Vermont’s economy has begun to recover, following the official end of the Great Recession in June 2009. Worker productivity is up. The state’s economy, as measured by the gross state product, was one of the fastest growing in New England between 2009 and 2013.

But many Vermonters have seen little evidence of this recovery. In fact, the key indicators show that things have worsened for many, as the state’s economic gains go to those at the top:

- The gap between the rich and everyone else is widening.
- Adjusted for inflation, median household income in 2013 was the lowest in 10 years.
- The number of Vermonters working in 2013 was below the peak before the recession.
- Poverty rose again in 2013.
- Homelessness continued to rise in 2013.
- Demand for food assistance soared during the recession, but four years after the downturn officially ended, 1 in 6 Vermonters were relying on 3SquaresVT, the state’s version of the food stamp program.

These post-recession trends are not the inevitable results of a shift in the global economic winds. As Nobel Prize-winning economist Paul...
Krugman explains in Conscience of a Liberal or David Cay Johnston wrote more recently in The Washington Spectator, deliberate policy changes in Washington and the states have shifted income and wealth to the top, leaving many others without a viable path to the middle class. But just as policies were changed 30 years ago to create today’s economy, they can be changed again to create better results for the next generation.

Admittedly, federal action would likely have greater effect—in tax policy, for example, or health care, infrastructure development, or higher-education funding. But Vermont’s small population has not prevented it from taking the lead on environmental protection (Act 250), education funding (Act 60/68), civil rights (civil unions), or energy conservation (Efficiency Vermont). The state has made repeated attempts to create the first publicly funded health care system. Now Vermont can lead the way in creating a just and sustainable economy that benefits all workers and their families.

State of Working Vermont 2014—created in conjunction with the Economic Policy Institute in Washington, D.C.—highlights how working Vermonters and their families are faring in the current economy. It shows how economic conditions have changed, for better or worse, in recent years. These indicators can help policymakers focus attention and resources on the problems Vermonters face. Getting more people into good jobs and leaving fewer in poverty would not only better Vermonters’ lives but also help resolve some of the state’s perennial budget problems. The charts in this report are based on 2013 data, with additional data from previous years to provide context or identify trends. In one instance we have provided more recent data because its inclusion is important to present an accurate picture.
The Vermont economy is growing. Vermont workers are more productive. But the typical Vermont household isn’t seeing those gains. In fact, it is falling further behind.

Income inequality—the gap between the rich and everyone else—was growing before the recession began. Now, as many Vermonters wait to feel an economic recovery, the income gap is widening again because a bigger share is going to the top 1 percent. When Gov. Peter Shumlin was elected in 2010, he correctly described the experience of many average Vermonters:

“The middle class, who [have] been kicked in the teeth, watched their incomes drop, their bills mount; they can’t keep up. They’re fearful that they cannot send their kids to college; that they cannot pay their mortgage; that they cannot retire as they had hoped; that their dreams in Vermont to succeed may not happen in the way that they had hoped.”

Since the governor’s acceptance speech, Vermont’s unemployment rate has come down. But average Vermonters have had few other reasons to cheer.
After adjusting for inflation, the gross state product\(^1\) increased nearly 10 percent between 2009, the official end of the recession, and 2013. That was the second-highest growth rate in New England for that period, and the 16th highest among all the states. But renewed growth in the overall economy hasn’t raised the income of many Vermonters. Median household income\(^2\)—after adjusting for inflation—decreased for the second straight year in 2013, to $52,578.

\(^1\) The value of all goods and services produced in the state, $29.5 billion in 2013.
\(^2\) Half of all households have incomes higher than the median and half have incomes lower.
The real incomes of many Vermonters have been steadily shrinking. Vermont median household income, adjusted for inflation, reached a peak in 2004, at $57,394. In 2013, it was down to $52,578, the lowest level since the 2004 peak.

Real Income for a Typical Vermont Household Was the Lowest in 10 Years

Vermont median household income, adjusted for inflation, 2004-2013

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Increased productivity is the means to higher profits for businesses, higher wages for workers, or lower prices for consumers—or, ideally, a balanced combination of all three.¹ Worker productivity in Vermont increased following the recession. Adjusted for inflation, the average annual output per worker rose almost 8 percent from 2009 through 2013. But workers did not see the results in their paychecks. The real average annual wage across all occupations dropped 1 percent during the same period.

