

# MONTANA

BUSINESS QUARTERLY



# BUYING GENUINE MONTANA

WHAT DOES IT MEAN TO BE  
MADE IN MONTANA?

SUMMER 2018

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The Bureau of Business and Economic Research has been providing information about Montana’s state and local economies for 70 years. Housed on the Missoula campus of the University of Montana, the bureau is the research and public service branch of the College of Business. On an ongoing basis the bureau analyzes local, state and national economies; provides annual income, employment and population forecasts; conducts extensive research on forest products, manufacturing, health care and Montana KIDS COUNT; designs and conducts comprehensive survey research at its on-site call center; presents annual economic outlook seminars in cities throughout Montana; and publishes the award-winning Montana Business Quarterly.

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## MESSAGE FROM THE VICE PRESIDENT FOR RESEARCH AND CREATIVE SCHOLARSHIP

Research continues to grow at the University of Montana, along with our graduate student population. UM continues to have the largest graduate and professional student group in the state.

Our primary areas of research continue to be those that most directly impact the state, including forest and land management, fire, tribal and rural health, and community health. A few specific projects include our work at the Flathead Lake Biological Station on aquatic health and invasive species, ongoing efforts at the National Native Children's Trauma Center with our tribal partners, the Center for Children, Families and Workforce Development in the School of Social Work and our research on various wildlife species. With so many exciting research projects being conducted by our world-class faculty, it is hard to name just a few.

In addition to the direct impacts our research has on the region, we also provide support to local and regional businesses. We've recently combined the various business support services UM offers into a single point of contact called AccelerateMT ([acceleratemontana.umt.edu](http://acceleratemontana.umt.edu)). Through this unit we provide entrepreneurship and economic development support via the Blackstone LaunchPad, the Small Business Development Center, Montana Code School, the Procurement Technical Assistance Center, the Montana World Trade Center and our business incubator MonTEC.

Finally, this past April, we partnered with the city of Missoula to host InnovateUM. Through this project and our Broader Impacts Group, we are working to use joint master planning to develop an innovation corridor to blur the lines between the city and University of Montana. It's an exciting opportunity that could help create a new vibrancy in the region.

Thank you for supporting the many research programs at UM, including the work featured in this issue of the Montana Business Quarterly.

Scott L. Whittenburg  
Vice President for Research and Creative Scholarship  
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# MEDICAID EXPANSION A HUGE SUCCESS IN MONTANA

## A Health Care Program That Grows the Economy and Pays for Itself

BY BRYCE WARD AND BRANDON BRIDGE

**M**edicaid expansion could become a major election issue in the upcoming midterms, as its set to renew in 2019. For policymakers and stakeholders in Montana's health care system, the big questions revolve around its costs and whether the state can afford it. But analysis shows the health care program not only pays for itself, it significantly boosts the state's economy.

A study funded by the Montana Healthcare Foundation and Headwaters Foundation found Medicaid expansion introduces \$350 to \$400 million in new spending to the state's economy each year, which will generate thousands of jobs and hundreds of million in personal income over the next two years.

Approximately 75 to 80 percent of Medicaid spending is new money. This means spending on Medicaid expansion rivals some of the larger sectors of the state's economy. It's 33 percent bigger than Montana's beverage manufacturing industry (e.g., craft brewing, distilling, wineries, etc.) and only 10 percent smaller than the total budget for the Montana University System.

Montana approved Medicaid expansion in 2015, which extended coverage to more low-income and disabled Americans. During its first two years, Medicaid expansion provided beneficiaries more than \$800 million in health care and infused a significant amount of money into the economy.

Medicaid expansion spending enters our economy in two ways – first, it supports new health care spending. Nearly one in 10 Montanans were enrolled in Medicaid expansion as of March 2018. Most expansion enrollees would have been uninsured in the absence of the expansion. As such, Medicaid expansion provided tens of thousands of uninsured, underinsured and low-income Montanans with health care they would not have otherwise received.



Second, Medicaid expansion spending replaces existing spending. Even without Medicaid expansion, beneficiaries would have received some health care, but Medicaid expansion changed who pays for their care. Without expansion, the state, the federal government, employers, hospitals and providers, and the beneficiaries themselves all contribute to paying for care that is now paid for via Medicaid. With expansion, the federal government pays for nearly all the care provided to beneficiaries.

The effect is similar to when a Montana company wins a government contract – it brings money into the state's economy that would otherwise not be there. Medicaid expansion impacts Montana's economy the same way and this new money stimulates economic activity creating jobs and income.

It's estimated that between 2018 and 2020, Medicaid expansion will generate about 5,000 jobs and \$270 million in personal income annually (Table 1). This represents slightly less than 1 percent of Montana's employment and income.

During its first five years, Medicaid expansion is expected to generate a total of about \$1.2 billion in personal income and \$2.6 billion in output or new sales. Between June 2015, when the HELP Act was signed into law, and September 2017, Montana added more than 6,200 health care jobs.

It is important to note that the analysis does not say that the expansion creates 5,000 jobs one year and then an additional 5,000 new jobs the next year. Many of the jobs are created in one year and then persist. For instance, a nursing position created as a result of expansion in 2017 that persists through 2020, would be part of the 5,000 jobs in 2020.

But the economic impacts of Medicaid expansion are not limited to just the jobs and the income it directly or indirectly supports. Medicaid expansion also represents a significant investment in Montanans' health and well-being – and these investments pay off.

