

## The State of Working Vermont 2007

### Industrious, Well-Educated, and Underpaid

Paul Cillo and Doug Hoffer

Economic trends that have troubled Vermont in recent years continue to do so. In 2006, the state lost good jobs in manufacturing and information. In their place, it is seeing an increase in service jobs, many of which pay lower wages and require little education to perform.

While Vermont's median hourly wage exceeded the national figure in 2006, the state lags substantially behind the region. Vermont's median household income is also near the bottom in New England.

Vermonters have the highest workforce participation rate in New England, as well as educational attainment that is among the highest in the nation. What's needed in Vermont are good-paying jobs that take full advantage of these workforce assets.

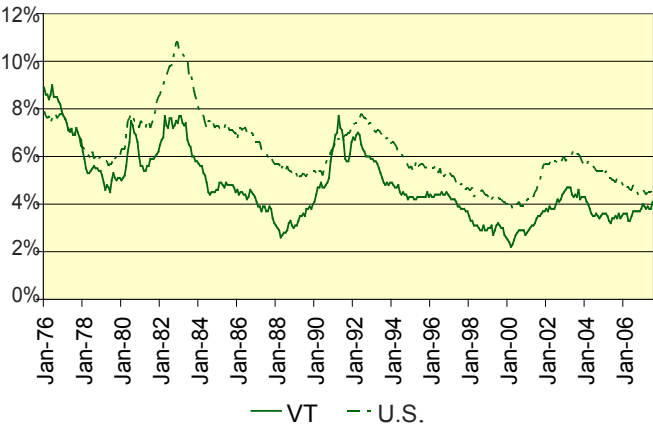
This brief is produced in cooperation with the Economic Policy Institute (EPI).<sup>1</sup>

### Employment: Unemployment remains low, workforce participation high

Vermont's unemployment rate was below the national average in 2006, as it has been for 15 years. Over the past 30 years, in fact, the U.S. unemployment rate has been the same or lower than Vermont's rate for a total of only 27 months (Figure 1). Vermont's 2006 unemployment rate (3.6 percent) and underemployment rate (6.4 percent) continue to be low compared with other states in New England.<sup>2</sup> Only New Hampshire had lower rates in 2006 (3.2 percent and 6.1 percent, respectively). Vermont's unemployment rate for 16-to-24-year-olds was the lowest in the region, at 7.8 percent.

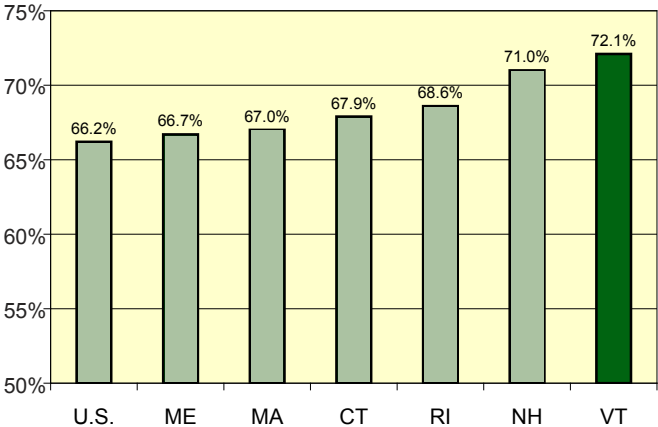
Workforce participation in Vermont was the highest of the New England states in 2006 (Figure 2). At 72 percent it was the state's highest rate since 1999 and

Figure 1. United States and Vermont Unemployment Rates, 1976 - 2007



Sources: U.S. Bureau of Labor Statistics, Vermont Department of Labor, and Current Population Survey

Figure 2. Labor Force Participation in the New England States and United States, 2006



Source: Economic Policy Institute analysis of Current Population Survey data

significantly above the 2006 national participation rate of 66 percent.

