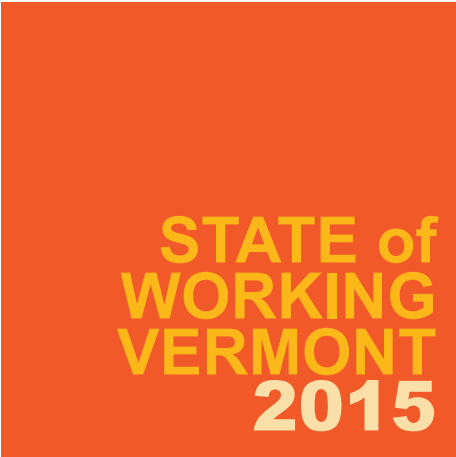




STATE of WORKING VERMONT ⚙️2015

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STATE of WORKING VERMONT 2015

Vermont's economy began to grow again after the recession, but has since cooled off. Even before the recession, real economic growth was slow. And figures released in December 2015 show that Vermont's gross state product—the value of goods and services produced in the state—was essentially the same in 2014 as it was in 2011, after adjusting for inflation.

Vermont's labor market also faced challenges. Although employers finally replaced all of the jobs lost in the Great Recession, total employment in 2014—which counts farm and nonfarm workers as well as the self-employed—lingered below the 2006 peak and fell for the third year in a row. And while Vermont had the 5th lowest unemployment rate in the country, many Vermonters were underemployed or had given up looking for work.

Among the states, Vermont had the 14th highest percentage of working-age population in the labor force—either working or actively looking for a job. But there were fewer younger people in the labor force, due primarily to a smaller number of 35-to-54-year-olds in the population than prior to the recession. The labor force was more balanced by gender than in other states. However, unemployment for men remained higher than for women.

Since the bottom of the recession, as the benefits of economic growth have flowed primarily to those who were better off, the middle class has been struggling, and too many Vermonters, especially children and single mothers, have been living in poverty. In 2014:

- Rising costs coupled with lower incomes made it harder for middle-class families to make ends meet.
- Vermonters had not saved enough for retirement.
- Many more families were relying on food stamps than before the recession.
- More than half of Vermont's most vulnerable families—single mothers with young children—were living in poverty.
- Poverty increased for children overall; nearly 3,000 more children lived in poverty than in 2008.
- More Vermonters were homeless.

Economic expansion alone will not solve Vermont's problems. Policy changes over the last 35 years produced stark disparities in wealth and income between those at the top and everyone else, and new policies are needed to reverse that trend.

Reducing the income gap¹ and making public investments in infrastructure and education would strengthen the economy, which in turn should boost employment again. 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. While Vermont can't exert much influence on the national economy, it can adopt policies that move the state in the right direction.

Policies that increase wages and reduce the income gap, make health care and child care more affordable and accessible, and ensure that all children have the skills they need when they graduate from high school can help to make Vermont a state works for everyone. In the long run, Vermont will be better off when all Vermonters are better off.

State of Working Vermont 2015—created in conjunction with the Economic Policy Institute in Washington, D.C.—highlights how Vermonters and their families are faring in the current economy. It shows how economic conditions have changed, for better or worse, in recent years, to help policymakers focus attention and resources on the problems Vermonters face. The charts in this report use 2014 data, with additional data from previous years providing context or revealing trends. In two cases we have used available 2015 data because they present a more accurate picture.

¹ Standard & Poor's, "[How Increasing Income Inequality is Dampening U.S. Economic Growth, and Possible Ways To Change the Tide](#)," Aug. 5, 2014,

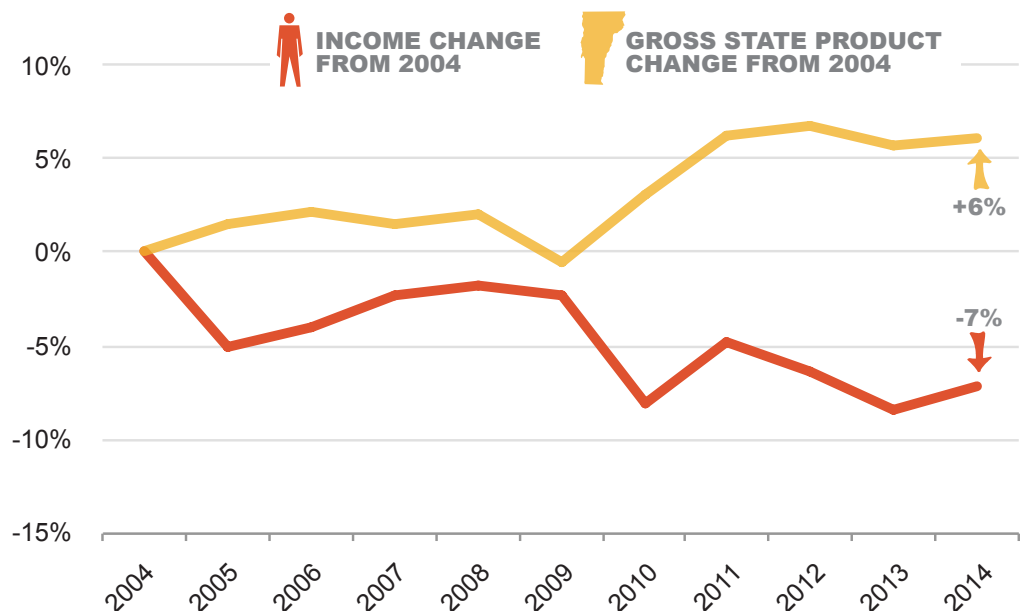


Incomes at the top are growing

While the economy has grown, not everyone has benefitted. After adjusting for inflation, the gross state product has grown since 2010, with a slight dip in 2013. But the rewards of Vermont's recovery concentrated at the top of the income scale, while everyone else lost ground. In the decade since 2004 median household income fell from \$58,328 inflation-adjusted dollars to \$54,166.

Vermont's economy grew, but most incomes did not

Change in Vermont gross state product and median household income, 2004-2014, adjusted for inflation



Data source: U.S. Bureau of Economic Analysis; U.S. Census American Community Survey, 2014, 1-year estimates
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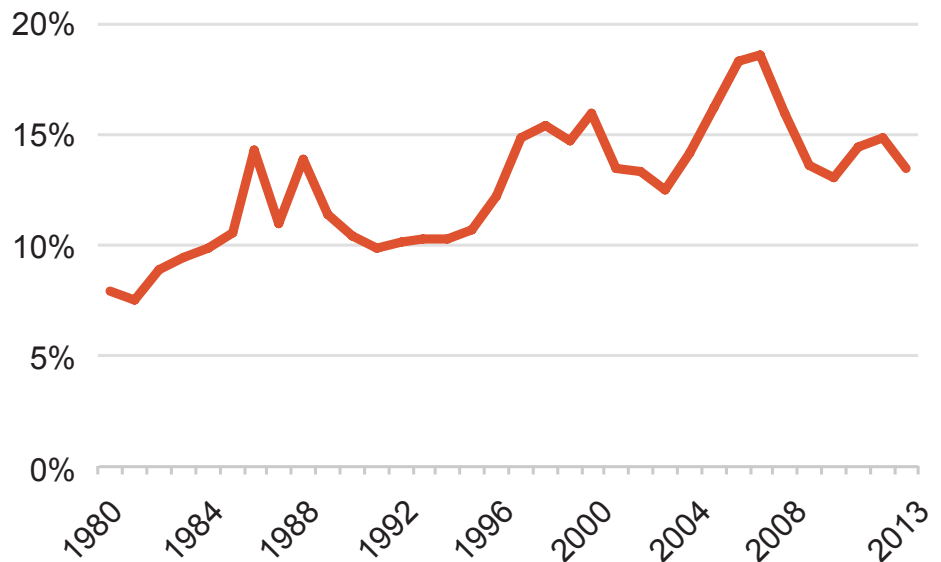


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**THE TOP 1%
GOT 13.4% OF
VERMONT'S
TOTAL INCOME IN
2013**

The gap between those at the top and everyone else has grown. Between 1980 and 2013, the share of Vermont's total income going to the top 1 percent nearly doubled, and the bottom 99 percent were left sharing a smaller portion. Incomes at the top grew substantially. In 1980, the 1 percent's total income was nearly \$700 million, adjusted to 2014 dollars. By 2013, that amount had increased more than threefold, to \$2.4 billion, again in 2014 dollars.