A substantial body of research from around the U.S. has evaluated the effects of Medicaid expansion and found that it:

*Table 1. Summary of economic impacts of Medicaid expansion in Montana, year and cumulative (income and sales in millions of 2016 dollars). Source: Bureau of Business and Economic Research.*

	2016	2017	2018	2019	2020	Cumulative
Jobs	3,161	5,071	5,326	5,165	4,975	–
Personal income	\$147	\$241	\$265	\$272	\$279	\$1,204
New sales (i.e. output)	\$336	\$551	\$587	\$576	\$566	\$2,616
Population	968	2,229	3,263	4,036	4,672	–

*Table 2. Fiscal effects of Medicaid expansion in Montana, year (in millions of 2016 dollars). Source: Bureau of Business and Economic Research.*

	2016	2017	2018	2019	2020
Total savings	\$18	\$38.9	\$40.1	\$41.1	\$42.1
Total costs	\$5.3	\$33.0	\$39.6	\$43.0	\$60.9
Net fiscal impact (revenue growth - expenditure growth)	\$32.7	\$48.7	\$46.0	\$40.2	\$35.3
Net (savings + fiscal impact – costs)	\$45.2	\$54.6	\$46.5	\$38.4	\$16.5



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## IT'S ESTIMATED THAT BETWEEN 2018 AND 2020, MEDICAID EXPANSION WILL GENERATE ABOUT 5,000 JOBS AND \$270 MILLION IN PERSONAL INCOME ANNUALLY.

- **Improves health:** One study found that Medicaid expansion was associated with a 5 percent increase in the share of low-income adults in excellent health. This is consistent with a larger body of literature that finds that insurance expansions improve mental health and reduce mortality.
- **Improves financial health:** A recent study found that Medicaid expansion reduced medical debt by \$900 per treated person, prevented 50,000 bankruptcies and led to better credit terms for borrowers.
- **Reduces crime:** Medicaid expansion reduced crime by more than 3 percent, generating social benefits of more than \$10-\$13 billion annually.

Furthermore, Medicaid expansion, along with the associated HELP-Link workforce development program, may have improved labor market outcomes for low-income Montanans.

Following expansion, participation in the labor force among low-income Montanans ages 18-64 increased by 6 to 9 percent. Similar gains in labor force participation did not occur among low-income populations in other states or among higher-income Montanans. This suggests that Medicaid expansion and HELP-Link improved labor market outcomes for low-income Montanans.

While Montana pays part of the cost of Medicaid expansion, these costs are more than offset by cost savings and increased revenues. Medicaid expansion has allowed some people to switch from traditional Medicaid to the expansion. Because Montana pays 35 percent of the cost for traditional Medicaid, but less than 10 percent in the expansion, this saved the state more than \$40 million during the first two years.

Medicaid expansion also saved \$7.7 million in 2017 through increasing economic activity, state revenues and reducing the cost of inmate care. As shown in Table 2, cost savings and increased revenue more than offset expansion costs. This will remain true even after the state's share of Medicaid expansion costs rises to 10 percent in 2020.

Overall, Medicaid expansion in Montana generates several thousand additional jobs and several hundred million dollars in additional income. It also pays for itself, since the savings generated, plus additional revenues (or other reduced expenditures), exceed the costs to the state. In addition to generating economic activity, it appears to improve outcomes – reducing crime, improving health and shrinking debt.

If reauthorized in 2019, Medicaid expansion might not only be a success story for Montana, but possibly a model for other states to replicate.

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*Bryce Ward is associate director at the Bureau of Business and Economic Research at the University of Montana. Brandon Bridge is an economist and director of forecasting at the Bureau of Business and Economic Research at the University of Montana.*

# NEW HEIGHTS FOR HIGH-TECH

## Montana's Tech Sector Is Stronger Than Ever

BY CHRISTINA QUICK HENDERSON

**A** lot can change in four years – this is especially true in Montana's high-tech industry. In 2014, outdoor technology company onXmaps employed 28 people in Missoula. Founded by Eric Siegfried in 2009, onX rode a wave of early growth with the popularity of its first product – chips that plugged into Garmin GPS systems loaded with land-ownership maps for hunters in the field.

Fast forward to February 2018, when onX closed a \$20.3 million funding round led by Summit Partners, an international growth equity firm located in Menlo Park, California. Today, the company is in a new surge of growth after shifting its maps to smartphone apps that target a wider range of users engaged in outdoor recreation.

The firm constructed a new building for their Missoula headquarters in 2017, opened an office in Bozeman and more than doubled their Montana workforce to nearly 70 employees. Over the next several years, onX plans to hire more than two dozen people.

The success of onX is indicative of wider trends statewide, as many Montana tech companies have experienced steep growth in recent years.

### A Profile of Montana's High-Tech Industries

Since 2014, the Bureau of Business and Economic Research at the University of Montana has conducted an annual survey of Montana's high-tech and manufacturing companies, documenting the sector's growing impact on the state's economy.

This year, BBER completed its fourth study commissioned by the Montana High Tech Business Alliance. The report found Montana's high-tech companies generated a record \$1.7 billion in revenue in 2017 and are growing nine times faster than other sectors of the economy.

