Report 1103
December 2011

Public Assets Institute
government for the **people**

State of Working Vermont 2011

The End of a Dismal Decade

by Jack Hoffman and Paul Cillo

Three years after the start of the Great Recession, Vermont was faring better than many other states.[1] Its annual unemployment rate for 2010 was one of the lowest in New England and lower than in most other states.[2] The under-employment rate, which includes people who would like to be working more hours, was also among the lowest in the country. The percentage of non-farm jobs that Vermont lost between 2007 and 2010 was the second lowest in New England and 15th lowest nationwide. And the wage gap between male and female workers in Vermont was the smallest in New England and fifth smallest overall (**Table 1**).

TABLE 1

Vermont Rankings in 2010*

	New England	U.S.
Unemployment (6.2%)	2	6
Under-employment (12.5%)	2	9
Unemployment rise (2007-10)	1	5
Population employed (66.4%)	1	5
Job loss since 2007 (3.5%)	2	15
Wage gap (12.1%)	1	5

*1 = most positive ranking

Data source: U.S. Bureau of Labor Statistics; Economic Policy Institute (EPI) analysis of Current Population Survey data

That's the good news—if we just want to know how Vermont workers are faring relative to workers in other states. But if the goal as a state is to improve Vermonters' lives and give them hope for the future, it's not terribly useful to know that things are worse elsewhere.

The bad news is what's happened to working Vermonters over the last 20 or 30 years. The gap between the rich and everyone else—brought to dramatic light this year by the Occupy Wall Street movement—is widening in Vermont as it is nationwide. The real earnings of middle-income Vermonters weren't much higher in 2010 than they were in 1990. And Vermont's private sector is no longer creating new jobs at a rate sufficient to keep up with population growth. The number of Vermonters living in poverty is increasing. And we're losing what we knew to be our middle class. This adds up to a society that works for only the few at the top.

Peter Shumlin, who won the governor's office at the end of 2010, campaigned on a promise to rebuild Vermont's middle class. He described Vermonters who were "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."[3]

Too many working Vermonters have lost ground in the past 30 years because of state and federal policies that favor the wealthy and put money considerations ahead of people's needs—profits ahead of job creation, low taxes at the expense of adequate public services, and weak regulation in place of sound public interest protections. It should come as no surprise that these policies have resulted in social and economic ills. It will take the focused attention and commitment of elected officials to reverse these policies—to put people first again and rebuild a vibrant society.

This report seeks to provide an understanding of where working Vermont stood at the close of 2010. It also helps explain how we got here, by putting this first decade of the 21st century into historical context.

Employment and Jobs

Many Vermonters lost jobs during the recession and many are still out of work. In December 2007, at the official start of the recession, Vermont reported 14,420 unemployed workers.[4] Unemployment peaked in May 2009 at 26,397—an increase of 83 percent.

During 2010, an average of 22,470 Vermonters were unemployed—60 percent more than before the recession began.

Joblessness worse than it looks

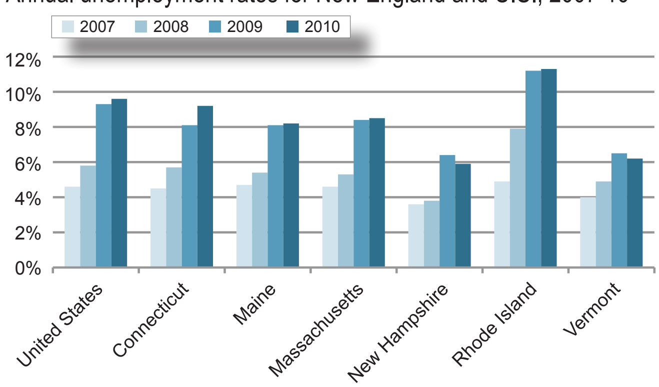
Vermont's official unemployment rate in 2010 was 6.2 percent. But this rate doesn't count people who had gotten discouraged and stopped looking for work. Vermont's unemployment rate including discouraged workers and those who are under-employed was twice the official rate—12.5 percent.[5]

As bad as that was for Vermonters, they fared a lot better than workers in most other states (**Figure 1**). Vermont's 60 percent increase in unemployment between 2007 and 2010 was the fifth-lowest growth rate in the country and the lowest in New England (New Hampshire's rose 72 percent).