Top 1 percent increased their share of

income Share of total income going to the top 1 percent, 1980-2013



Data source: Mark Frank, Estelle Sommeiller, Mark Price, and Emmanuel Saez, "[Annual Top Income Shares by U.S. State, 1917-2013](#)"

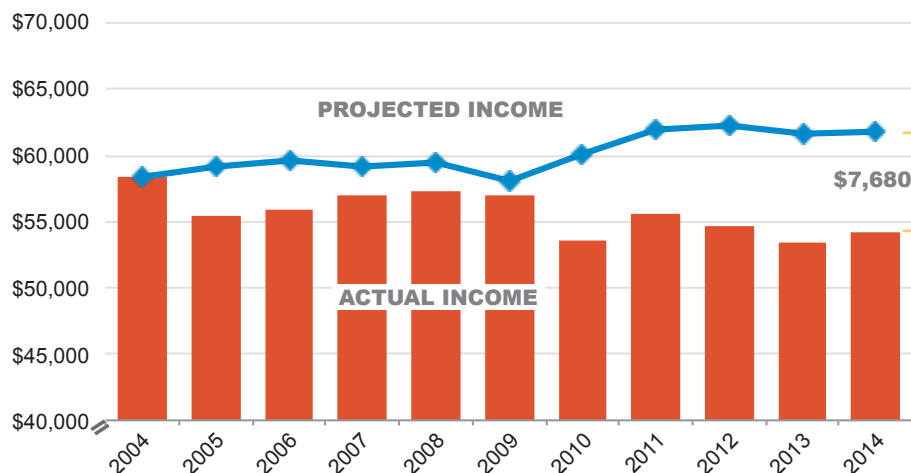
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**WHAT COULD AN
EXTRA \$7,680
BUY?**

If the economic expansion were shared fairly with all workers, median household income growth would more closely track economic growth. Had this been true in the current recovery, as it was in past expansions, median household income would have been nearly \$62,000 in 2014—\$7,680 higher than it was. Instead, after adjusting for inflation, the median Vermont household earned about \$4,000 less than it had a decade earlier.

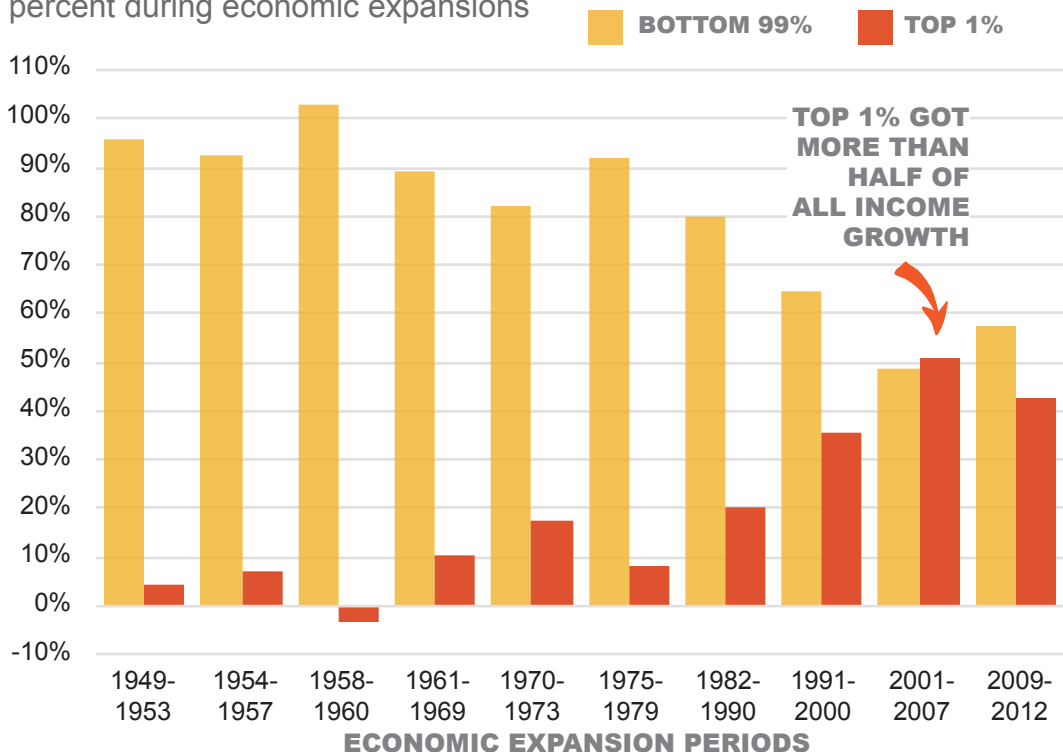
Vermonters' incomes would be higher if they grew with the economy Median household income, actual vs. projected at gross state product growth rate, adjusted for inflation, 2004-2014



Data source: U.S. Census, American Community Survey, 2014 1-year estimates; U.S. Bureau of Economic Analysis
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Recent expansions rewarded the haves

Share of Vermont income growth going to top 1 percent and bottom 99 percent during economic expansions



Data source: Mark Frank, Estelle Sommeiller, Mark Price, and Emmanuel Saez, "Annual Top Income Shares by U.S. State, 1917-2013"
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In earlier periods of economic expansion, gains were more fairly distributed. From 1949 to 1953, the bottom 99 percent enjoyed 96 percent of income growth. As recently as 1979, the bottom 99 percent laid claim to 92 percent of income growth.

Since the 1982-1990 expansion, however, those at the top have reaped more and more of the rewards of growth. In the current recovery, 2009 to 2012, the bottom 99 percent have received only 57 percent of income gains, while 43 percent went to the top 1 percent. According to the latest data on the distribution of income in Vermont, the top 1 percent of taxpayers averaged \$717,000 in income, while the bottom 99 percent averaged just under \$47,000.

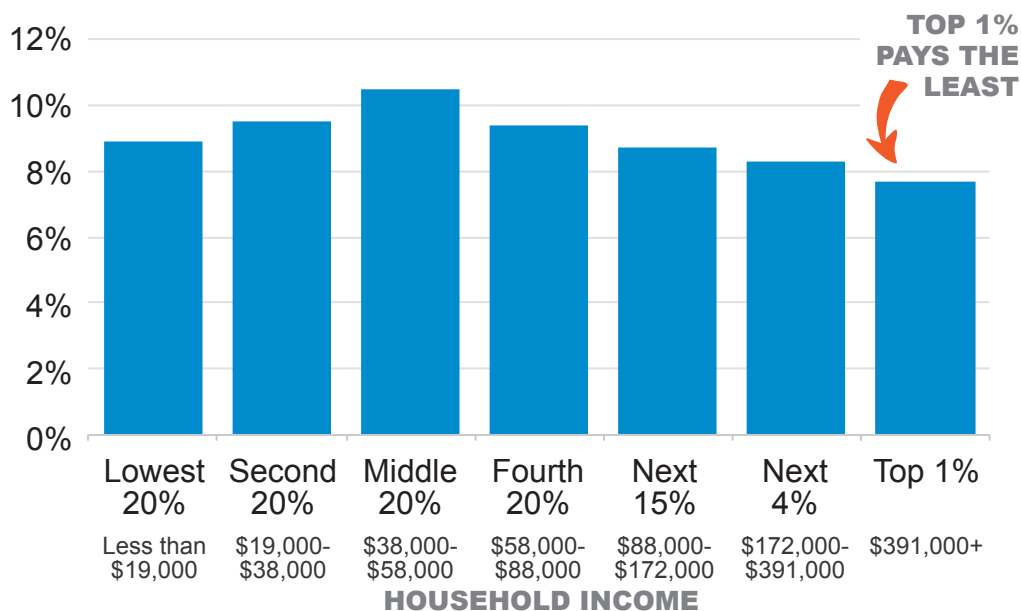


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**MIDDLE-INCOME
HOUSEHOLDS
PAY THE HIGHEST
PERCENTAGE OF
INCOME IN STATE
AND LOCAL
TAXES**