Montana's tech firms employ just under 6,000 people and pay an annual salary of \$63,000 – twice the state median wage and a 5 percent increase over 2016. They expect to add



Employees of San Francisco-based fitness technology company ClassPass in their Missoula office. (Tom Bauer, Missoulian)

more than 1,200 new jobs in 2018, an 18.5 percent increase over 2017, and raise wages by 5 percent this year, significantly faster than the 1.6 percent growth rate of all Montana employers.

In addition to reporting record-high numbers of employment and revenue, there was a significant upward trend in wages. Since 2014, the median wage has risen from \$50,700 to \$63,000.

#### Quality of Life #1 Advantage for Businesses

For the fourth year in a row, companies said that Montana's quality of life – its lifestyle, work/life balance, recreational opportunities and the beauty of the landscape – were the No. 1 advantage to doing business in the state. Montana's high-quality workforce was also a major advantage.

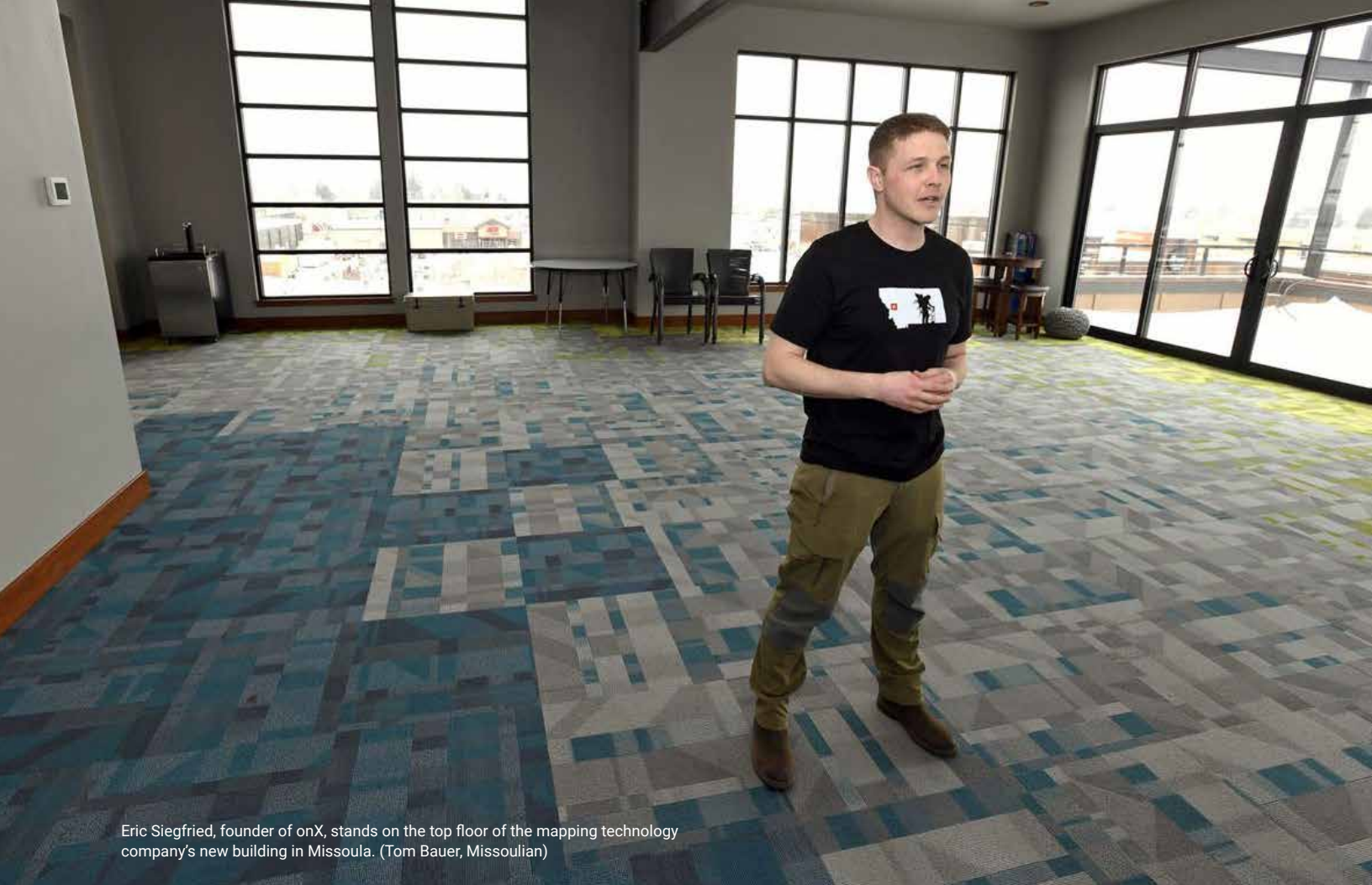
A 2017 study funded by the Kauffman Foundation found Montana's natural assets influenced business owners' decisions to relocate to Montana and start companies here. The state is an attractive destination for clients to visit and it helps employers recruit and retain talented workers.

James Woodson, MD, founder of healthcare technology company Pulsara, relocated his family and his startup to

## HIGH-TECH COMPANIES GENERATED A RECORD \$1.7 BILLION IN REVENUE IN 2017 AND ARE GROWING NINE TIMES FASTER THAN OTHER SECTORS OF THE ECONOMY.

Bozeman from Texas. Woodson was attracted to Montana by the quality of life – a university town in a beautiful place – with a high caliber of talent and a growing tech ecosystem.