FIGURE 1

Vermont's Unemployment Was Relatively Low

Annual unemployment rates for New England and U.S., 2007-10



Source: EPI analysis of Current Population Survey data

Fewer new jobs even before the recession

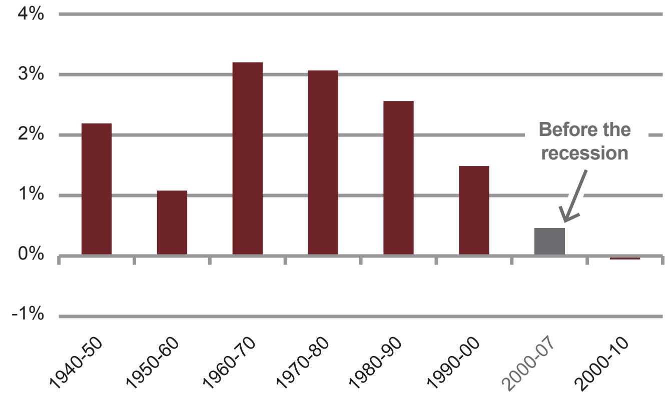
By the end of 2010, Vermont still had not recovered the jobs lost during the recession, which officially ended in June 2009. Vermont averaged 297,500 non-farm payroll jobs in 2010, a decline of 3.5 percent from before the recession. That was better than most of the other New England states. Only Massachusetts had a smaller job deficit in 2010; it was down 2.9 percent from its pre-recession level.

All in all, though, 2000-2010 was a dismal decade. Vermont was one of 28 states that had fewer jobs in 2010 than it had a decade earlier. The rate at which Vermont created new jobs during the decade was the slowest since the 1940s, the first decade on record (**Figure 2**). Even before the recession hit in 2007, Vermont's pace of job creation was slower than during any of the previous six decades.

FIGURE 2

2000-10 Saw Slowest Job Growth on Record

Vermont average annual growth rate by decade



Data source: U.S. Bureau of Labor Statistics, non-farm employment, 1940-2010

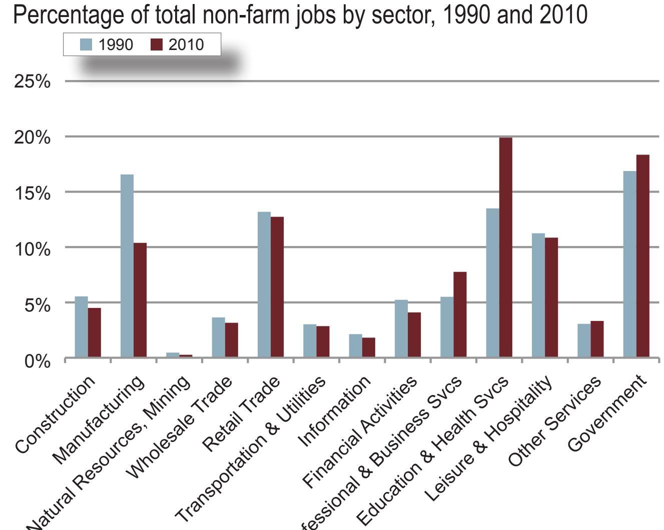
Less manufacturing, more health and education services

The biggest job loss in the last decade, in both percentage and number, was in manufacturing—traditionally the sector with some of the best wages. Vermont had a third fewer manufacturing jobs in 2010 than in 2000, and that didn't include any adjustment

FIGURE 3

The Job Mix is Changing

Percentage of total non-farm jobs by sector, 1990 and 2010



Source: EPI analysis of Current Employment Statistics Survey data for population. Vermont manufacturers employed more than 46,000 people in 2000; by 2010, the number fell to 31,000. Manufacturing accounted for 17 percent of the jobs in Vermont in 1990, and just 10 percent in 2010 (**Figure 3**).

The manufacturing sector has been shrinking in the U.S. for at least two decades, although Vermont bucked the trend in the 1990s, when manufacturing jobs here increased by 8 percent. From 2000 to 2010 the drop grew even steeper nationally. All but one state lost manufacturing sector jobs. Vermont's 33 percent decline in manufacturing jobs that decade was the same as the U.S. decline overall.

