the New Economy, Strategies for Opportunity and Advancement," organized by Jobs for the Future in May, 2000.

Systemic Reforms

Even among states that have instituted aggressive skill development and employment retention programs, progress has been slow and uneven. In some cases, policy and systemic issues have stood as barriers to the expansion of programs providing access to better jobs for low-wage workers.

Consolidation and Expansion of Workforce Development

Recognizing that the needs of low-wage workers require systemic changes, many states have embarked on efforts to build stronger and more highly coordinated systems of workforce development. Making sustained, structural changes to institutional systems is not an easy task. As in Maryland, the efforts of even the most diligent states have sometimes proceeded in fits and starts.

A University of California, Berkeley, report, “Toward Order From Chaos, State Efforts to Reform Workforce Development Systems,” finds that is the case even in states that begin with a strong vision of a coordinated workforce development system: “In many states, the state’s vision is more powerful than its implementation.” States that have been the most successful in implementation have consistent policies that have developed over time with the support of a series of governors and bipartisan support from legislative leaders.

An ultimate goal of coordination is to pool resources so that the system services its clients and employers equally well. Some states have successfully pooled the resources of categorical funding streams, such as TANF and WIA, much like some of the individual WIBs in Maryland. WIA, with its emphasis on oversight by Workforce Investment Boards and coordinated service delivery through One Stop career centers, provides an opportunity to create more effective services for and linkages between workers and employers, despite the barriers to coordination the legislation has maintained by leaving categorical funding streams intact. By coupling that with the flexibility TANF provides to fund advancement strategies for all low-income people and not just TANF recipients, states have created highly individualized and employment-focused services to advance the prospects of a broad group of low-income people. This strategy has led to systems that are more “holistic, in the sense that they include a variety of potential clients and more flexible and responsive services determined by individual assessments and labor market information” (Grubb et al. 1999).

- ***In Utah, all workforce development services are provided through one department.*** Performance measures are set for the whole department across funding streams, and customers go to employment centers to receive services from employment counselors and social workers. Public benefits are coordinated at these centers as well, so customers can sign up for Food Stamps, Medicaid, and other benefits that can ease the strain of low-wage employment (Strawn and Martinson 2000).
- ***North Carolina*** has made workforce development a primary goal for 40 years. In 1995, the governor and General Assembly embarked on a five-year

period of system change, creating a single office for state-level planning and policy in the Department of Commerce and integrating local delivery systems through One Stop centers. It also established a common follow-up system for job training and education programs with all programs reporting data to the Employment Security Commission (Jobs for the Future 1999).

- **Louisiana, New Jersey, Oregon and Tennessee** have developed unified plans under WIA that include the use of TANF funds to provide retention advancement services (Clymer et al. 2000).

Bridging the Gap Between Workforce Development and Economic Development

A few states go one step beyond consolidating workforce development: they leverage extensive employer involvement through linkages with state economic development efforts. Most states have economic development departments focused on enhancing the business climate and fostering economic growth. Many programs seek to help attract and retain employers in high-growth industries by providing customized technical skill upgrade training for high-skilled incumbent workers. The success of some states in using such programs for the advancement of entry-level employees suggests that the tight labor market is increasing employers' willingness to target training resources to these workers.

- **New Jersey** provides \$70 million annually to workforce training initiatives, directing 50 percent of this toward training customized to the needs of employers. The funds are raised through a workforce development tax enacted in 1992. The workforce development fund's enabling legislation specifies that training should benefit front-line workers. All of New Jersey's services to employers, including training available through the workforce development fund, are "sold" to employers by "Business Service Representatives" working from the Division of Business Services within the Department of Labor. These representatives present a full range of services, including recruitment, assessment, and other services available through the One Stop centers and all economic development programs, including the workforce development fund as well as other tax credits, loans, etc. (Peters 2000).
- **Minnesota** is combining funding for pre-employment training for welfare recipients (its Pathways program) with funds from its economic development program (the Minnesota Jobs Skills Partnership—MJSP) to create career advancement pathways for former welfare recipients. Both Pathways and MJSP develop customized training programs to meet training needs within an industry or of an individual employer. An employer hires welfare recipients trained through the Pathways program, and over time the former recipients can enroll in advancement training funded through the MJSP (Grubb et al. 1999).