Founded in 2013, Pulsara hosts a real-time communications platform that connects emergency health care teams through mobile technology. The company just raised over \$5 million from investors and employs more than 30 people.



Eric Siegfried, founder of onX, stands on the top floor of the mapping technology company's new building in Missoula. (Tom Bauer, Missoulian)

### **Skilled Talent Still #1 Barrier to Growth**

The top barriers to growth for Montana's high-tech and manufacturing companies are: 1) access to talent 2) visibility to customers and 3) access to capital.

This is the first year the survey asked tech firms whether it was getting easier or harder for them to hire skilled talent. Twenty-eight percent of member companies and 48 percent of non-member companies said they found it harder to hire qualified new employees. This was particularly true for larger, high-revenue businesses.

The challenge of attracting enough skilled workers is even greater outside Montana's population centers. High-tech and manufacturing companies in small towns have been working on innovative ways to make their communities attractive to job seekers.

At Spika Design and Manufacturing in Lewistown (population 6,000), Katie Spika, CEO and Bekhi Spika, CMO, built a website called Hidden Montana ([www.hiddenmt.com](http://www.hiddenmt.com)) to highlight what's great about living in their part of the world. By sharing their love of the Lewistown area, the company hopes to engage current and prospective residents and keep their community thriving.

Remote work is a rising trend too, allowing many residents of rural areas to work from home on their farms and ranches. Whether remote workers own their own businesses, work for Montana companies or are employed by out-of-state firms, they bring home bigger paychecks and help boost the economy.

### **Access to Capital Still a Challenge, but Getting Better**

In 2015, Montana was ranked dead last for venture capital investments, according to the National Venture Capital Association. That's behind all 49 other states and Puerto Rico. But in 2017, Montana attracted \$83 million in venture capital – 10 times the amount from two years ago.

Last March, Next Frontier Capital, Montana's first venture capital firm located in Bozeman, closed its second round of funding, pooling a total of \$38 million to inject into companies. The firm also opened a Missoula office and is currently looking at opportunities in Billings, Kalispell and other Montana cities.

But tech entrepreneurs have also been increasingly successful at attracting investments from outside the state. In April, PFL, a marketing technology company based in

Livingston, secured a \$25 million growth equity investment from Goldman Sachs. PFL opened its second headquarters in Indianapolis in March and announced last year that they will be building a new 55,000 square foot facility in Livingston for digital production and fulfillment. The firm has 300 employees and plans to add another 200 jobs in Montana and Indiana over the next three to five years.

Other Montana companies who've also received out-of-state investments include GTUIT, a manufacturer of mobile gas treatment systems based in Billings, and SiteOne Therapeutics in Bozeman, a biotech firm developing alternatives to opioid drugs.

### What Does the Future Hold for Montana's High-Tech Industry?

Montana high-tech and manufacturing companies plan to hire more than 1,000 people this year at double the state's median wage. This recent surge in employment is being accelerated by out-of-state tech firms who found Montana an attractive place to set up shop.

Last December, San Francisco-based fitness technology company ClassPass announced that after reviewing 900 cities in the U.S., the firm would open its third North American office in Missoula. Brian Mitchell, head of talent acquisition for ClassPass, initially planned to hire 50 employees, but said the company now intends to hire 200 people by the end of the year.

Israeli company 4Cast, a maker of predictive analytics software, announced their decision to locate U.S. operations in Montana in April. The company is currently setting up an office in Missoula and plans to hire 100 employees. According to CEO Nissim Titan, Montana was the firm's top choice out of 19 states considered.

When global tech firms choose Montana, they sometimes draw employees from existing Montana companies. But they also help grow the talent pool and their presence raises the credibility and visibility of Montana's tech ecosystem.

Keeping up with high-tech and manufacturing companies' needs for a skilled workforce could be a key factor that may slow the momentum of growth in the sector. According to Montana tech firms, there are a number of ways leaders can help support growth:

- Graduate more students from Montana's universities and two-year colleges with in-demand skills like computer programming, data science, project management, CNC manufacturing and drafting.
- Teach students soft skills and technology skills like coding, starting in K-12. Employers need workers with strong interpersonal and communication skills, interdisciplinary thinking, comfort using technology, and the ability to learn and adapt quickly.
- Introduce kids to Montana companies and mentors to get them excited about careers in high-tech and manufacturing. Internships, apprenticeships, company tours, classroom visits, professional development for teachers and other programs could help students relate math, science, coding and other subjects to real-world applications.
- Educate underemployed Montana workers about opportunities in the tech industry. Tech companies hire a variety of positions, not just technical ones, and many can be filled with short-term training or two-year degrees.
- Improve access to broadband in all Montana towns and rural areas to open up opportunities for remote workers and allow all parts of the state to benefit from the innovation economy.
- Coordinate and expand efforts to market Montana to job seekers outside the state and encourage talented expatriate Montanans to return home.

Collaboration among leaders in business, government, K-12 and higher education will be crucial in training and attracting talent. Increasing the visibility of growing tech firms with jobs to fill will also help ensure that Montanans are aware of the opportunities created by our booming tech sector.