The biggest sector for job growth—in the past decade as well as in the 1990s—was education and health services, which includes health care workers as well as non-medical workers who provide "social assistance" services.[6] Education services in this sector include training programs, but not public schools. Jobs in health care and social assistance services nearly doubled in 20 years—from 25,000 in 1990 to more than 46,000 in 2010. Even during the decade ending in 2010, despite the recession, this sector added more than 12,000 jobs. Historically, most of the new jobs in the education and health services sector have been social assistance jobs, which pay the lowest wages of any jobs in this sector.[7]

In essence, over the past two decades, Vermont has seen the steady loss of higher-paying manufacturing jobs and gains in lower-paying service jobs. This means that to maintain its previous level of income, a family would need to work more than one job or reduce spending. Either way, many Vermonters are seeing a reduced standard of living.

Workforce

Vermont continues to have an older and better-educated workforce than many other states. Seven in 10 Vermonters were in the labor force, including those who are employed and unemployed, and 66 percent of Vermont's population was working in 2010.

Older, more experienced workers

Half of all Vermonters 55 and older were in the workforce in 2010, which was the highest participation rate for that age group in the country (**Table 2**). These older workers accounted for a quarter of Vermont's labor pool, which made Vermont's the greyest workforce in the U.S. for the fourth year in a row.

TABLE 2

Vermonters in the Labor Force

Demographic	% in work-force	Rank among states*
All	70.8%	6
Gender		
Male	74.6%	12
Female	67.1%	3
Age		
16-24 yrs	64.6%	9
25-54 yrs	87.2%	7
55 yrs and older	50.5%	1
Education		
Less than high school	41.3%	22
High school	67.5%	6
Some college	76.6%	4
Bachelor's or higher	80.8%	7

*Highest to lowest

Source: EPI analysis of Current Population Survey data

Some worry about the aging of Vermont's workforce, citing statistics about the needs of the elderly for more health care and other state-funded services. But in fact older workers offer the economy many benefits.

"While I feel sorry for every American who … wants to retire but can't, there is a lot to like in this surge of experienced workers," Harvard economics professor Edward L. Glaeser wrote recently in the New York Times. "Longer work lives mean more tax dollars, and that helps with America's fiscal problems. Older workers also bring a diversity of perspectives and experience to the workforce." Noting that "the mid-20th-century retirement boom seems like something of an aberration" historically, Glaeser added: "While some older workers will have to work because they can't afford not to, there remains the sunny possibility that others … will do so because they find fulfillment in their jobs."[8]

Better educated, at least nationally

Vermont traditionally has a better-educated workforce than most states. Since 1999, it has been among the top 10 states in the percentage of college graduates in the workforce.[9] For the last six years, a third of Vermont's workforce has held at least a bachelor's degree (**Figure 4**).

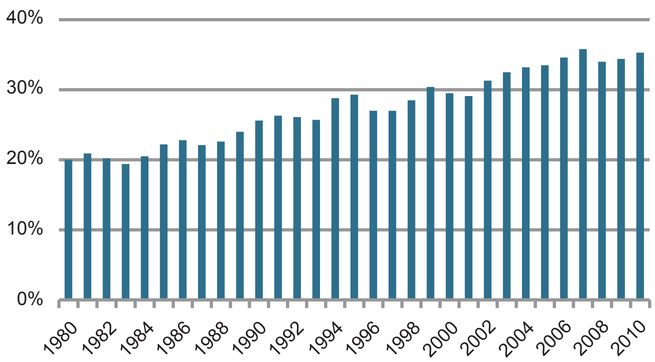
While the education level of Vermont's 25-to-34-year-olds is good by U.S. standards, the U.S. lags internationally, according to the College Board Advocacy and Policy Center.[10] By the Center's measure, Vermont would rank eighth internationally, behind Korea, Canada, the Russian Federation, Japan, New Zealand, Norway, and Ireland. Other countries, especially developing countries, are making investments to raise the education level of their younger workers.

To make the U.S. more competitive economically, President Obama has set a national goal of a 60 percent college graduation rate by 2020. The College Board center has a somewhat less ambitious—some

FIGURE 4

Vermont is Rich in College Grads

Share of Vermont workforce with at least a bachelor's degree



Source: EPI analysis of Current Population Survey data

would say more realistic—goal of 55 percent of 25-to-34-year-olds attaining associates' degrees or higher by 2025. Forty-four percent of Vermonters from 25 to 34 had reached that educational level in 2009.