The disparity between productivity and workers’ compensation didn’t begin with the Great Recession. The gap has been growing both in Vermont and the U.S. for more than 30 years. Since wages have not kept pace with productivity, more of the value of increased productivity is available to go to profits and lower consumer prices.

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As workers’ real compensation falls, their productivity gains are going to those at the top of the economic ladder. Between 1980 and the last recession, the share of income going to the top 1 percent of Vermont taxpayers more than tripled. By 2007, these households were receiving more than 20 percent of the income—a bigger share than in the late 1920s, just before the Great Depression. During the recent recession, losses were concentrated in the upper income brackets, so the share going to the top declined. But the gap has started widening again. In 2012, the highest-income Vermonters were receiving almost 15 percent of the income, leaving a smaller share for everyone else.

Vermont’s 1 Percent Received a Bigger Share of the Pie
Percentage of income received by top 1 percent, 1928-2012

Data source: Mark W. Frank, Professor of Economics, Sam Houston State University
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Vermont boasts a low unemployment rate. In 2013, the state was tied with Utah for the fourth-lowest annual jobless rate in the country. But this one statistic does not fully describe what’s been happening with Vermont workers and the labor market. The number of Vermonters officially unemployed decreased after the Great Recession hit bottom in June 2009. But the drop in unemployment was not matched by a rise in the number of people working. Between 2009 and 2013, 9,400 people left Vermont’s unemployment lines. Over the same period, employment rose by just 1,100. By 2013, there were 7,100 fewer Vermonters working than in 2006, the peak employment year to date.
Before the start of the recession, employment in Vermont was growing more slowly than it had in previous decades. Since the end of the recession in June 2009, the number of Vermonters working has remained stagnant even though the number of unemployed workers declined.

Fewer Vermonters Were Working in 2013 than Before the Recession  
Annual average employment and pre-recession growth trend line

Data source: Vermont Department of Labor
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Like employment, job growth in Vermont was slow before the recession, and in 2013 private sector employers still had not replaced all the jobs eliminated during the slump. Employment includes people who describe themselves in government surveys as self-employed, as well as payroll employees. Another Bureau of Labor Statistics survey asks employers for a monthly count of payroll jobs. Because one individual may hold more than one job and the survey of employers does not cover the self-employed, total employment and the total number of jobs are not the same. At times, at least from month to month, these numbers move in opposite directions.

NOTE: In late 2014, the number of private sector non-farm payroll jobs in Vermont finally surpassed the pre-recession, June 2007, peak of 255,400. In November 2014, Vermont’s private sector non-farm payroll jobs reached 256,800.
The decline of manufacturing and the growth of service jobs has been a long-term trend, and it continued in the wake of the recession.

The official unemployment rate announced each month by the U.S. Bureau of Labor Statistics (BLS) and the Vermont Department of Labor is called U-3. It is a measure of people in the labor force who are out of work and actively looking for a job. But the BLS tracks other measures of unemployment, as well. Its regular monthly surveys count people who are no longer in the labor force because they’ve become discouraged and stopped actively seeking work. Another category of people hold part-time jobs but would prefer to be working more. The broadest measure of unemployment—U-6—includes all these workers. In Vermont in 2013, U-6 was more than double the official unemployment rate.

By the Broadest Measure, Unemployment Remains High

Annual average rates of U-3, U-6 unemployment

Source: U.S. Bureau of Labor Statistics
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Vermont’s unemployment rate has dropped, but long-term unemployment has remained high. In 2007, Vermont’s annual average unemployment rate was 3.9 percent; among those unemployed workers, 16 percent had been out of work for six months or more. In 2013, the average annual unemployment rate was 4.4 percent, with the long-term unemployed comprising nearly a quarter of them.

Unemployment in 2013 was highest among young workers—ages 16 to 24—and those who didn’t finish high school. Job prospects were best for older workers—55 and above—and people with at least a bachelor’s degree.