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*Christina Quick Henderson is executive director of the Montana High Tech Business Alliance and adjunct professor of management and organizational behavior in the College of Business at the University of Montana.*

# BUYING GENUINE MONTANA

## What Does It Mean to Be Made in Montana?

BY MICHAEL BRAUN, BENEDETTO CANNATELLI AND SIMONA STAN

If you stroll down the aisle of your local grocery store, you may run across a food item carrying a Made in Montana emblem. Perhaps you've spotted the sticker on price tags of artisan jewelry at a farmer's market or on a bag of ice at the gas station. There are a variety of products that bear the Made in Montana mark and it seems our homegrown seal of authenticity is cropping up everywhere. But it's the symbol's pervasiveness that should give us pause. What does the Made in Montana seal stand for anyway?

Today's hypercompetitive marketplace has created the need for merchandise marks indicating where and how a product is designed, sourced, manufactured and in some cases packaged. Whether surveying California avocados or Swiss watches, the companies, industries and regions involved in their production and sales are locked in a race to capture their merchandise's territorial essence, protect its locational authenticity and promote its unique heritage.

A merchandise mark may simply be an indicator of a good's origin of production (i.e., country of origin), used purely for the purpose of making the supply chain more transparent. However, products carrying a region's merchandise mark may additionally draw on the desire to deliver a representative product whose manufacturing may have occurred in a number of places. Ideally, governments,

consortia and member companies that band together in a coordinated effort, push the bar of what it means to be "made in," distinguishing their product in the eyes of the consumer while keeping competitive forces at bay.

Next year, Made in Montana will celebrate the 35th anniversary of its circular, multicolored emblem, which adorns everything from beef jerky to automotive drain plugs, dental instruments to drift boat anchors. Meant as a way to promote products either created or enhanced in the Treasure State, the Made in Montana program boasts 3,400 participants, whose products are sold online and across hundreds of retail locations.

For a product to be eligible to carry this designation, the Montana Department of Commerce asks that it be made or substantially transformed (the finished product valued 50

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# IT IS APPARENT THAT PRODUCTS WITH THE MADE IN MONTANA SEAL COULD JUST AS WELL BE MADE IN WYOMING, ALASKA OR EVEN CANADA FOR THAT MATTER.



percent or more than the individual parts) within the state. With this designation businesses can leverage the Made in Montana pillars put forth by the Department of Commerce.

These pillars are meant to infuse products with a set of distinctive values to help potential buyers in their purchasing decisions. Yet, in review, it is apparent that products with the Made in Montana seal could just as well be made in Wyoming, Alaska or even Canada for that matter.

- **A Cut Above:** We consider our members a cut above, because not just anyone fits this brand. In Montana, we hold each other to a higher standard – that means we are tougher, friendlier and more likely to come through in a pinch. The things we make and grow here should live up to the same ideals. If it’s produced in Montana, it’s produced with pride.

- **Through and Through:** The products are Montana through and through and reflect the qualities that make Montana great. Montana is known for its spectacular, unspoiled nature, charming towns, relaxing hospitality and breathtaking experiences. The people and products that wear these badges carry a piece of that reputation with them, sharing the Last Best Place with all.

- **Here by Choice:** Our members are here by choice and believe working in Montana is a privilege not a burden. The choice to start, grow or move a business in Montana tells you a lot about the people doing it. We are not just creating, producing and harvesting – we are choosing a better way of doing things.

Table 1. Made in Montana goods purchased by nonresident travelers (Q1-3, 2015). Source: Institute for Tourism and Recreation Research, University of Montana.

Ranking	Local item category purchased
1	Food (huckleberry items, baked goods, candy)
2	Beer, alcohol
3	General (toys, souvenirs, etc.)
4	Arts and crafts
5	Clothing
6	Jewelry
7	Sporting goods (fishing flies, etc.)
8	Health and beauty (lotions, soaps)
9	Furniture (log beds, tables, etc.)





Becky's Berries makes a variety of jams, jellies and syrups sold in specialty stores throughout Montana.

It goes without saying that the Made in Montana mark has enjoyed its share of success. A 2016 survey on traveler spending in the state indicated that Montana-made product purchases ranked seventh among nonresident expenditures, with tourists spending on average \$10.20 per day. The survey provides a breakdown of goods purchased by tourists and not surprisingly foods, such as the huckleberry jams and cordials, are at the top the list (Table 1).

Further down the list however, some of the product categories capturing Montana's essence becomes less clear. The products listed on the Made in Montana website may reflect the program's pillars, but the approach taken to including products in the program is top-down. For many the only unifying thread is that they are wholly or partially made in the state. The vantage point for the designation is solely from the supply side and lacks a deeper consideration for a product's uniqueness, which could compel a buyer to walk past competitive items and reach for a Made in Montana product.

There is a clear disconnect if we go strictly by the program's pillars for what makes a Montana-made product. After all, to what extent can a handmade soap broadcast that its maker is tougher, friendlier and more likely to come

through in a pinch? Or how does an industrial gate latch communicate that its producer is in Montana by choice? From a demand-side vantage point, what exactly defines a Made in Montana product, in its overarching brand persona and related expectations, is much more elusive.

What do consumers perceive when they hear Made in Montana? Aside from being created or substantially transformed in our state, what are the unifying qualities that bind together an overhead crane, cocoa powder or musical instrument cables? To help bring some clarity to the issue we can turn to one of the most successful merchandising marks in the world – Made in Italy.