Vermont also had the highest female labor force participation rate (68 percent) in New England and a low female unemployment rate (3.3 percent) in 2006. New Hampshire was the only state in New England that had an unemployment rate for women (3.1 percent) that was lower than Vermont's. However, 36 percent of Vermont's female workers worked part time, one of the highest levels in the New England states and higher than the 30 percent figure nationally.

### Jobs: Vermont gained jobs, but many are low paying

From 2000 through 2006, non-farm employment in Vermont grew by nearly 9,000 jobs, a 2.9 percent increase.<sup>3</sup> This exceeded job growth in all of the other New England states except Rhode Island. The national rate of job growth was 3.3 percent.

While Vermont's job growth rates typically track U.S. rates, for the past several years the state's non-farm job growth has been slower than U.S. growth. In 2006, job

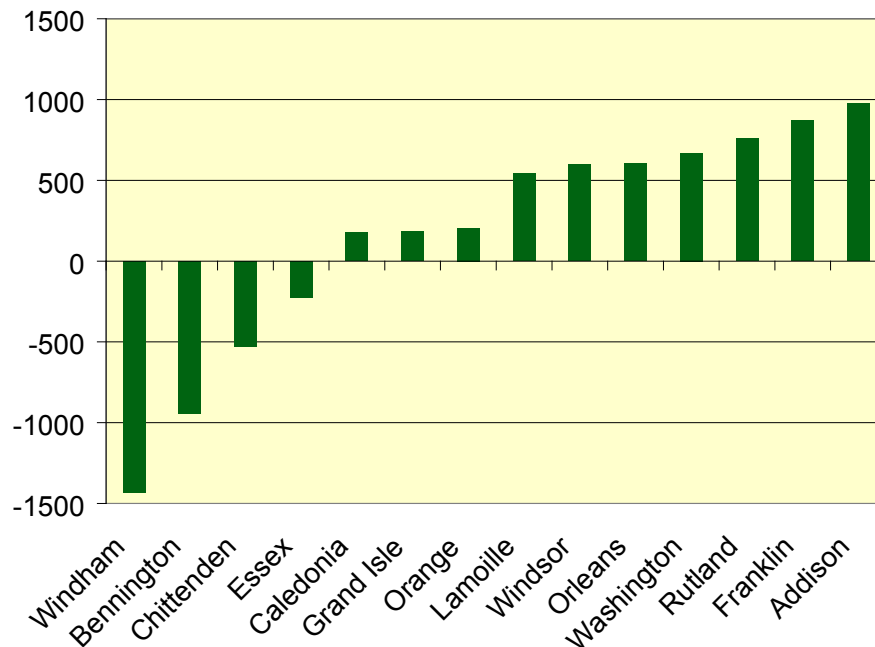
growth in the state was one-third the national average (0.6 percent in Vermont compared with 1.8 percent nationally). Job growth in New England lagged behind the rest of the country in 2006; of the New England states, Vermont's growth was third highest, behind Connecticut and Massachusetts.

Job growth was uneven across Vermont's counties. The greatest percentage of growth between 2000 and 2006 occurred in Grand Isle County, although this number represents fewer than 200 new jobs over the six-year period. Four counties experienced net job losses (**Figure 3**). Windham County lost the greatest number of jobs, Addison County had the largest job gain.