Vermont's income tax system is one of the nation's most progressive—meaning higher-income people pay a higher rate. But the overall tax structure remains regressive: Lower-income people pay a greater share of their income in taxes. Totaling all state and local taxes—including sales, excise, property, and income—the top 1 percent pay the smallest share of their incomes in taxes.

State and local taxes favor the highest incomes

Shares of household income paid in taxes (non-elderly filers), 2015



Data source: Institute on Taxation and Economic Policy, "Who Pays?"

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The middle class is losing ground

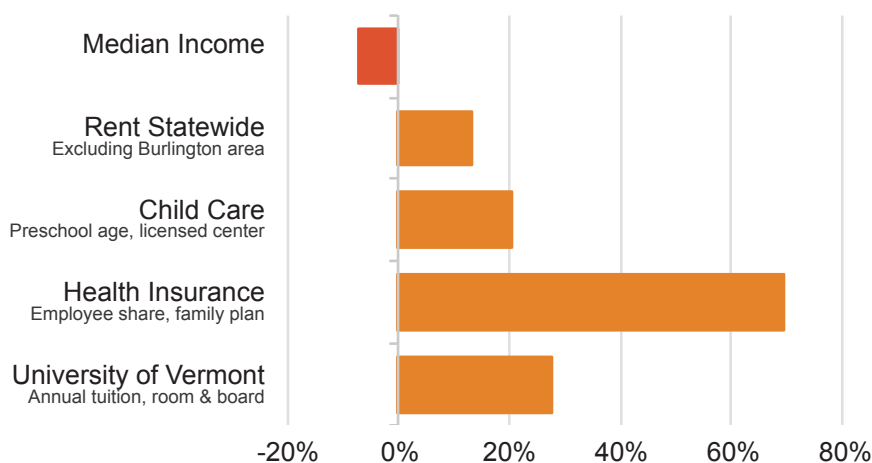


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**CHILD CARE
 COSTS GREW
 20% DURING THE
 SAME PERIOD
 THAT MEDIAN
 INCOME SHRANK
 7%**

Except for those at the very top, Vermonters lost ground over the last decade. Adjusted for inflation, the costs of child care, housing, health insurance, and college increased by double digits from 2004 to 2014, while median household income shrank 7 percent. The cost shift of health insurance onto employees was particularly significant over the decade, increasing nearly 70 percent for a family.

Income shrank, costs rose

Change in income and costs, inflation adjusted, 2004-2014



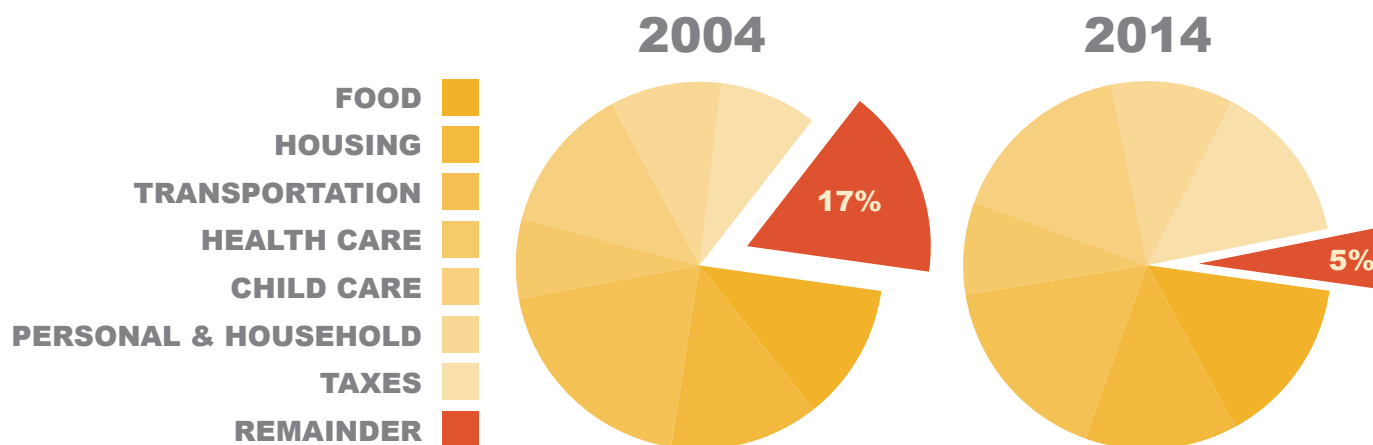
Data source: U.S. Census, American Community Survey, 2014, 1-year estimates; U.S. Department of Housing and Urban Development; Joint Fiscal Office, Vermont Department of Children and Families, The Commonwealth Fund, Vermont Student Assistance Corp.

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NOTE: Child care data is for 2006-2014, health insurance data for 2003-2013.