#### **What It Means to Be Made in Italy**

For both consumer and commercial buyers, a product carrying the Made in Italy mark evokes a set of qualities that allows it to consistently command a premium in today's global marketplace. Companies like pasta producer Barilla and the fashion brand Armani have leveraged their Made in Italy association and its endorsement to successfully enter foreign markets and compete against homegrown competitors.

However, the Made in Italy designation did not become one of the most successful international certifications of

# A PRODUCT CARRYING THE MADE IN ITALY MARK EVOKES A SET OF QUALITIES THAT ALLOWS IT TO CONSISTENTLY COMMAND A PREMIUM IN TODAY’S GLOBAL MARKETPLACE.



authenticity by accident. Using a proactive and disciplined bottom-up approach, the participants built the brand by keeping to product categories with a strong potential for both absolute and relative competitive advantage (Figure 1).

Today, the Made in Italy designation is best embodied by products represented by the 4F industries: food, fashion, furniture and Ferrari (or machinery). From the perspective of the buyer, the common thread running through these categories can be captured in one word – **quality**.

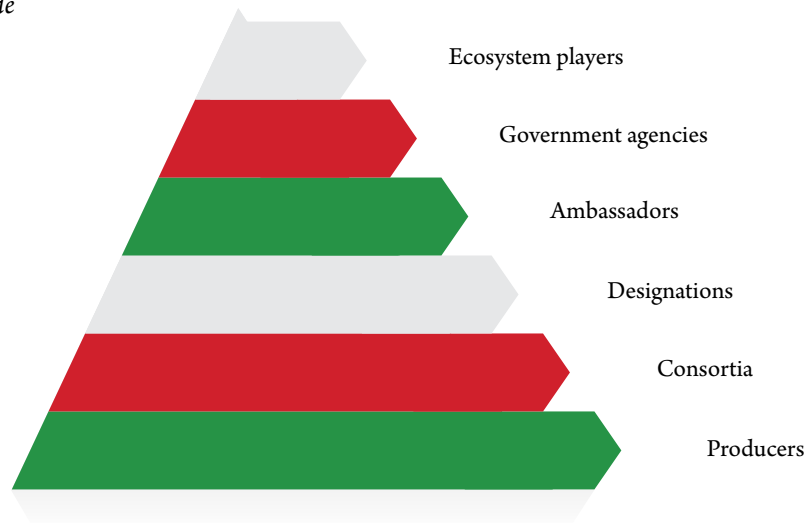
In expressing what Made in Italy stands for Italian architect Andrea Zambon noted, “It means, I made this for you... this is what I know how to do best.”

The value promise and accompanying price tag of Prada leather bags, Luxottica eyewear and shoes by Fratelli Rossetti is predicated on their design and manufacturing quality. Similarly, furniture designers such as Casamilano and Turri draw on the excellence and creativity of their craftsmanship to position themselves in the luxury market.

While Ferrari is emblematic of Italy’s longstanding legacy in automotive innovation, their emphasis on quality in machinery also spills over into the industrial sector. Lonati, a producer of fine-gauge hosiery machines, holds nearly 80 percent of the global share of their market.

Within the food category, quality comes from a strict adherence and often long-standing regional tradition to

Figure 1. The bottom-up participants of Made in Italy.





Ferrarini cured ham uses Italian pig meat and is marked with the Protected Designation of Origin seal.

ingredients and value-added processes in the production of products like Parmesan cheese, authentic Genoese pesto and coffee.

Take Prosciutto di Parma, the cured meat delicacy, with approximately \$2 billion in consumer sales worldwide. Producers are represented by the Consorzio del Prosciutto di Parma, an E.U.-supported governing body established to safeguard, protect and promote the designation of origin. To be eligible to receive the coveted Parma crown emblem, members are required to strictly adhere to a 40-page guideline attending to all the phases of production:

- **Inputs** – types of pigs, origin of birth, feed specifications.
- **Characteristics of pigs** – location and phases of breeding, exact age and weight of pigs at time of slaughter.
- **Manufacturing** – location of slaughter and processing, curing environment, maturation ingredients, raw product, process and time requirements.
- **Characteristics of finished products** – size and weight dimensions.
- **Slicing and packaging** – location, environment and method of slicing, packaging design and shelf life requirements.

Once authenticated, the product can then be considered for the next level of certification. Products traditionally and entirely produced in a specific region receive the Protected Designation of Origin mark, while those partially produced in a region receive the Protected Geographical Indication seal. These certifications are safeguarded and enforced by both the Italian government and the European Parliament.

Each of the 4F categories are represented by ambassador companies who embody and evoke what it means to be Made in Italy. In the food category, chocolate maker Ferrero, cured meats manufacturer Fratelli Beretta and Barilla occupy these coveted roles. With the support of the Italian Trade Commission, Italian Chamber of Commerce, Italian Tourism Agency and Italy's economic development ministry, these ambassadors represent and uphold the brand while promoting the quality and authenticity of Made in Italy internationally.

For the Made in Montana designation to garner added worth and weight in the same way means shifting perspective. The pillars would need to emphasize the value offered to the customer or the expectation from the customer about the value delivered and experienced by the product - rather than the features, characteristics or attributes of the producer. In other words, instead of promoting products and product

categories based on producers who are tougher and more likely to come through in a pinch, products should be selected on the promise and delivery of a benefit to the purchaser, such as their ruggedness or durability.