- **Iowa** state workforce development officials work closely with economic development officials to target training programs to occupations that provide access to growing industrial sectors. The state uses economic development resources to create training programs for employers in sectors targeted for customized training, including life sciences, information solutions, and advanced technology. Officials in Iowa's economic development, workforce development, and education departments all place a priority on tight coordination among their offices, so that low-skilled, low-wage individuals have access to the training opportunities provided through economic development efforts (Lawyer 2000).
- **New York State** policy dictates that representatives of the field offices of both the Empire State Development Corporation (the state's economic development agency) and the state Department of Labor attend meetings to broker deals with employers. These joint meetings ensure that low-skilled workers seeking assistance through One Stops are the first source of new recruits to help meet employer labor needs (Bachelor 2000).

Frequently, it is the state economic development arm that has developed strong relationships with employers, viewing the employer as their primary customer, and economic development efforts may focus on helping to grow key industry sectors. Workforce development efforts, in turn, focus on the low-wage, low-skilled population as the customer. When these two efforts are closely tied together, strategies can be developed to meet the needs of employers for workers while also meeting the needs of low-wage workers for jobs with higher wages and opportunities for advancement:

- **In Georgia**, senior staff at the Department of Training and Education convened focus group meetings with manufacturers throughout the state to determine the feasibility of developing a standard, pre-employment program to prepare candidates for entry-level jobs in manufacturing with a common set of fundamental skills. The resulting Certified Manufacturing Specialist Program has certified 3,500 new workers and spun off a similar Certified Customer Service Specialist Program, as well as plans for an entry-level training initiative in the construction trades (Jobs for the Future 2000b).

Making Work Pay⁶

While efforts to help workers advance are critical, many people will spend a significant number of months, perhaps years, in jobs paying barely enough to support an individual or a family. Many states apply a variety of strategies to supplement the wages of these low-wage earners:

⁶ This information is drawn from the report "Windows of Opportunity, Strategies to Support Low-Income Families in the Next Stage of Welfare Reform," Center on Budget and Policy Priorities, March 2000.

- **Earned Income Tax Credit:** Eleven states have adopted their own EITCs to augment the federal EITC, which provides a tax credit for wages earned for low and moderate income families. Eight states have refundable EITCs like Maryland's, enabling very-low-income families to benefit when the amount of the credit exceeds their tax bill.
- **Child Care:** public investment in child care, one of the highest costs in a family budget, makes a critical difference for low-wage workers. Many states, including Maryland, are investing TANF funds in child care subsidies for working poor families.
- **Transportation:** The location of many new jobs make them difficult if not impossible to reach by public transportation. States can use TANF funds to provide transportation subsidies, including assistance with the purchase of a car. Other states use TANF and other funds to support van pools or other "paratransit" systems.
- **Child Support Enforcement:** Child support can make a real difference for families when states pass the support on to families. Most states retain all or part of child support payments as reimbursement for public assistance benefits paid to the family. Passing payments on to families on TANF would provide an incentive for non-custodial parents to comply with child-support enforcement orders. Connecticut passes on the entire child support payment to the custodial parent and also disregards \$100 of this income when calculating TANF benefits.
- **Income Disregards:** Income disregards in all but eight states, including Maryland, insure that welfare recipients have greater income from work than from public assistance. In most states, individuals remain eligible for assistance until their income surpasses 75 percent of poverty. Seven states allow recipients to earn up to 100 percent of poverty before becoming ineligible for assistance. Only Minnesota combines disregards with other wage supplements by allowing working recipients to receive assistance until their income reaches 140 percent of poverty (Clymer et al. 2000).
- **Cash Assistance:** Many states allow families with low earnings to remain eligible for TANF cash assistance. Thirty-five states allow families to earn wages higher than Maryland's threshold of \$521 per month.
- **Living Wage Laws:** Many localities have passed living-wage laws, setting a minimum wage for those working under public contracts. According to a study of the Economic Policy Institute, Baltimore's law, which mandates a wage of \$7.70 per hour, has had a positive but small impact on approximately 1,500 low-income workers, while increasing the cost of living-wage contracts by only 1.2 percent (Niedt et al. 1999). The modest impact on workers was due to the part-time nature of the jobs in which they worked. Workers in full-time jobs would see greater gains.