A 'middle-class' family had less to spare

Basic needs budget compared to median income for a family of four, 2004 and 2014

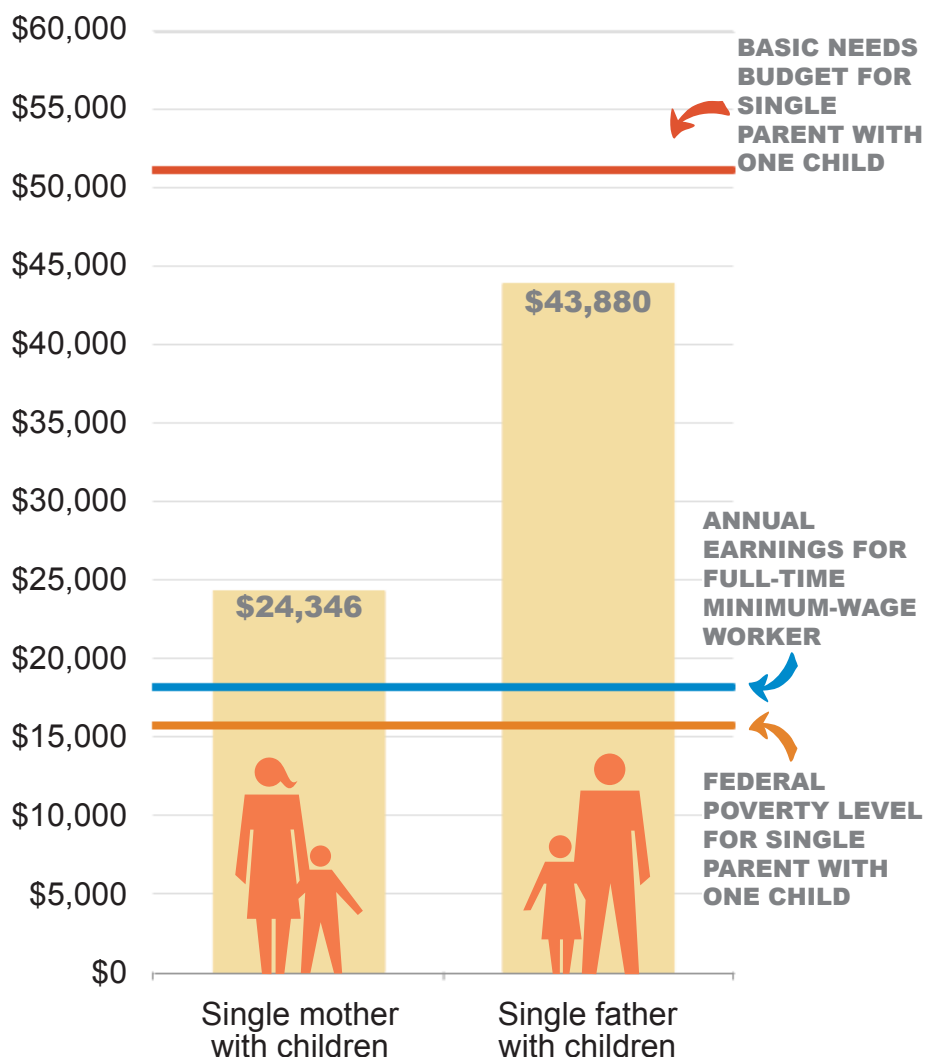


Data source: Joint Fiscal Office; U.S. Census, American Community Survey, 2014, 1-year estimates
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Most people think of themselves as middle class, and that tends to include a sense of self-sufficiency—being able to cover expenses with a little left over. But with rising costs and falling incomes, a family of four with median income had 58 percent less at the end of the month after covering housing, health care, child care, food, and transportation in 2014 than it did in 2004. There was little left to save for retirement, college, or a rainy day.

Many single parents couldn't afford the

basics Median income for single parent families vs. poverty, minimum wage, and basic needs, 2014



Every other year, the Vermont Legislature's Joint Fiscal Office calculates a Basic Needs Budget based on family size. The Vermont minimum wage was technically enough to keep a single parent with one child out of poverty in 2014—but it fell short of the amount needed to cover the family's basic needs. According to the most recent report from the Joint Fiscal Office, a single parent with one child needed a little over \$51,000 to meet basic needs. In 2014, that was more than the median family income for Vermont single fathers, and more than twice the median family income for Vermont single mothers.

Data source: Joint Fiscal Office, Vermont Department of Labor, U.S. Department Health & Human Services, U.S. Census, American Community Survey, 2014, 1-year estimates
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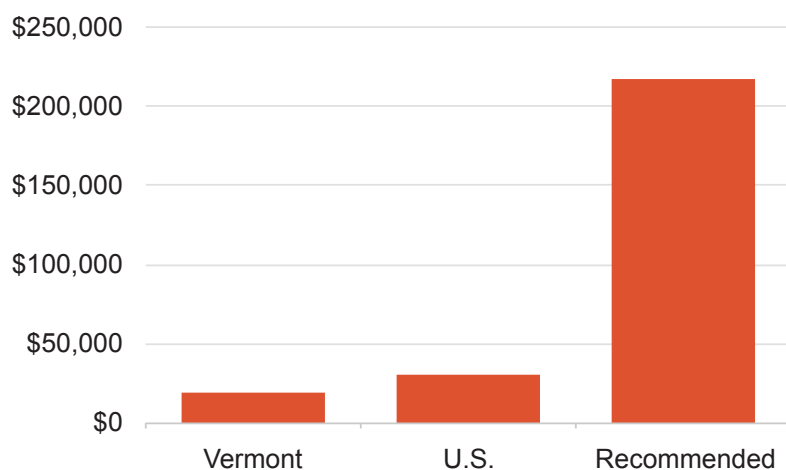
Increasing household costs and shrinking income have diminished families' ability to save. Nationwide, nearly half of all private-sector workers did not have any retirement savings. Four-fifths of households in the bottom 20 percent had nothing saved for retirement.²

Those who have saved have not saved enough, and Vermonters are socking away even less than Americans overall. Average total savings in Vermonters' defined contribution plans—such as IRAs—ranked lowest in the nation in 2012: just under \$20,000, compared with a U.S. average of \$30,345. Retirement experts recommend a nest egg of at least eight times income by age 67, which for the median one-person household in Vermont would be about \$217,000 in 2014.



Vermonters' nest eggs were far too

small Average retirement savings for Vermont and U.S., 2012; and recommended Vermont savings, 2014



Data source: National Institute on Retirement Security
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2 Christian E. Weller, Nari Rhee, and Carolyn Arcand, "Financial Security Scorecard: A State-by-State Analysis of Economic Pressures Facing Future Retirees," National Institute on Retirement Security, 2014

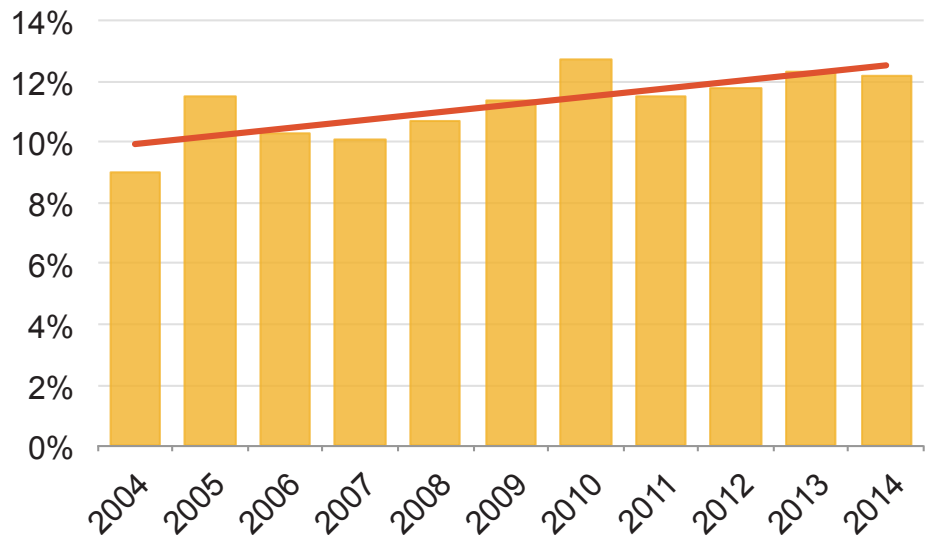


The poor are left behind

The distribution of benefits in this economic recovery is hurting middle-income Vermonters. But the poor are even worse off. While 2014 saw a slight dip in the trend, poverty—along with homelessness and food insecurity—has been rising in Vermont. More than 73,000 Vermonters were living in poverty in 2014, compared with 54,000 in 2004—an increase of 35 percent. Poverty rates were also higher in 2014 than at the official end of the recession in 2009.

Poverty plagued 1 in 8 Vermonters

Annual poverty rate with 10-year trend line, 2004-2014



2014 Poverty threshold by family size	
One person	\$11,670
Two people	\$15,730
Three people	\$19,790
Four people	\$23,850
Five people	\$27,910

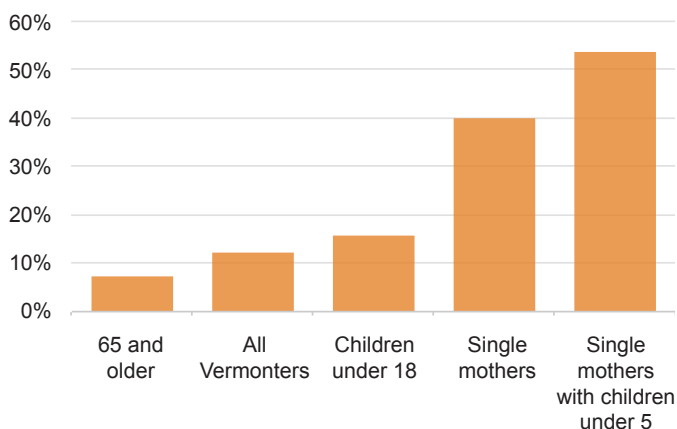
Data source: U.S. Census, American Community Survey, 2004-2014, 1-year estimates; U.S. Department of Health and Human Services
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53%
**SINGLE MOTHERS
WITH CHILDREN
UNDER 5 LIVING
IN POVERTY
IN 2014**



Single mothers were worst off

Vermont poverty rate for selected categories, 2014



More than half of Vermont's single mothers with young children lived in poverty in 2014. For single mothers the poverty rate was more than three times the state average. The poverty rate was even higher for single mothers with young children—more than four times the state average.