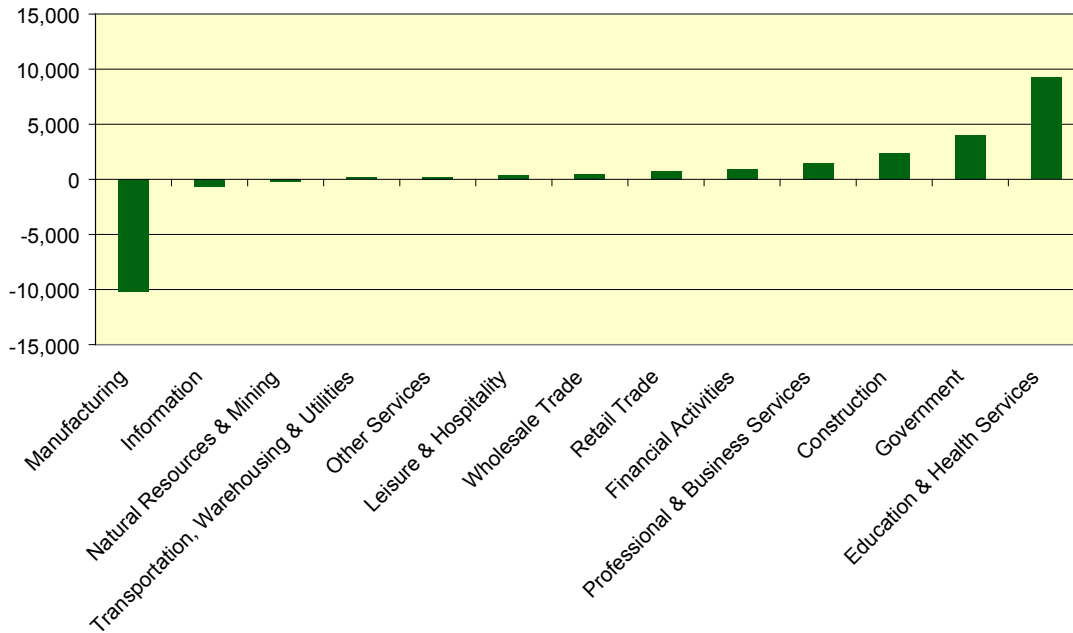
From 2000 through 2006, nearly half of Vermont's net job growth occurred in three industries: education and health services (employment up 20 percent); construction (up 16 percent); and government (up 8 percent).<sup>4</sup> Over the six-year period, these three industries added nearly 16,000 net new jobs. Growth in seven other industries added over 4,000 jobs, for a total gain of approximately 20,000 jobs.

In contrast, over the same six-year time period, the state lost more than 10,000 jobs in manufacturing (22 per-

**Figure 3. Change in Number of Non-Farm Jobs by Vermont County, 2000 - 2006 (not seasonally adjusted)**



**Figure 4. Change in Number of Non-Farm Jobs by Vermont Industry, 2000 - 2006 (not seasonally adjusted)**



Source: Vermont Department of Labor, Current Employment Statistics

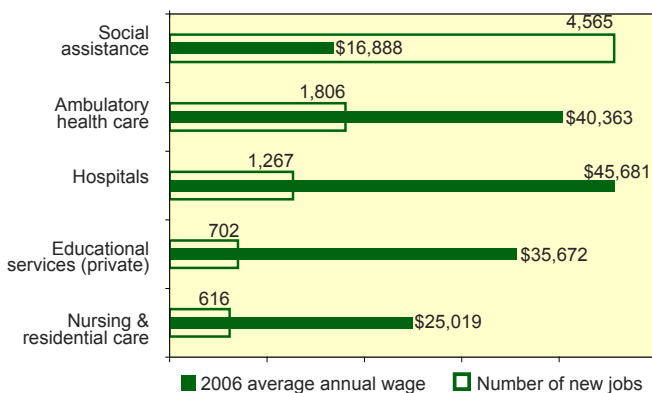
cent decline), with an additional 1,000 jobs lost in the information and natural resources and mining industries (Figure 4). Cuts in manufacturing and information jobs in Vermont parallel substantial job losses in these industries throughout New England. Nationally, employment in manufacturing declined 18 percent and in information by 16 percent during this period.

