

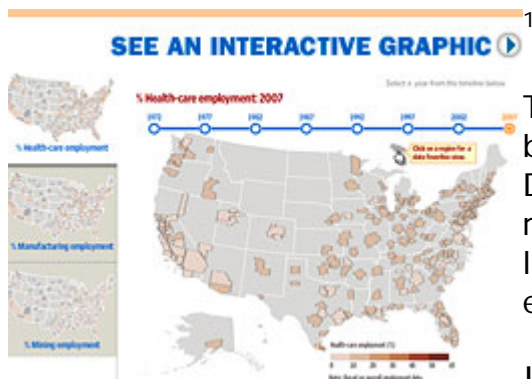
Factories Fading, Hospitals Step In

By CONOR DOUGHERTY

April 15, 2008; Page A1

BANGOR, Maine -- In this aging manufacturing region, where old-line industries like paper factories are falling away, health care has emerged as the employer of last resort.

Between 1998 and 2007, the Bangor metropolitan area (pop. 150,000) lost about 3,700 jobs in manufacturing, but gained 3,500 jobs in health care. For many residents in Bangor, the hospital is replacing the mill as the passport to the middle class. For others, it means lower wages and fewer opportunities to advance.



This trend extends nationally, and it could help blunt the effects of the faltering U.S. economy. Demand for health care tends to stay strong during recessions. Cash-strapped consumers are more likely to cut back on new appliances or cars than emergency-room visits.

Indeed, while the number of manufacturing jobs nationwide fell by 48,000 in March and by 310,000 over the past 12 months, health-care employment rose by 23,000 last month and is up 363,000 jobs on the year, according to the government's most recent data.

The loss of jobs in manufacturing and the adverse consequences for the middle class are recurring themes in the battle for the Democratic presidential nomination, especially in the run-up to Pennsylvania's crucial primary on April 22. Both Barack Obama and Hillary Clinton are promising to take steps, including changes to tax and trade policies, to revitalize manufacturing. At a forum on manufacturing in Pittsburgh on Monday, each candidate charged the other with being insufficiently serious about the downsides of a free-trade pact and unsympathetic to the anxieties of American workers.

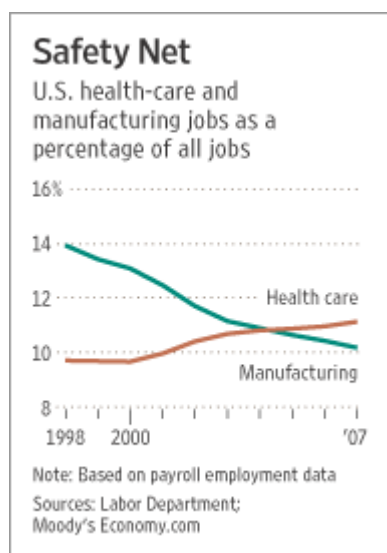
Yet health care is more likely to be an economic driver in many towns and cities -- especially if a Democrat is elected president. Sens. Obama and Clinton support overhauling the nation's health-care system to cover millions of people who are uninsured -- and that could increase health-care spending, which now accounts for 16% of the gross domestic product.

Growth in health care is fueling local economies across the country, as medical facilities replace factories. In Duluth, Minn., 20% of the jobs are in health care, compared with 14% a decade ago. In the Canton, Ohio, area, which lost the maker of Hoover vacuum cleaners and dozens of other manufacturers, the health-care industry is expanding rapidly. A similar story is unfolding in Anderson, Ind., once a major producer of cars and car parts.

There are downsides to health care's ever-increasing role. A community that relies on health jobs can end up with a weaker economy, one overly dependent on government programs like Medicare and Medicaid. Greater inequality is a risk, too. In health care and other service industries, there tends to be a wider income gap between what the highest- and lowest-paid workers earn than there is in manufacturing. Surgeons can have salaries in the high six figures, while personal-care attendants often make little more than minimum wage.

A Wider Income Gap

In the late 1980s, according to calculations by the Economic Policy Institute and the Center on Budget and Policy Priorities, liberal think tanks in Washington, incomes of Maine families in the best-off fifth of earners made 5.4 times as much as those on the bottom, on average. By the mid 2000s, average incomes of the best off were 6.3 times those at the bottom. Most states saw even greater widening of income disparities.



Of course, the U.S. has been moving away from manufacturing and toward a service economy for decades. The country has thrived in this period, with gains in productivity allowing for growth in nonfactory jobs from accountants to massage therapists.

The shift to medicine is evident throughout Bangor. At Eastern Maine Community College, which has long offered classes in such traditional crafts as welding and pipe fitting, the most popular programs these days are nursing and medical radiography. The school now offers six health-related degrees, double the number a decade ago, and many courses are oversubscribed. Last year, the college had 261 applications for the 32 slots in its nursing program.

More health-care workers means more diversity for this almost all-white city. At Thistles, an Argentine restaurant in Bangor, owner Santiago Rave says that 10 or so Latin doctors new to the area regularly patronize his restaurant. Monthly "Tango Tuesdays" are popular events.

In 1990, 16% of the jobs in the Bangor area were in manufacturing, while 12% were in health care. In 2007, 6% of the jobs were in manufacturing and 20% in health care. Without the shift, Bangor's unemployment rate, which averaged 5.1% last year, would almost certainly be higher. There are other benefits: The move from manufacturing has helped cut Maine's on-the-job injury rate in half since 1990.