Once we've identified what we know how to do best, we can then highlight these categories and their representative companies. The ambition would be to create a variety of self-coordinating and self-sustaining ecosystems that can compete not just across state lines, but around the world.

At first glance, it may seem like a stretch to compare the world's seventh largest economy with a population of 60 million to Montana and its population of 1 million. Yet, we can draw on one overarching commonality between the two — the family business. Both the Italian and Montanan economies are built on an above-average preponderance of small- to medium-sized family-run enterprises. Simply said, family businesses have a reputation for trying harder. Moreover, family businesses are often rich with traditions and knowledge that over generations have become the secret sauce in the making of their products, whether that's buffalo jerky from the Bitterroot or mortadella from Bologna.

We should consider the success of the Made in Italy seal when we think about the Made in Montana mark and how it can remain relevant and valuable in an increasingly competitive marketplace. What should it mean for something to be Made in Montana? What are the prevailing attributes that will make a buyer walk past competitive offerings and reach for a product carrying our emblem?

To get to the heart of the issue, we need to start by asking some tough questions. The first question is simple – what do we do best? In answering this truthfully, we can set off on a journey to make Made in Montana stand out in the growing pandemonium of globalization.

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# STRUGGLING TO GET PAID TIME OFF

## Montana Falls Short in Providing Paid Family Leave

BY DAPHNE HERLING

**T**wenty-five years ago, the Family and Medical Leave Act (FMLA) was passed with the lofty goal of helping American families balance the demands of the workplace with family needs. It was underpinned by the belief that preserving the integrity, stability and economic security of families was in the nation's best interest. But the economic reality and societal structure of the American family has changed since then. In today's world, the law is no longer adequate.

While the FMLA's primary aim remains to help families retain their jobs, it fails to ensure their financial security as it grants unpaid leave to a limited number of workers. To support families, businesses and the economy, some form of paid family leave for all is essential either at the federal, state or local levels.

### The Case for Paid Leave

Only 12 percent of private sector employees and about 40 percent of the entire U.S. workforce have access to leave under FMLA. As of 2016, FMLA has been used over 100 million times with the average leave duration around 10 days – most commonly for an employee's own health event.

Under the current law, FMLA allows for unpaid leave for qualified workers for qualified reasons. Once an employee uses up their regular paid vacation leave, sick leave or other paid time off hours, they are left with the option of unpaid leave or going back to work. This option disproportionately affects low-income workers. Forty-six percent of those who needed to take time off did not because they could not afford to go unpaid and many workers in the lowest wage quartiles are unlikely to have access to such benefits.

Data on Montana's workers and their income is seen in Table 1 and shows that Montana's numbers are similar to U.S. numbers. One key difference is that Montana's median and per capita income is lower than the nation's.



Many Montana measures highlight the tenuous financial security of families; particularly the number of low wage jobs in the state (28 percent) resulting in a high number of working poor (21 percent), the number of households without short-term savings to subsist at the poverty rate for three months (42 percent); and the high number of people without employer-based health insurance (43 percent).

When working Montanans have to take unpaid time off to care for a sick child, to deal with their own health event or to care for an elderly parent, it creates a financial hardship in a time of need. Once all other sources of paid leave are used up and a worker has to take unpaid time off, there is an increased likelihood of family financial instability, especially for low income workers. A loss of one or two months of income could unglue a family's financial stability. Add a health event with its associated costs and a family could descend quickly into true poverty.

In low-paying Montana service industries, a two-income household earns a combined annual income of \$29,922. The likelihood of such a family having paid time off or health insurance is low. If the primary earner suffered a health event requiring time off without pay, the family would be unable

## **FORTY-SIX PERCENT OF THOSE WHO NEEDED TO TAKE TIME OFF DID NOT BECAUSE THEY COULD NOT AFFORD TO GO UNPAID.**

to cover basic expenses. Additionally, if the employer was not required to provide leave under FMLA, the employee would have no assurance of retaining their job.

Single working parents are even more vulnerable if they need to take unpaid time off work as their family relies on only one paycheck. Nationally, nearly 20 percent of single mothers work in low wage jobs, defined as jobs paying \$10.10 per hour or less. In Montana, 22 percent of single mothers with children ages 3 or younger work in low wage jobs. Thus, taking unpaid leave is rarely an option for these parents, even if they are covered by FMLA.

In addition to families with children, working adults who take on a caregiving role also need paid family leave. Because of demographic shifts, American workers increasingly need to look after aging parents or other relatives. A Gallup Poll in 2010 showed that 1 in 6 Americans working full- or part-time reported caring for an elderly or disabled family member, relative or friend.

Seventy percent of working caregivers suffered work-related difficulties due to their dual roles, 39 percent left their job to have more time to care for a loved one and 34 percent left because their work did not provide flexible hours. Additionally,

69 percent of workers caring for a family member reported having to rearrange their work schedule, decrease their hours or take unpaid leave in order to meet their caregiving responsibilities.

### The Impact on Businesses

Montana's economy is built on small businesses. Over 90 percent of Montana businesses have fewer than 20 employees, representing 40 percent of employment in the state. Over 20 percent of employees work for firms with 20-49 employees, 25 percent work for firms with 50-249 employees and only 10

Table 1. Montana workers compared to U.S. workers. Source: U.S. Census Bureau or Bureau of Labor Statistics.