**Joblessness Was Worst Among Young Workers and High School Dropouts**

Annual unemployment rate by age group and education, 2013

- **16-24**: 14%
- **25-54**: 12%
- **55+**: 10%
- **<High school**: 8%
- **High school**: 6%
- **Some college**: 4%
- **Bachelor’s +**: 2%

*Sources: Economic Policy Institute analysis of U.S. Census, Current Population Survey data, Vermont Department of Labor*

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A lot of Vermonters work. Almost two-thirds of the population 16 and over was employed in 2013. That was the eighth-highest percentage among the states. In recent years, the Vermont labor force has been older and better educated than workers in most other states; that pattern continued in 2013. The Vermont work force also is one of the whitest in the country, although it is slowly becoming more racially diverse.
Compared with the nation as a whole, Vermont’s labor force has a larger share of older workers (55 and up) and college graduates. While the share of minority workers is only about 5 percent, it’s up from 20 years ago, when Vermont’s labor force was 99 percent white.

Even as the number of Vermont workers dropped overall, the number of older workers increased since the recession started in late 2007.

After 2007, Vermont Gained Older Workers but Lost Workers Overall


Data source: U.S. Census, American Community Survey, 2007 and 2013, 1-year estimates

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Vermont’s labor force is pretty evenly divided between women and men, although the participation rate\(^1\) is higher among men. The picture is different when looking at various job sectors, however. Female workers are concentrated in a few sectors. In health care and social assistance, for example, they outnumber men by more than 3 to 1. Men dominate in construction, utilities, manufacturing, and most other sectors.

\(^1\) The number of people in the labor force as a percentage of the population 16 and over.

Out of choice or necessity, a greater percentage of Vermonters work than in the U.S. generally. Across nearly all demographic groups, the state’s labor force participation rate is higher than the national average. That means the number of people working or actively looking for work, as a share of the population 16 and over, is higher in Vermont than in the nation as a whole.

Vermonters Are More Likely than Other Americans to be Working or Looking for Work  Percentage of demographic group in the labor force, Vermont and U.S., 2013

The recession made life worse for many Vermonters. But even over the long term, things have not been moving in the right direction for low- and middle-income Vermonters. As real incomes fell for a lot of families and households, poverty and homelessness have risen.

In 2012, the Legislature sought to spell out Vermont’s values when it adopted a statute declaring the purpose of the state budget. The statute acknowledges that taxes and the government services they support exist to address people’s basic human needs—things like food, shelter, education, work, health, safety, a clean environment, and security in old age.

Vermont’s state government cut employees when the recession hit, just when more Vermonters were turning to public services for help. The number of state employees has risen again—many to work in state health care-related services—but there are still fewer employees than before the recession.

### Poverty Thresholds for 2013 by Family Size

<table>
<thead>
<tr>
<th>Family Size</th>
<th>Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>One person</td>
<td>$11,888</td>
</tr>
<tr>
<td>Two people</td>
<td>$15,142</td>
</tr>
<tr>
<td>Three people</td>
<td>$18,552</td>
</tr>
<tr>
<td>Four people</td>
<td>$23,834</td>
</tr>
<tr>
<td>Five people</td>
<td>$28,265</td>
</tr>
</tbody>
</table>

Data source: U.S. Census Bureau
The Legislature’s Joint Fiscal Office regularly calculates the annual income required for various families to meet their basic needs for food, housing, clothing, health care, transportation, and other essentials. For 2013, the basic needs budget for two working adults with two children was just under $79,000.\(^1\) According to U.S. Census data, just fewer than half of married couples with children had incomes high enough to cover this basic needs amount in 2013.\(^2\)

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1. The [2013 Basic Needs Budget Report](#) calculated income required for various family types for 2012. For this report, those amounts were adjusted for inflation for 2013 using CPI-U-RS. The two family types used here are two working adults with two children and a single parent with one child.
2. Census summary data from the American Community Survey show income by family type but do not differentiate family size. The income data cited here are for married couples with children under 18 and female householders, no husband present, with children under 18.
Single mothers are least able to afford everything their families need. Vermont’s estimated basic needs budget for a single mother with one child was just over $51,000 in 2013. U.S. Census data show nearly 81 percent of female-headed households with children had income below the basic needs amount.