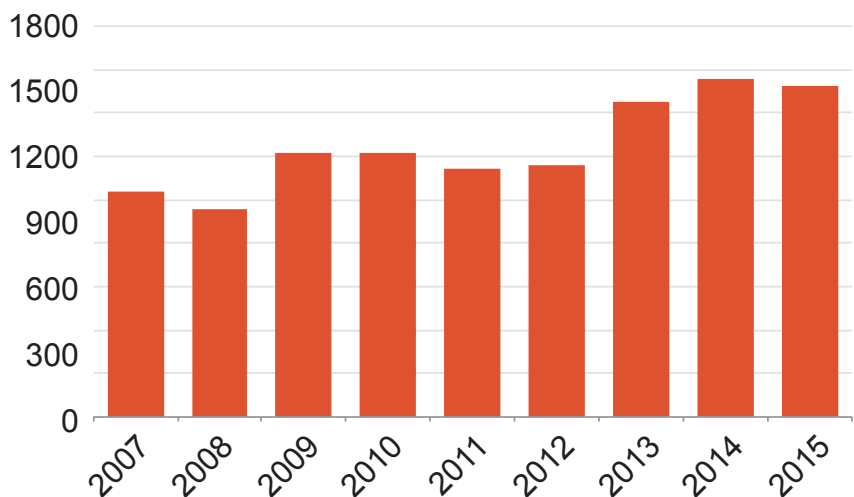
Data source: U.S. Census, American Community Survey, 2014 1-year estimates

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The number of Vermonters with no place to live dropped a bit in 2015, but homelessness remained higher than it was at the end of the recession. According to the latest annual homeless count by the U.S. Department of Housing and Urban Development, the number of homeless Vermonters fell 2.3 percent this year, to 1,523. But that was a 25 percent increase since the official end of the recession in 2009.

Homelessness grew faster after the

recession Vermont's annual January homeless count, 2007-2015

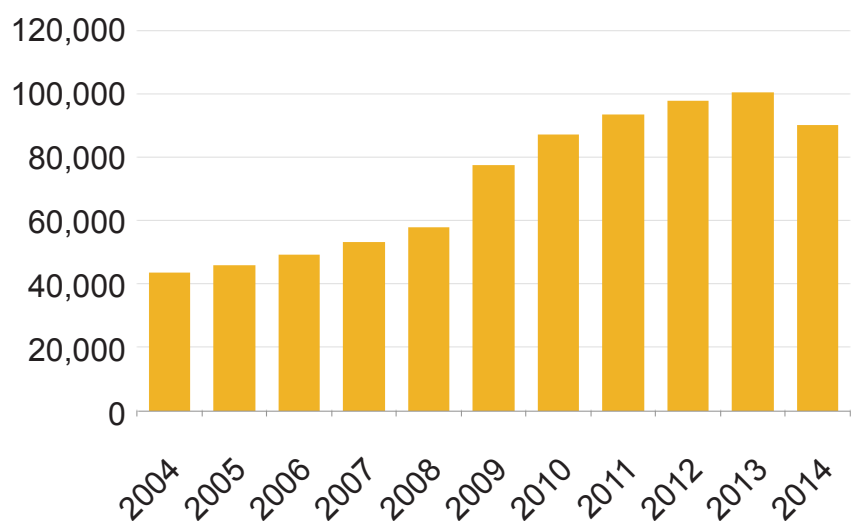


Data source: U.S. Department of Housing & Urban Development
©2015 Public Assets Institute

In the four years leading up to the recession, an average of 47,000 Vermonters received food stamps through the state's 3SquaresVT program. Since the official end of the recession, that average has nearly doubled. In 2014, the number of 3SquaresVT participants started to decline. Still, nearly 1 in 7 Vermonters needed assistance to put food on the table.

Nearly 1 in 7 Vermonters needed food

stamps Annual average of total 3SquaresVT recipients, 2004-2014



Data source: Vermont Department for Children and Families
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VERMONT'S LABOR MARKET

Employers replaced the jobs lost during the last recession, but the number of Vermonters working in 2014 was

still below the peak in 2006. In April of that year, Vermont employment hit its highest level ever: just over 344,000 people at work. At the end of 2014, employment lagged nearly 10,000 behind that number.

Vermont has seen deeper recessions than the last one, the Great Recession. But this slump was followed by the slowest recovery in at least 40 years. Employers shed jobs for 18 months, and then it took until the middle of 2014—nearly five years—before payroll jobs returned to pre-recession levels. In the recession of the early 1990s, a greater proportion of the state's jobs disappeared. But that recovery took just over three years.

The number of Vermonters working dropped between 2009, the official end of the recession, and 2014. But not all areas of the state lost ground. In Chittenden County, with more than a quarter of the state's labor force, the number employed rose nearly 8 percent. Franklin and Washington were the only other counties where employment increased.

Net fewer Vermonters at work since 2006 peak¹

9,808

**LATEST
SLUMP,
LONGEST
CLIMB
OUT²**

**MONTHS TO
RECOVER
JOBS**

1981 } **6**
recession

1990 } **37**
recession

2001 } **29**
recession

2007 } **57**
recession

2009 - 2014

**ONLY
CHITTENDEN,
FRANKLIN &
WASHINGTON
COUNTIES
SAW NET
GAINS IN
EMPLOYMENT³**

¹ U.S. Bureau of Labor Statistics, Jeffrey Thompson, Political Economy Research Institute

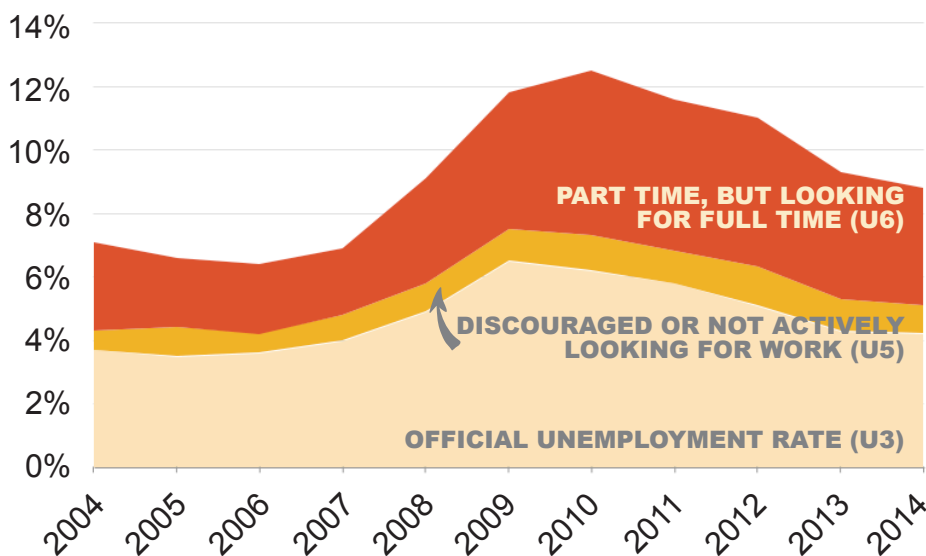
² Vermont Department of Labor

³ U.S. Bureau of Labor Statistics



.....
**UNDEREMPLOYED
AND DISCOURAGED
WORKERS PUSHED
“REAL” JOBLESS
RATE HIGHER**

Official jobless rate doesn't count all who want work Official unemployment rate (U3), plus alternate measures of unemployment (U5 and U6), 2004-2014



Data source: U.S. Bureau of Labor Statistics
©2015 Public Assets Institute

Vermont enjoys one of the lowest unemployment rates in the country. For 2014, just 4.1 percent of the labor force was officially unemployed. But that doesn't tell the whole story, because the official jobless rate counts only people who actively looked for work in the previous four weeks.