- **State Minimum Wage:** A few states have sought to help low-wage workers rise out of poverty by setting a minimum wage higher than the federal level. A study conducted in Oregon, which has the highest minimum wage in the nation, found that workers in the bottom tenth and fifteenth percentiles experienced significant wage gains, including former welfare recipients who saw a 2 percent increase in wages in the first year of full implementation. The study also found no evidence of job decline (Thompson 1999).⁷
- **Health Care:** While Children's Health Insurance Programs have reduced the number of low-income children without health care, many low-income adults remain uninsured. In many states, Medicaid is inaccessible for those not eligible for TANF, usually a level that is set well below the poverty line. However, a number of states have expanded Medicaid coverage to families with incomes up to 200 percent of the poverty line, including Wisconsin, Connecticut, Rhode Island, New York, California, Missouri, and the District of Columbia.

⁷ It has been suggested that many minimum-wage workers are teenagers in fast-food outlets and other entry-level jobs and that they receive financial support from parents, making the minimum wage less of an issue. Nationally, 71 percent of minimum wage workers are adults, not teens (Economic Policy Institute 2000b).

OPPORTUNITIES AND CHALLENGES FACING MARYLAND

Maryland has a tremendous opportunity to eliminate poverty among those who work. The combination of economic growth, federal resources and regulatory changes, and the energy and drive among the many people involved in workforce development at the local and state levels creates a climate that holds the potential to make an enormous difference in the lives of working families.

Several key factors present the opportunity to create ways for low-wage families to move ahead:

Maryland has one of the highest rates of growth in the country.

The tremendous job growth in Maryland provide significant opportunities for the unemployed and under-employed. Strategic alliances among the state, local institutions, and employers to provide training can open those opportunities to the lowest-skilled, and strategic planning regarding career paths can help those workers advance. Such efforts need to include transportation systems to make jobs accessible to the people who need them most.

Businesses are eager to work with the state to resolve labor shortages.

Business participation on the Governor's Workforce Investment Board and local WIBs, and in partnerships with community colleges and Departments of Social Service, indicate that business is looking to the state for help with labor shortages. Demand for new workers has also led employers to commit significant training resources of their own. The strategic development of partnerships with employers who are open to collaboration can result in pathways to entry-level and higher-paying jobs for workers and non-workers with low-skills and meet business needs simultaneously.

Maryland has significant resources to increase skill development, retention, and advancement opportunities.

The rise in personal income tax revenues and federal regulations which broaden the allowable use of TANF funds present an opportunity to provide greater resources for the advancement of low-wage workers.

Strong infrastructure exists in the form of community colleges, local non-profits, and newly reconfigured workforce investment boards.

There is no lack of initiative, drive, or determination among the many institutions involved in workforce development. Examples include community colleges that have adapted to meet the needs of non-traditional students and local employers; local Departments of Social Services and one-stops that collaborate to provide a range of important services for their target populations; and local Workforce Investment Boards that have developed coherent systems that meet the needs of employers and low-wage workers.

Some effective policies are in place to help to “make work pay” for people in low-wage employment.

Some policy initiatives undertaken by the state have begun to make a difference for low-income working families. The refundable Earned Income Tax Credit, expanded child care subsidies, and the level of health insurance among poor children are important indications that Marylanders want policies that reduce poverty.

Many legislative leaders are engaged in the issues affecting low-wage workers.