The health-care boom has also upset the economic balance in this sprawling, largely rural state. When manufacturing drove the economy, well-paying factory jobs were spread throughout Maine's rural and urban counties. But higher-paying health-care jobs are concentrated in urban areas. Bangor's Eastern Maine Medical Center, the city's biggest hospital and largest employer, offers sophisticated cancer

treatment, open-heart surgery and other specialized care. Jobs are available not only for doctors but also for highly trained nurses, and X-ray and laboratory technicians.

Rural areas have a larger share of lower-paying health-care jobs such as nursing assistants and personal-care attendants. In 2005, the average health-care wage in Maine's rural counties was \$26,841 a year, \$10,000 less than in the urban counties. Statewide, the average wage for all jobs was \$32,393.

"The rural areas have clearly lagged way behind the more urban areas in the number and types of higher-wage health-care jobs," says Charles Colgan, a professor of Public Policy and Management in the Muskie School of Public Service at the University of Southern Maine.

Falling Timber

A few months after graduating from high school in 1974, Steve Arsenault, a resident of Millinocket, about 70 miles north of Bangor, followed his father to work at the Great Northern Paper Co. paper mill. "It was such an easy way to make good money that it was like a magnet that reached out and grabbed you," he says.



Steve Arsenault

Mr. Arsenault, now 51 years old, started off as a temporary worker, spending eight-hour days transferring 4-foot logs from a conveyor belt. He worked his way up to better jobs, and by 2001 was making \$21 an hour working on a machine that made glossy paper for catalogs.

In the summer of 2002, as the company began laying off workers, Mr. Arsenault says he was told he would soon be out of a job, so he finished the week and quit. A few months later, he started taking classes at the local community college, and eventually became a certified surgical technologist.

Today, Mr. Arsenault works at a hospital in Lincoln, about 50 miles north of Bangor, setting up the operating room and handing instruments to surgeons during surgery. He makes about \$16 an hour, \$5 less than in his last year at the mill.

"I really don't think I'll ever set foot again in the paper industry again," he says. "The uncertainty of any manufacturing -- I want to be able to know that you're going to have a job."

Bangor, located in south-central Maine, owes its existence to its natural harbor on the Penobscot River. It has been praised for its beauty by writers including Henry David Thoreau. More recently, it helped inspire the fictional town of "Derry" in stories by Stephen King. Today, truckers often stop at Dysart's, just outside of town, for baked beans and grapefruit-size biscuits.

By the mid-1800s, the city billed itself as the lumber capital of the world. "The time may soon arrive when the three great cities of North America -- Bangor, New York,

and San Francisco -- shall be representatives of the wealth, population, intelligence, and enterprise of the eastern, central, and western divisions of our country," said Bangor resident Oliver Frost in 1869.

That didn't happen. Maine's timber industry went into decline around the turn of the century, as Americans moved West and started harvesting forests in Oregon and Idaho.

Manufacturing picked up some of the slack. In a 1950 brochure, the city boasted of having 74 different firms that manufactured paper, wood products, textiles and other items. Many of the grand houses that line State Street, across from the Eastern Maine Medical Center, were built by lumber barons. Today, many are owned by doctors.

From its roots as a port and industrial hub, Bangor has grown into northern Maine's retail center, with large retailers including Home Depot and Macy's. Over the past two decades, the medical center has expanded, and several assisted-living facilities have opened.

A battered strip mall near the Bangor International Airport has been transformed into a "medical mall" with dialysis and rehabilitation centers. The Eastern Maine Medical Center says it has secured a small part of the \$52 million it needs to build a new cancer center in Brewer across the river. Eastern Maine Healthcare Systems, the umbrella organization that runs the medical center, is one of the three main sponsors of Bangor's annual American Folk Festival.

Some new manufacturers are popping up: The Eastern Fine Paper mill, which was located in Brewer and closed four years ago, has been taken over by Cianbro Corp., based in nearby Pittsfield. That company plans to build ready-to-assemble pieces of oil refineries that will be shipped to Texas. But overall, health care is poised to continue outpacing manufacturing.

One concern about the health-care industry is its heavy reliance on government money. In Maine hospitals, Medicare and Medicaid together accounted for 59% of gross patient revenues in 2006, according to the American Hospital Association. Nationally, those two government programs accounted for 55% of gross patient revenues.

That could leave the state vulnerable as the government and employers try to pare health-care costs. Faced with a budget crunch, Maine legislators cut \$46 million out of the state's Medicaid budget for the 2008 and 2009 fiscal years. Because of the cuts, the state will lose an additional \$92 million in federal matching funds. The Maine Department of Labor estimates that about 5,000 jobs could be adversely affected by those cuts.

Health care also requires more training in order to advance. Unlike in manufacturing, where workers could start right out of high school and ride a seniority escalator to better wages and benefits, health-care workers primarily move up the ladder through education.

While some former factory workers find new opportunities in health care, the switch doesn't work for everyone. In 1980, just out of high school, Randy Tompkins started working in a shoe factory. A few years later, he switched to Eastern Fine Paper and worked there for 19 years, until the mill shut down.

A new father with a mortgage, Mr. Tompkins was anxious to find work and decided to look for a health-care job. "You can't seem to go around any corner and not see something health-care related: a hospital, a nursing home, a doctor's office," he says.

After six months of classes at Eastern Maine Community College, he became a certified nursing assistant, a job that paid just \$7.75 an hour, half of what he was making at the mill, and with no benefits. He eventually was accepted in the school's registered-nursing program, but says he couldn't maintain a C average. Now, Mr. Tompkins is looking for a new career: This fall he plans to start taking classes in computer integrated machining.