The U.S. Bureau of Labor Statistics (BLS) uses alternative measures of unemployment that provide a broader picture of the demand for jobs. Through its regular household surveys, the BLS also tracks discouraged workers, those who have sought work some time in the past year, and those who have looked more actively but not in the past four weeks. Another category, sometimes referred to as “underemployed,” comprises people working part time who would rather have full-time jobs. Including these alternative measures, Vermont's unemployment rate in 2014 was 8.8 percent.

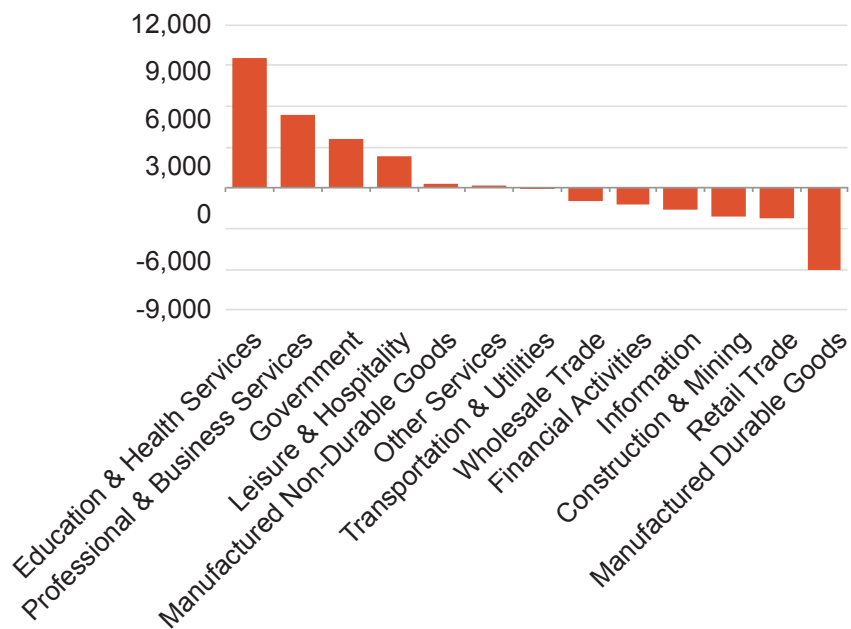
Jobs lost and gained 2004-2014



The nature of work has changed in Vermont, as it has throughout the country. Fewer people have jobs where they're making things or selling goods, and more are paid to provide and deliver services. In the decade ending in 2014, Vermont lost 6,000 manufacturing jobs—more than 1 in 5. In the same period, it gained 9,500 jobs in education and health services, with nearly all the gains in health services. Between 2004 and 2014, Vermont netted 6,900 new jobs.

New jobs clustered in the service sectors

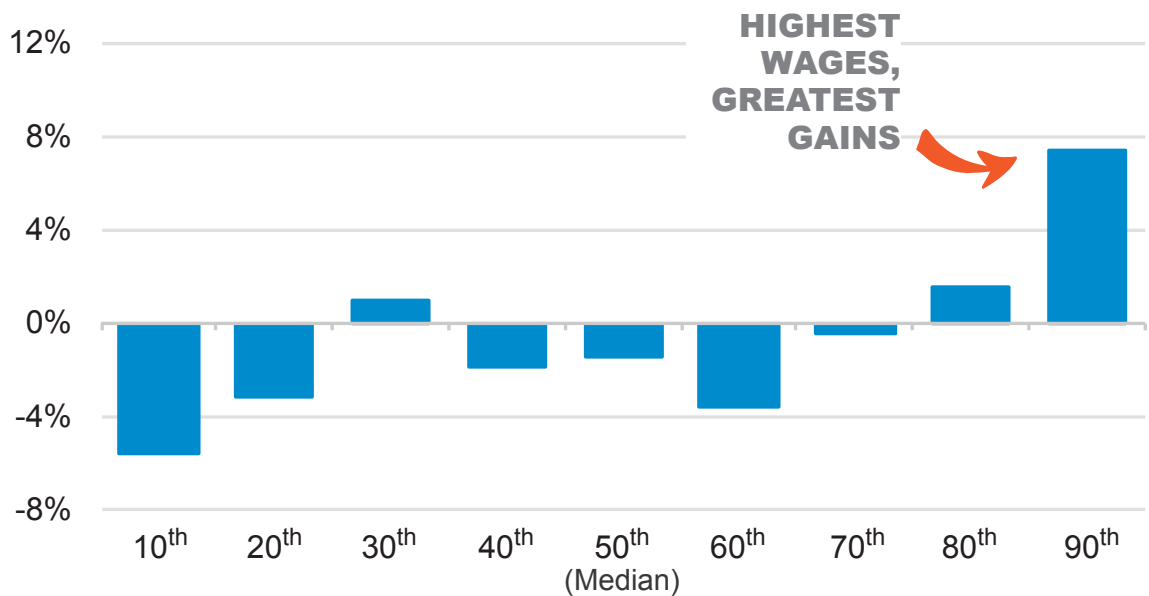
Change in jobs by sector, 2004-2014



Data source: Economic Policy Institute analysis of Current Population Survey
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Lowest-paid workers saw the biggest wage drop

Change in Vermont hourly wage from 2009 to 2014, adjusted for inflation, by percentile



Data source: Economic Policy Institute analysis of Current Population Survey
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Since the official end of the recession in 2009, wages for the lowest-paid workers dropped the most. Adjusted for inflation, wages for workers at 10th percentile fell by more than 5 percent from 2009 to 2014.* Most other workers also saw a decline in their real hourly wages, but not as much as the lowest paid. The highest wage-earners—those at the 90th percentile—saw their wages increase by over 7 percent.

* Ten percent of workers are paid less per hour than the 10th percentile and 90 percent are paid more.

VERMONT'S WORKERS

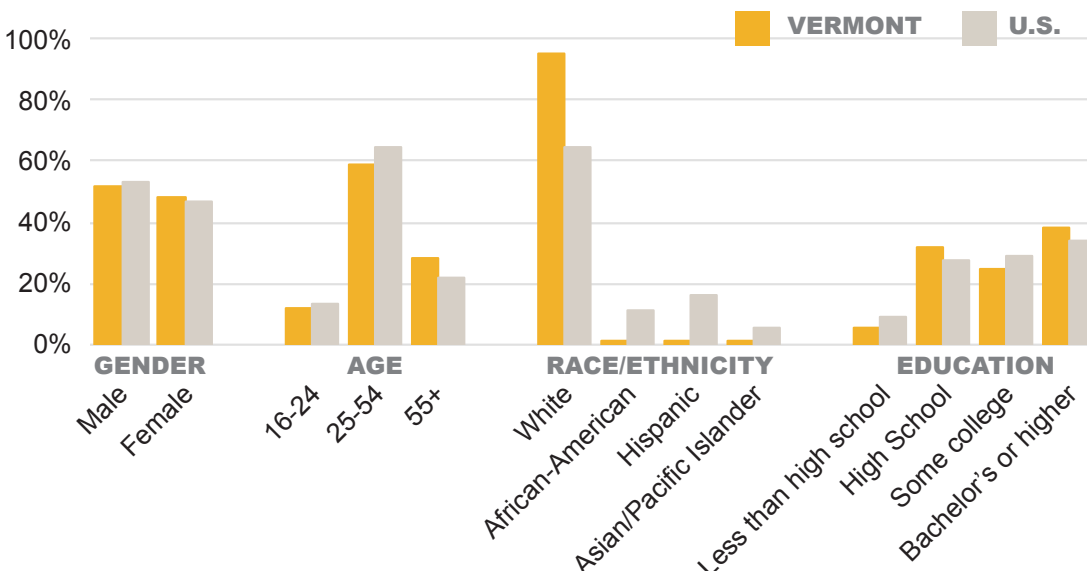


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**VERMONT'S
 LABOR FORCE
 CONTINUES
 TO BE OLDER,
 WHITER,
 AND BETTER
 EDUCATED THAN
 THE NATION'S**