Many legislative leaders in Maryland are acutely aware of the problems of low-wage workers and the weaknesses of welfare reform, and they are working hard to create systems of support that can provide a real bridge to work for those in transition. Efforts like the “Jobs Skills Enhancement Pilot Program” show this resolve, as do initiatives filed in the last legislative session that are expected to be filed in the next one.

Maryland is in a strong position to take full advantage of the economic circumstances and best intentions of business, community and government leaders to make a difference in the lives of working families. However, certain challenges will have to be overcome to create a system that advances models to enhance the employment prospects of the largest number of low-wage workers. These challenges include the following:

High rates of poverty continue in certain low-growth areas.

Poverty is stubbornly high in Baltimore, which also provides the fewest new job opportunities. An intensive effort will be needed to develop the skills of large numbers of unemployed and under-employed, develop a comprehensive transportation plan that provides access to jobs in outlying suburbs, and bring jobs into the inner city.

A large number of jobs pay wages too low to sustain families.

Wages in many occupations in the highest growth areas remain low. Strategic partnerships need to be forged with employers in key industries to create career paths and opportunities for incumbent worker training, so that workers can avoid getting permanently “stuck” in low-wage positions. In addition, a broader set of policies to “make work pay” needs to be initiated so that workers in these jobs can support their families. Two strategies that would have a particularly strong impact are improving access to health insurance for working adults and increasing earnings disregards.

Program strategies are locally driven, limiting the opportunity to foster and guide effective strategies statewide.

Many Maryland public officials speak of the importance of making programmatic decisions at the local level, based on local knowledge regarding need. Yet even within the context of this kind of decentralization, local efforts

could have a greater impact and effective models could be replicated if the state provided vision and leadership for an agenda around retaining and advancing low-wage workers and meeting employer needs. Strong state-level vision and guidance would ensure that industries and employers are targeted strategically and that local programs leverage key resources, draw on best practices, and proceed with a clear set of priorities focused on the needs of low-wage workers and employers.

Maryland directs few state resources toward advancement training for low-wage workers.

There are especially few resources focused on advancing the formerly unemployed once they are on the job. Adopting the approach of states that broaden the use of TANF funds to non-TANF populations, and making these resources available for workers up to 150 percent or 200 percent of the poverty line, would open up the opportunity to help workers advance along career ladders. In addition, Maryland could strategically target the use of its 15 percent discretionary funds under WIA for incumbent worker training, and it could direct its state economic development resources toward training that would provide low-skilled workers with access to higher wage jobs.

The workforce development efforts of DLLR and DHR are largely disconnected.

Operating DLLR programs through One Stop centers controlled by local Workforce Investment Boards and operating DHR programs through local Departments of Social Services reduces the ability of each agency to draw on the strengths of the other. Many One Stop centers have developed innovative employer partnerships that could benefit the welfare-to-work population. And the skills development and retention programs of many local Departments of Social Services could help bring other, non-TANF residents up from poverty, which is allowed by federal TANF regulations. In many localities, these two departments cooperate to the benefit of all their clients. The best of these local models should be replicated around Maryland and adopted at the state level to improve coordination there.

Lack of coordination characterizes workforce development and economic development.

Many employer partnerships to train new hires and provide advancement training for incumbent workers occur through the work of the Department of Business and Economic Development. Creating common goals and joint programs among DBED, DLLR, and DHR will help drive the development of employer partnerships for the hiring and advancement of workers at all skill levels. Efforts that view both economic development and low-wage worker advancement as goals can seek creative ways to provide these workers with skills to help them advance, at the same time improving the business climate by providing an expanded array of industries with a larger pool of trained, much-needed workers.

