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Working class bears brunt of recession

Study: Most Md. job losses, foreclosures hit lower-, middle-income residents

By Jamie Smith Hopkins
JAMIE.SMITH.HOPKINS@BALTSUN.COM

Maryland might be holding up better than most states, but the deep national recession walloped rank-and-file workers on the lower end of the pay scale, according to a new report by two groups.

The Progressive Maryland Education Fund and the Maryland Budget & Tax Policy Institute, which both focus on low- and moderate-income families, said in the study issued Friday that these Marylanders "represent the bulk of the job losses and foreclosures." Median wages fell last year for Marylanders without a bachelor's degree, including an 8 percent drop for those with some college education.

"These families are much more likely to be living paycheck-to-paycheck without any savings to cushion a downturn," write the authors of "The State of Working Maryland 2009" report. "For these families, a setback quickly becomes a crisis."

Even as more residents need help, government agencies and nonprofits are less able to provide it because of state budget cuts, the study adds. The Maryland Budget & Tax Policy Institute has called for tax increases to reduce the need for cuts.

Neil Bergsman, director of the institute, said recession-fueled setbacks for workers have ranged from job losses to income reductions as hours are cut back. Maryland's average workweek was just under 35 hours in July — down 9 percent from the beginning of 2008, in the early part of the recession, the report said.

Unemployment, always higher in Maryland's lower-income communities, topped 10 percent in Baltimore City and Dorchester County in September, the report notes. That compared with rates below 5.5 percent in affluent Howard and Montgomery counties.

The state's overall unemployment rate that month was 7.2 percent, much lower than the national rate, 9.8 percent.

Richard P. Clinch, director of economic research at the University of Baltimore's Jacob France Institute, said there's no question that lower- and moderate-income workers are feeling the recession's pinch more than higher-income residents. That's what always happens in a downturn, he said. Even in good times, "the lower your level of educational attainment, the higher your level of unemployment."

The recession that began at the end of 2007 has been particularly rough on blue-collar workers because of steep job losses in construction, part of the fallout from the housing slump, Clinch said.

One upside he sees is that falling home prices make high-cost Maryland more affordable for the working class. But that doesn't help residents who bought during the bubble and have seen their home equity disappear.

Joanna Smith-Ramani, director of the Baltimore CASH Campaign, which offers tax preparation and financial education to lower-income workers, said she's seeing a lot of residents in "deep financial distress."

"People have lost jobs, they've lost health insurance," she said. "They didn't have the flexibility before or didn't make the choice to have an emergency savings account, so they literally have nothing to fall back on."

Even some who saved for a rainy day have run through that money, she said. What they need most of all is for businesses to start adding jobs rather than cutting.

"People are so anxious because they have no clue when it's going to end," Smith-Ramani said. "There's definitely this sense that 'things aren't going to get better for me; I don't know what to do.' "