	Montana	U.S.
<b>Income (2016)</b>		
Median income	\$48,380	\$55,322
Per capita personal income	\$27,306	\$29,829
<b>Poverty</b>		
100% of federal poverty level (2016)	13%	13%
200% of federal poverty level (2016)	33%	32%
Working poor* (2015)	21%	22%
Liquid Asset Poverty Rate** (2015)	42%	44%
Households paying more than 50% of income on housing (2015)	7%	9%
<b>Employment Status (2017)</b>		
Unemployed	4%	4%
In civilian workforce	63%	63%
Low wage jobs***	28%	25%
<b>Health Insurance</b>		
Employer provided insurance coverage (2016)	43%	49%
Children 0-18 with employer provided insurance coverage (2015)	47%	48%
Uninsured children ages 0-18 (2015)	8%	5%
Uninsured rate (all) (2014-2017)	7%	9%

\* The share of families that met three criteria: 1) the family income was less than twice the federal poverty level; 2) at least one parent worked 50 or more weeks during the previous year; 3) there was at least one "own child" under age 18 in the family.

\*\* Percentage of households without sufficient liquid assets to subsist at the poverty level for three months in the absence of income, 2011.

\*\*\* Percentage of jobs in occupations with median annual pay below 100% poverty threshold for a family of four.



percent work for firms with more than 250 employees. Thus, only a small number of Montana companies are required to provide leave under FMLA. However, the impetus to provide paid family leave is growing as research shows that the cost for companies, both large and small, is not as great as feared and the benefits are positive.

In 2015, 23 states introduced legislation on some type of paid family leave. The cost of such legislation is of concern to businesses, especially small business owners. To help understand how paid family leave might impact Montana's employers, it is useful to look at how paid leave has impacted firms in other states.

Four states – California, New York, New Jersey and Rhode Island – have enacted legislation requiring paid leave for workers. All of these states rely on employee payroll tax contributions or a combination of employee and employer contributions by having paid leave built into their Temporary Disability Insurance programs.

### Family and Medical Leave Act (1993)

A United States labor law, the Family and Medical Leave Act (FMLA) requires covered employers to provide employees with 12 weeks of unpaid and job-protected leave for qualified medical and family reasons. This includes attending to the serious health condition of the employee, parent, spouse or child, for pregnancy or care of a newborn child, or for adoption or foster care of a child. In order to be eligible for FMLA leave, an employee must have worked at the business at least 12 months, for at least 1,250 hours over the past 12 months and work at a location where the company employs 50 or more employees within 75 miles. FMLA covers both public- and private-sector employees.

Table 2. California employers' assessment of paid family leave, by number of employees, 2010. Source: Center for Economic and Policy Research, 2011.

No noticeable effect or positive effect on:	Less than 50 employees	50-99 employees	100+ employees	All employer respondents
Productivity	89%	87%	71%	89%
Profitability/performance	91%	91%	78%	91%
Turnover	92%	99%	97%	93%
Morale	99%	96%	92%	99%

Table 3. Montana businesses' perspective on paid parental leave. Source: Montana Department of Labor and Industry.

	Agree	Neutral	Disagree
Improves profitability	19%	44%	37%
Improves productivity	30%	50%	20%
Retains employees	49%	43%	32%
Requires retraining	25%	43%	20%
Employees return to same job	53%	42%	10%

## SEVENTY-THREE PERCENT OF MONTANANS SUPPORT SOME FORM OF PAID FAMILY LEAVE.

A survey of California employers conducted six years after their law was enacted is summarized in Table 2. It's interesting to note that firms with fewer than 50 employees showed more positive results than the larger ones. Ninety-one percent of employers in the state were unaware of employees abusing their paid leave policy, a fear that is often mentioned as a reason to not offer the benefit. Additionally, more than 86 percent of employers reported no increased costs to their business from implementing paid leave.

A survey of New Jersey businesses showed that 67 percent experienced no effect on profitability, performance or employee productivity regardless of the number of employees.

These findings potentially allay the fears of Montana's business community who are ambivalent about the benefits of paid parental leave. The 2015 Montana Paid Family Leave Study asked for an employer's perspective on paid leave. The results (Table 3) indicate employers have few opinions, perhaps based on a lack of knowledge rather than an outright antipathy.

If legislation is well-crafted, supporting families and growing business is not mutually exclusive. Montana could benefit from some of the lessons learned on state family paid leave laws:

- Lawmakers in states without a Temporary Disability Insurance program, such as Montana, must consider alternative financing structures.
- Eligibility criteria should cover as many workers as possible and address all family needs; families must be broadly defined to include all differences.
- Paid leave must provide sufficient benefits to ensure an employee's financial security.
- Laws should use existing human capital and infrastructure where possible.
- Outreach and education must be included in the legislation to ensure a workers' awareness and understanding of the policies and programs.
- Policies and protocols must ensure data collection on utilization.

### The Future of Paid Family Leave

All other industrialized countries in the world have paid family leave in place. Out of the 193 countries in the United Nations, only New Guinea, Suriname, a few South Pacific island nations and the United States do not have a national paid parental leave law. Until the federal FMLA includes a paid provision, it will be up to the states to take the lead.

Montana is ripe for paid family leave legislation. Positive research conducted in other states shows the benefits to small businesses and 73 percent of Montanans support some form of paid family leave. Designing a good paid family leave policy can create a win-win for Montana's employees and employers. As shown above, it's good for Montana's businesses, workers, families and the economy.

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