A closer look at the industries showing job growth reveals that many of the new jobs pay low wages. This is

especially true in Education and Health Services, the industry with the largest growth (Figure 5).<sup>5</sup>

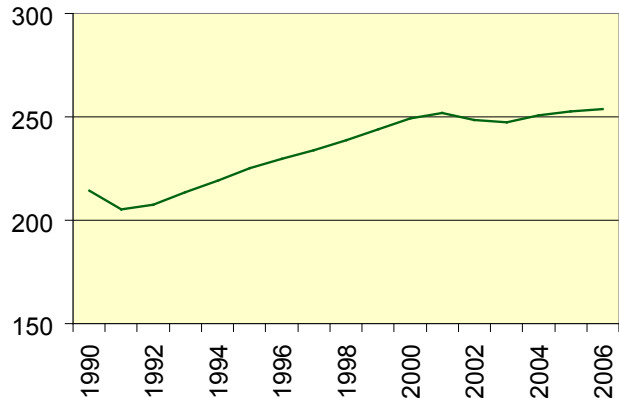
Growth in private-sector jobs has been anemic since the 2001 recession, in spite of the state’s investment in economic development. Figure 6 shows healthy private-sector job growth after the 1991 recession, compared with the current, post-2001 “jobless recovery”.

**Figure 5. New Jobs and Wages within Education & Health Services Industry in Vermont, 2000 - 2006**



Source: Vermont Department of Labor, Quarterly Census of Employment and Wages (UI Covered Employment)

**Figure 6. Total Annual Private Sector Jobs in Vermont, 1990 - 2006 (not seasonally adjusted, in thousands)**



Source: Economic Policy Institute analysis of Current Employment Statistics survey data

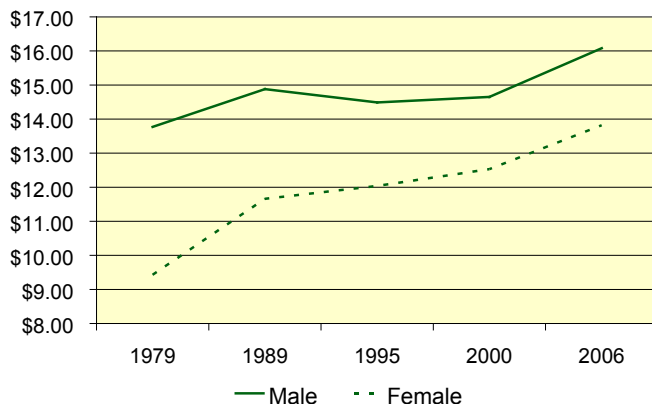
## Wages and Income: Wages and income grew, but remain low for the region

Vermont's median hourly wage was \$14.95 in 2006.<sup>6</sup> This represents 9 percent real growth since 2000, nearly triple that of the New England and U.S. median hourly wages (3.5 percent and 3.3 percent, respectively). While Vermont's hourly wages typically run lower than both national and regional wages, the state's median hourly wage exceeded the \$14.81-per-hour U.S. median in 2006. Nevertheless, Vermont's median hourly wage remains well below the regional median of \$16.70.

Geographic wage disparity is a chronic problem in Vermont. In 2006, only Chittenden County had an average annual wage that was above the state average of \$35,535. Wages in two counties – Grand Isle and Orleans – were more than 20 percent below the state average. Four counties – Caledonia, Essex, Lamoille, and Orange – had average wages between 10 and 20 percent below the state average in 2006.

The picture for gender equity is more positive. While both men's and women's real wages have grown over the past 25 years in Vermont, women's median wage growth has outpaced men's over this period, gradually closing the wage gap. The gap continued to close, though slightly, in 2006 (**Figure 7**). Female workers earned about 87¢ for every dollar earned by men in Vermont in 2006. Despite this growth, though, Vermont has nearly the lowest female (\$13.82) and male median wage (\$16.08) in the region; only Maine's is lower.

**Figure 7. Median Hourly Wages in Vermont by Gender, 1979 - 2006 (in 2006 Dollars)**



Source: Economic Policy Institute analysis of Current Employment Statistics survey data

Wages tell only part of the story, though. Many Vermonters work part time, so their hourly wages are not good indicators of their total household incomes or ability to make ends meet. An analysis of Vermonters working part time reveals that the state had the second-highest percentage of part-time workers in the labor force in 2006 (28 percent). Maine (29 percent) had the highest (**Figure 8**).