Maryland's unprecedented economic growth provides an opportunity to strive harder to address the systemic barriers that stand in the way of prosperity for so many. Indeed, it not only presents an opportunity; for many, it issues a challenge to do more to address great and growing inequities between those workers living in poverty and those with incomes far above the national median. Recent state-level efforts to create common goals and alliances to strengthen the workforce development system are promising, and many local efforts at integration and coordination provide strong models for replication. What they require to truly affect large numbers of low-wage workers across the state is a strategic vision and cohesive leadership focused on the needs of the working poor and employers, as well as strategic planning and policies aimed at overcoming the challenges presented by low-skilled populations and low-paying jobs. Maryland has the capacity to draw on its economic, institutional, and human strengths to resolve these challenges. Doing so can ensure that Maryland workers do not have to be poor, that employers can find the workers they need, and that economic growth and prosperity can continue to enhance the lives of all residents.

Appendix

Top 50 Jobs By Annual Openings

50 Top Occupations	Annual Openings	Starting Hourly Wage (\$)	Required Skills
Bartenders	460	5.73	on-the-job training
Waiters and Waitresses	2,101	5.75	on-the-job training
Combination Food Prep/Service Workers	1,707	5.75	on-the-job training
Hairdressers and Hairstylists	444	5.82	post-secondary vocational training
Food Preparation Workers	1,552	5.87	on-the-job training
Janitors and Cleaners	1,602	5.88	on-the-job training
Counter Attendants, Lunchroom	702	5.92	on-the-job training
Child Care Workers	611	6.11	moderate on-the-job training
Hand Packers and Packagers	688	6.19	on-the-job training
Maids and Housekeeping Cleaners	476	6.25	on-the-job training
Cashiers	3261	6.35	on-the-job training
Guards	1039	6.46	on-the-job training
Sales and Related Workers	595	6.53	moderate on-the-job training
Salespersons, retail	4030	6.58	on-the-job training
Counter and Rental Clerks	426	6.58	on-the-job training
Cooks, Restaurant	553	6.65	long-term on-the-job training
Teacher Aides, Paraprofessional	472	6.86	associate degree
Truck Drivers, Light	799	7.19	on-the-job training
Stock Clerks: Stockroom/Warehouse	478	7.25	on-the-job training
Laborers, Landscape/groundskeeping	798	7.26	on-the-job training
Reception/Information Clerks	1033	7.35	on-the-job training
Telemarketers/Door-to-door sales	671	7.37	moderate on-the-job training
Nursing Aides and Orderlies	617	7.5	on-the-job training
General Office Clerks	1411	7.52	on-the-job training
Adjustment Clerks	524	7.63	on-the-job training
Maintenance Repairers	756	8.31	on-the-job training
Food Service and Lodging Managers	619	8.61	related experience
Bookkeeping/Accounting, Audit Clerks	538	8.95	moderate on-the-job training
Secretaries, Ex Legal or Medical	865	9.14	post-secondary vocational training
Painters and Paperhangers	480	9.52	moderate on-the-job training
Marketing/Sales Supervisors	1454	10.03	related experience
Truck Drivers, Heavy	673	10.61	on-the-job training
Automotive Mechanics	572	10.9	post-secondary vocational training
Carpenters	598	10.97	long-term on-the-job training
Clerical Supervisors	1478	11.38	related experience
Electricians	564	11.86	long-term on-the-job training
Teachers, Elementary	931	13.2	bachelors degree
General Managers and Top Execs.	2633	13.66	exp+degree
Computer Support Specialists	500	14.12	bachelors degree
Accountants and Auditors	700	14.36	bachelors degree
Police Patrol Officers	572	14.66	long-term on-the-job training
Financial Managers	434	14.99	bachelors degree + experience

Teachers, Secondary School	1056	15.47	bachelors degree
Market/Advertising/Public Relations Managers	437	15.74	bachelors degree + experience
Registered Nurses	1253	17.11	associate degree
Systems Analysts	1510	18.72	bachelors degree
Computer Programmers	623	18.86	bachelors degree
Computer Engineers	778	19.6	bachelors degree
Electrical and Electronic Engineer	479	20.31	bachelors degree
Engineer, Math, Natural Science Managers	456	27.68	bachelors degree + experience
Total Annual Openings:	48009		

SOURCE: Maryland Department of Labor, Licensing and Regulation

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