Vermont's labor force differs from the country's as a whole. Nearly half of the state's labor force in 2014 were women, higher than the rest of the U.S. A greater share of Vermont's workforce was over 55—in part because the state's population is older than the nation's—and more working-age Vermonters held a bachelor's degree or higher. In 2014 Vermont's workforce was the whitest in the nation—over 95 percent white, compared with less than 65 percent nationally. As percentages of their labor forces, the U.S. had 10 times more African-Americans and 4.5 times more Asian/Pacific Islanders than Vermont did.

Vermont's labor force was whiter than the nation's

Share of labor force by demographic characteristic, 2014



Data source: Economic Policy Institute analysis of Current Population Survey
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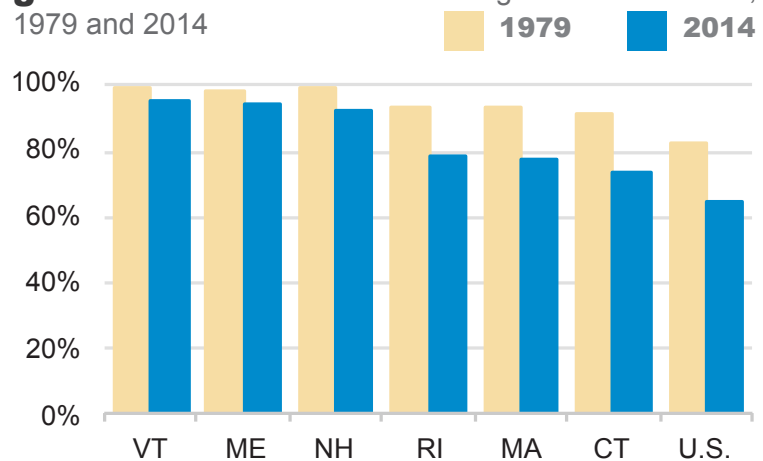
Northern New England's workforce has long been homogeneous. In 2014, three of the four states with the highest percentage of white workers were in New England. Vermont had the highest share of white workers in the labor force, Maine was second, and New Hampshire ranked fourth.

Thirty-five years ago, all of the New England states had predominantly white labor forces—more than 90 percent. Since then Connecticut, Massachusetts, and Rhode Island have grown more diverse. Whites made up less than 80 percent of workers in those states in 2014.

The mix of people in the workforces has changed even more rapidly in other parts of the country. In California, Texas, and New Mexico less than half of the labor force was white. In Hawaii, only 1 in 5 workers was white.

Southern New England's workforce grew more diverse

Percentage of white workers, 1979 and 2014



Data source: Economic Policy Institute analysis of Current Population Survey
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**MEN'S 2014
ANNUAL
UNEMPLOYMENT
RATE: 4.6%**

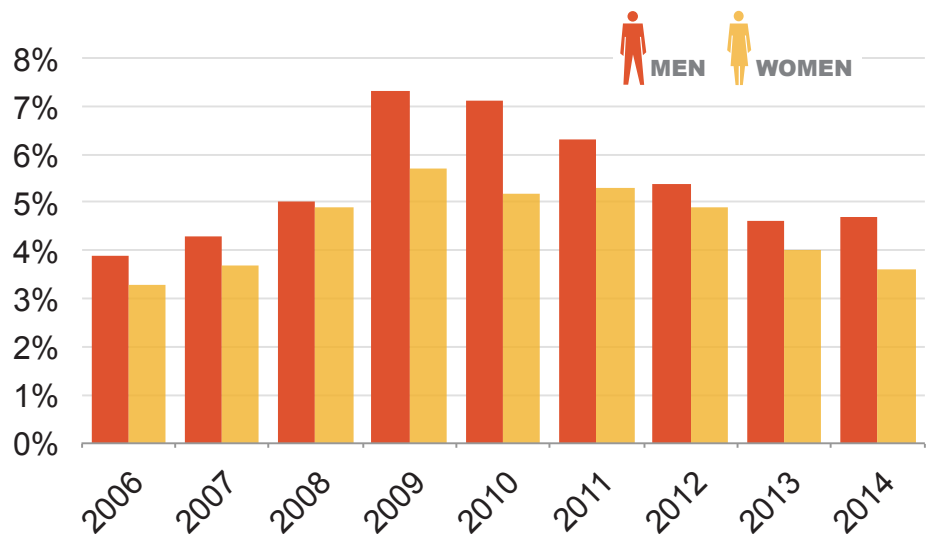


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**WOMEN'S 2014
ANNUAL
UNEMPLOYMENT
RATE: 3.6%**

At the depths of the recession, men's unemployment exceeded women's—and during the recovery women's bounced back faster. By 2014, unemployment among women was down to 3.6 percent, about where it was before the recession. But for men, the rate was about a percentage point higher than women's, and higher than it was before the economic collapse.

The drop in unemployment in recent years hasn't been matched by a corresponding rise in employment—for men or women. The total number of Vermont women employed has dropped since 2009. For men, the total number employed started falling in 2012.

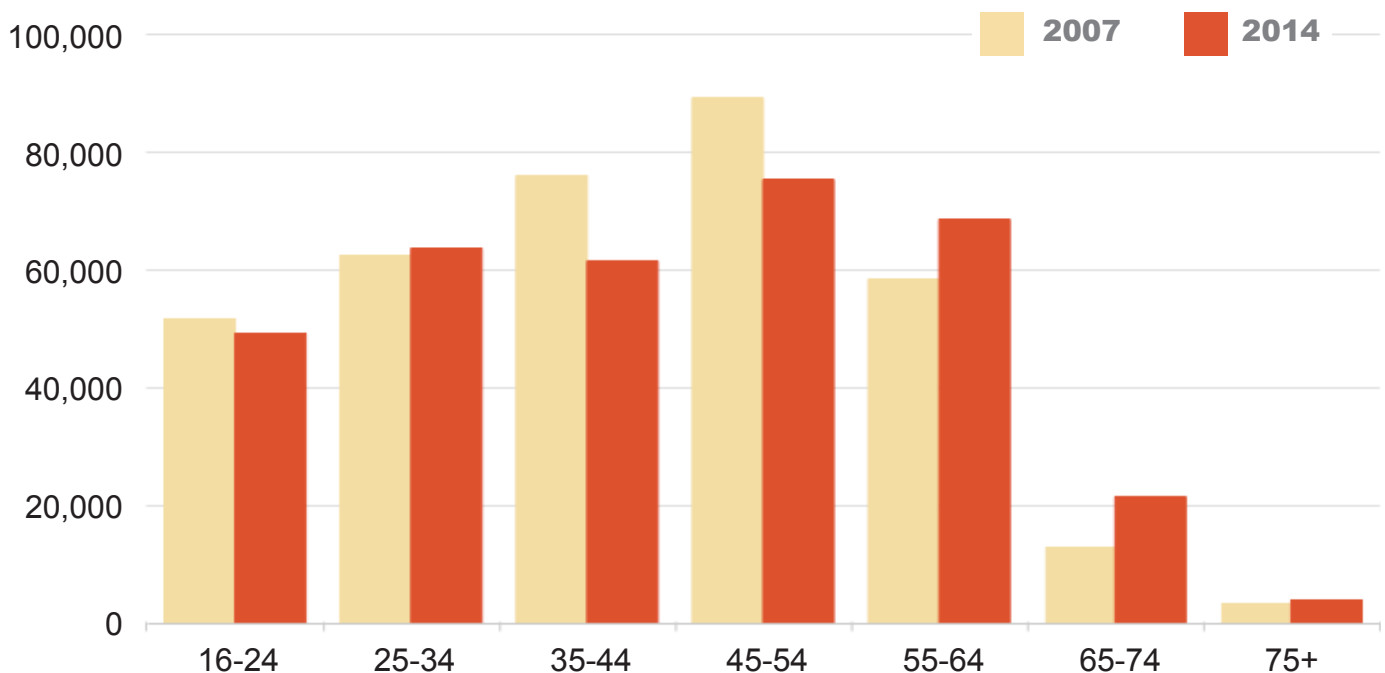
The downturn was worse for men than for women Annual Vermont unemployment rate by sex, 2006-2014