Following a period of virtually no growth in median household income during the 1990s, real growth from 2000 through 2005 was 6.6 percent, the highest growth among the New England states.<sup>7</sup> Nevertheless, Vermont's median household income remains second from the bottom among the New England states.

**Figure 8. Percentage of Part-time workers in the New England States and U.S., Total and by Gender, 2006**

	All	Male	Female
United States	22.4%	16.3%	29.6%
New Hampshire	24.8%	16.6%	34.0%
Connecticut	26.6%	19.1%	35.0%
Rhode Island	27.0%	19.1%	35.4%
Massachusetts	27.1%	18.9%	36.1%
<b>Vermont</b>	<b>28.1%</b>	<b>20.5%</b>	<b>36.2%</b>
Maine	28.8%	20.1%	38.2%

Source: Economic Policy Institute analysis of Current Employment Statistics survey data

## Education: Vermonters are well educated, and those with more education are paid more

The Vermont workforce has a higher level of educational attainment than most of the country. In 2006, 91 percent of adults 25 years and older had completed high school, and 34 percent held a four-year college degree or higher; Vermont places seventh nationally for college education.

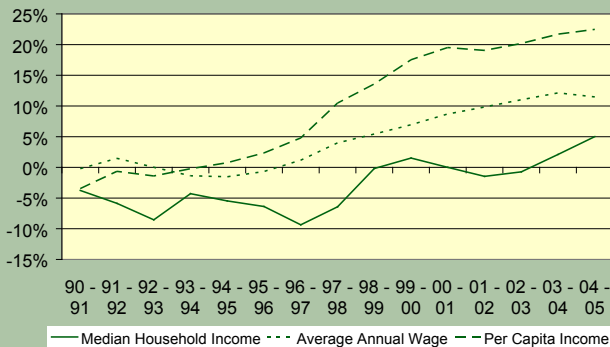
Median wages for workers with any college experience are higher in Vermont than for workers with a high-school degree. In 2006, workers with some college had a median hourly wage of \$14.01, compared with \$13.10 for those with a high-school degree.

### Different Ways of Analyzing Income

Figure 9 below compares the growth trends for median household income, average annual wage, and per-capita income.

- Median household income provides a good picture of a middle-income Vermont household – half of Vermont households have a higher income, half lower.
- Average annual wage is the total wages paid in the state divided by total workers. This figure does not reveal the distribution of wages among low- and high-paid workers or the number of Vermonters working part time.
- Per-capita income is total personal income for the state divided by the total population. Per-capita income blends the highest income households with the poorest, so it doesn't show the distribution of income. It also includes un-earned income, such as stock market gains, most of which goes to the highest income households.

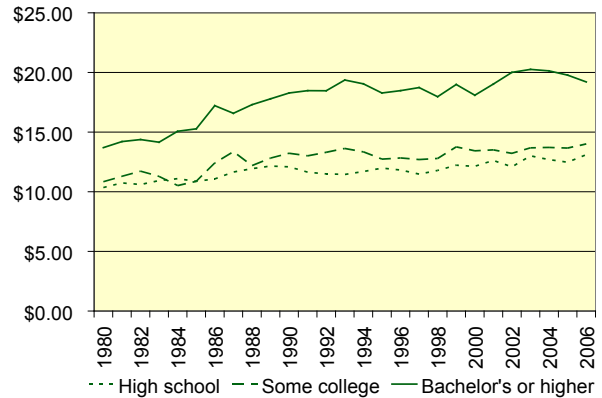
**Figure 9. Cumulative Change in Vermont Median Household Income, Average Annual Wage, and Per Capita Income in Vermont, 1990 - 2005 (in 2005 Dollars)**



Sources: Current Population Survey (3-year data), Quarterly Census of Employment and Wages, and Bureau of Economic Analysis

However, workers with a four-year college degree receive significantly higher hourly wages (\$19.21 in 2006) than those of either of the other two groups and this group's wage has increased at a faster rate than either of the other two since 1980 (Figure 10). Workers with a four-year degree saw a 40 percent increase in median wages during this period; those with some college experienced a 29 percent increase; and workers with a high-school degree increased their median wages by 27 percent. Since 2002, however, real wages for those with a four-year college degree have gone down, while wages for workers with a high school education and some college have continued to increase.