Data sources: Joint Fiscal Office, U.S. Census, American Community Survey, 2011-2013, 3-year estimates
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From the basic needs budgets, the Joint Fiscal Office also calculates a single livable wage for the state. That state livable wage is defined as the hourly wage needed to meet half of the basic needs of a household of two working adults and no children. For 2012, the latest available, Vermont’s livable wage was $12.48 an hour. The percentiles on the horizontal axis divide all earners into tenths by wage amount. At the 30th percentile, for example, 30 percent of workers earn less than that wage, and 70 percent earn more. The median is the midpoint: Half of workers earn more and half earn less.

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The cost of child care from a regulated provider—licensed providers or registered homes—is out of reach for many families, especially those headed by single parents. The median rate charged by licensed providers in Vermont was more than $9,100 a year for a preschool child (age 3-5) in 2012. That was more than a third of the median income of a single mother in 2013 and about a quarter of the median income of a single father.

Vermont's Child Care Financial Assistance Program (CCFAP) offers subsidies to help low-income families get services from regulated providers. Two- or three-person families with incomes of just under $20,000 a year are eligible for a full subsidy from the state. The subsidy amount depends on the age of the child and the qualifications of the provider. However, even a full subsidy often does not cover 100 percent of the rate charged by providers.

**Child Care Can Be Expensive, Especially on a Single Parent’s Budget**  Median income by family type, 2013; median annual child care cost for preschool child by provider type, 2012

Poverty gets worse during recessions, as companies cut back and workers lose their jobs. Then, as the economy improves and people go back to work, the poverty rate is supposed to decline. Vermont saw a spike in poverty in 2010, when unemployment was also high. The rate came down the following year. But poverty has been increasing again, and the long-term trend shows a steady 10-year rise in the number of Vermonters struggling below the poverty line.

Poverty rose among all Vermonters, but it hit children and single mothers the hardest. Between 2007 and 2013, the poverty rate for families headed by single mothers climbed above 40 percent. For single mothers with the youngest children, the increase was even greater.

### Poverty Rose, Especially for Single Mothers and Young Children

Percentage of selected group living at or below the federal poverty level, 2007, 2013

![Bar chart showing poverty rates](chart.png)

Data source: U.S. Census, American Community Survey, 2007 & 2013, 1-year estimates

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For many Vermonters, the recovery has not translated into a permanent place to live. On a single night each January, the federal government conducts a state-by-state census of people in homeless shelters or sleeping on the streets. This annual estimate of homelessness has shown a rise in Vermont for the last two years. Since the recession started, homelessness has increased more than 50 percent.

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Hunger has shown little sign of abating despite improvements in the economy. The number of Vermonters participating in the state’s food stamp program, 3SquaresVT, rose sharply in the early months of the recession. But even following the end of the recession, demand continued to rise. For 2013, an average of more than 100,000 Vermonters a month needed the 3Squares program to help them feed their families.

**Hunger Didn’t End when the Recession Was Officially Over**

Vermonters receiving food stamp benefits each month through 3SquaresVT, Jan. 2008—Dec. 2013

Data source: Vermont Department for Children and Families, Economic Services Division

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Many of the problems working Vermonters face are the same for their counterparts across the country. A national response is needed to provide a livable wage and a secure life for everyone and to close the income gap between the few at the top and everyone else. But states must take action too. While Vermont policymakers can’t solve all these problems, they have an obligation to do what they can to improve the lives of struggling Vermonters.

In 2012, the Vermont Legislature took an important step by enacting a statute declaring, in effect, that the purpose of the state budget is to address the basic needs of Vermonters. A widening income gap and an increase in poverty and homelessness are not compatible with that explicit goal, which obligates elected officials to raise and spend state funds in ways that “recognize every person’s need for health, housing, dignified work, education, food, social security, and a healthy environment.”

Here are some policy initiatives elected officials can take that will help create good jobs, new paths to the middle class, and economic prosperity that all Vermonters can share:

- Raise the state’s minimum wage at least to the level of a livable wage, and increase child care subsidies so that more parents can work while their children receive high-quality care and education.

- Fulfill the obligation to evaluate fiscal decisions by their likelihood to improve the well-being of the people of Vermont. Weigh options for balancing the state budget—through revenue increases or service cuts—against the state’s duty to meet Vermonters’ basic human needs.

- Reduce the disparity between the wealthy and everyone else by basing funding for education and health care, to the greatest extent possible, on Vermonters’ ability to pay.