Data source: Economic Policy Institute analysis of Current Population Survey
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Since the recession Vermont has gained older workers and lost the middle-aged

Number in the labor force by age group, 2007 and 2014



Data source: U.S. Census, American Community Survey, 2007, 2014, 1-year estimates
©2015 Public Assets Institute

More Vermonters over 65 were employed in 2014 than before the recession, but there were fewer people ages 35 to 54 in the workforce. During the same period, 2007 to 2014, the number of Vermonters 65 and older in the labor force increased by 60 percent.

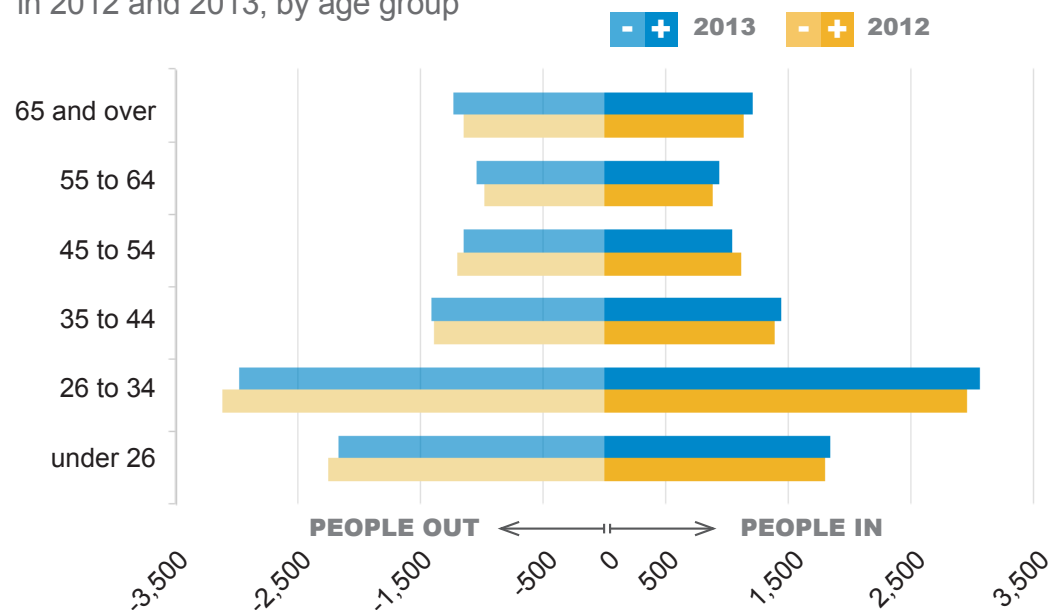


ADULTS UNDER 35 WERE THE MOST LIKELY TO MOVE INTO AND OUT OF VERMONT

Throughout the U.S. young adults were the most likely to move across state lines. According to IRS data from 2011 to 2012, tax filers under 35 were more than twice as likely to move as those over 35. While Vermont saw a higher proportion of young tax filers move out than many states, more young tax filers also moved into Vermont than most states. From 2012 to 2013 roughly 3 percent of the total population turned over. In every age group, the number of tax filers immigrating was comparable to the number emigrating—and the net effect was minimal.

Adults under 35 moved out of—and into—Vermont in biggest numbers

Tax filers who migrated in and out of Vermont in 2012 and 2013, by age group



Data source: Internal Revenue Service
©2015 Public Assets Institute

The slow growth of Vermont's economy and the falling standard of living for many of its residents should inform policymakers that the path they've been following is not leading to prosperity for all.

This report should also be a warning to look beyond positive indicators, such as a low unemployment rate or a new business announcing job openings, to see how Vermonters are faring in the slow climb out of the Great Recession. Trends like increasing poverty, especially among children, and homelessness and decreasing middle-class financial security mean that Vermont needs to set a new policy direction.

The state can make investments that increase opportunity for those in poverty, support the middle class, and level the playing field for Vermonters. Policymakers should:

- Invest in infrastructure and education both to boost the state's economy now and prepare Vermont for the future.
- Increase Vermonters' net wages, especially for those at the bottom, by bringing up the state's minimum wage at least to the level of a livable wage and reforming Vermont's tax system to make it more progressive and more responsive to the economy.
- Enact state budget reforms that build on the 2012 reforms obligating elected officials to balance fiscal responsibility with the state's duty to meet Vermonters' needs.
- Continue to work toward universal, affordable health care and child care to help low- and moderate-income Vermont families.

With these changes, Vermont would move closer to a state that works for all.

Adjusted for inflation	Dollar amounts are adjusted for inflation to reflect their real value. Inflation changes the purchasing power of a currency over time, so in order to compare dollar values from one period to another, they are converted from nominal (“current”) dollars to constant (“real”) dollar values. To adjust for inflation this report uses the Consumer Price Index-Urban-Research Series (CPI-U-RS), except for the gross state product, which is adjusted based on the quantity index from the Bureau of Economic Analysis.
Employment	Total number of people working, including farm workers and the self-employed, as reported on a monthly survey of households by the U.S. Bureau of Labor Statistics.
Family	A group of two or more people who reside together and who are related by birth, marriage, or adoption.
Gross State Product (GSP)	The market value of goods and services produced by labor and property in a state. GSP is used as a main indicator of economic growth.
Household	All the people who occupy a housing unit as their usual place of residence.
Jobs	Nonfarm payroll jobs reported in a monthly survey of employers by the U.S. Bureau of Labor Statistics.
Labor Force	The total number employed plus the total number of unemployed as measured by U-3.
Median Income	The income amount that divides the income distribution into two equal groups, half having incomes above that amount, and half having incomes below it.
Poverty	Defined by the set of money income thresholds issued annually by the Department of Health and Human Services, accounting for family size and composition. Although there are alternative measures, these are the thresholds on which eligibility for aid programs are based, so they are used in this report.
Progressive tax	A tax that takes a larger percentage from the income of high-income individuals than it does from low-income individuals.
Recession	A significant decline in activity across the economy, lasting longer than a few months. The technical indicator of a recession is two consecutive quarters of negative economic growth as measured by a country’s gross domestic product (GDP). The most recent Great Recession officially began in December 2007 and ended in June 2009.
Regressive tax	A tax that takes a larger percentage from low-income people than from high-income people.

STATE of WORKING VERMONT 2015

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