**Figure 10. Median Hourly Wages by Education in Vermont, 1980 - 2006 (in 2006 Dollars)**



Source: Economic Policy Institute analysis of Current Population Survey data

## Conclusion

Vermont labor force participation remains reliably high relative to the national average and the other New England states; the state's unemployment rate is low, with the exception of several counties with chronically high joblessness. Vermont saw modest growth in jobs and wages since 2000, with working women continuing to make small gains in closing the gender gap. In general, this is reasonably good news for Vermont's workers and their families.

However, much of Vermont's economic news is worrisome. Median household income remains low relative to the region. The state also continues to lose manufacturing jobs and replace them with low-paying service jobs that require minimal education – in spite of the fact that Vermont's workers have among the highest level of educational attainment in the country.

These facts are suggestive. If Vermonters are highly educated and willing to work hard, yet tolerate jobs that neither challenge their skills nor pay them sufficiently, we can infer that people live in the state for other than economic reasons: its physical beauty, active sense of community, or clean environment.

Can the state build its economic development policies on these in-state assets? That would require advocates, policymakers, and both public and private-sector leaders working together to develop an economic environment that makes the use of these assets a state priority. Vermont can and should ask the most of a workforce whose potential is waiting to be tapped and reward them in turn with job security and good wages and working conditions. Such efforts would indeed promise a bright future for Vermont.

## Authors

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## End Notes

<sup>1</sup> EPI has released its biennial publication, *The State of Working America*, since 1988. The 2006 publication offers a wealth of data on working families, including analysis of trends in wages, income, jobs, and employment. The Public Assets Institute produced this report using the EPI's analysis of the Census Bureau's 2006 Current Population Survey and other data.

<sup>2</sup> Unemployed workers include those 16 years and older who are willing and able to work and who looked for work in the four weeks preceding data collection. Since this definition fails to count many workers who want work but do not have a job, the term "underemployed" is used. Underemployed workers include those working part time who desire full-time employment and "marginally attached" workers, who are not currently looking but desire employment and have looked for work in the previous 12 months. Marginally attached includes "discouraged" workers, who have given up looking because they believe there are no jobs available or there are none for which they would qualify. "Conditionally interested" workers are also marginally attached to the labor force, but are not in the labor force for reasons other than discouragement (e.g. people who want a job but are not looking because of child care problems). Unemployment and underemployment rates taken together present a more realistic picture of the state's employment situation.

<sup>3</sup> Employment figures reflect full-time and part-time employees in non-farming industries in the state.

<sup>4</sup> Includes federal, state, and local government jobs.

<sup>5</sup> The data for Figures 3, 4 & 5 are taken from two different Vermont Department of Labor surveys. Figure 4 uses data from Current Employment Statistics ("non-farm payroll"), which does not include wage data. Figures 3 & 5 use data from the Quarterly Census of Employment and Wages, which includes wage data based on UI (unemployment insurance) covered employment. As a result, the aggregate numbers in these figures do not match exactly. Additionally, Figure 3 does not include jobs in the category entitled "unspecified county." These are jobs not performed at a specific location (e.g., traveling salespersons) and, therefore, cannot be attributed to any particular county. There were 6,651 such jobs in 2006, an increase of 4,060 jobs since 2000. These jobs are included in the statewide numbers in Figure 4. (Endnote 5 was revised on November 26, 2007.)

<sup>6</sup> The median hourly wage is the wage earned by the worker at the middle of the wage distribution -- half of the state's workers earn more and half earn less.

<sup>7</sup> Analysis of median household income is based on 2005 CPS 3-year data. 2006 CPS data for median household income were not available at the time this report was written.

## Public Assets Institute



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