Wages and income

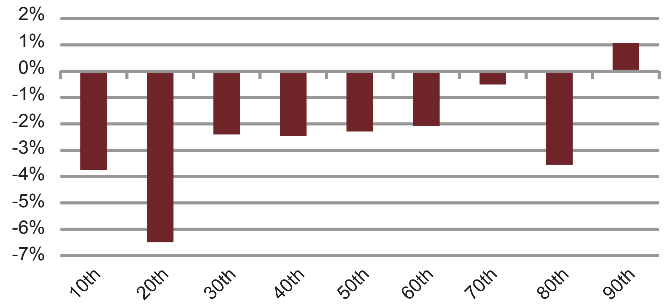
One bright spot in 2010 appeared to be the narrowing wage gap between men and women in Vermont. The gap in real median wages did close—from a male advantage of 16 percent in 2009 to 12 percent in 2010. But the spot wasn't really so bright. Women's wages did not rise; they just fell less than men's. The real median wage for women dropped 0.5 percent in 2010, to $15.27 an hour, while the real median wage for men fell nearly 5 percent, to $17.37 an hour.

The median wage is right in the middle of the wage scale—half of the workers in the group make more than the median and half make less. But it wasn't just

FIGURE 5

All But Top Wage Earners Lost Ground

Change in real wages at selected wage percentiles, 2009-2010



Data Source: EPI analysis of Current Population Survey data

this middle wage that fell in 2010. Wages at nearly all wage levels declined that year. Only those at the top saw their real wages rise. (**Figure 5**).

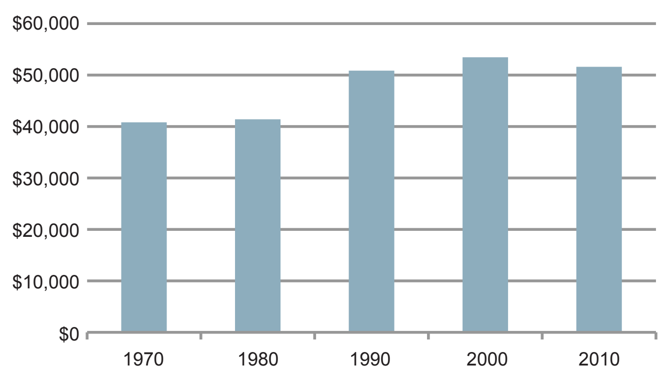
While this latest drop can be attributed to the recent global economic collapse, typical Vermonters have experienced income stagnation in recent decades. The same has happened in households across the country, fueling the income inequality that ignited the Occupy movement.

Vermont saw strong growth in household income in the 1980s (**Figure 6**). Real median household income—that is, after adjusting for inflation—rose almost 23 percent between 1980 and 1990, which was the sixth-highest rise in the country. But that was the only decade in the last four that Vermont saw such growth of median household income.

FIGURE 6

Income Has Stagnated Since 1990

Real Vermont median household income, 1970-2010



Data Source: Decennial Census 1970, 1980, 1990, 2000; 2008-10 American Community Survey (ACS) 3-year estimates

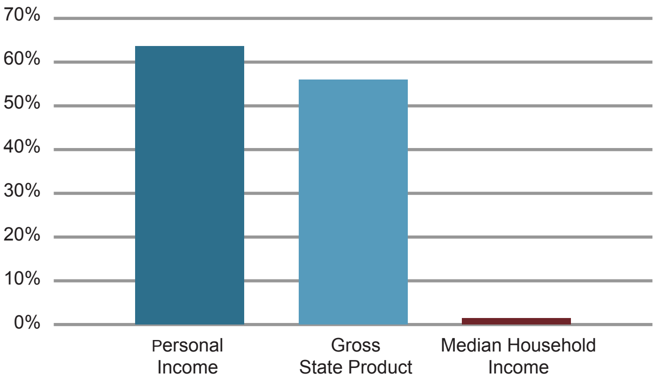
Income disparity and poverty

In the last 20 years—1990 to 2010—inflation-adjusted median income rose less than 2 percent. That was 2 percent for the entire period—not 2 percent per year. Meanwhile, over the same 20 years, the combined real personal income of all Vermonters increased 63.6 percent, and the overall state economy grew 56 percent (**Figure 7**). In other words, Vermont's income grew—but most Vermonters' didn't.

FIGURE 7

Economic Growth Isn't Broadly Shared

Vermont real growth, 1990-2010



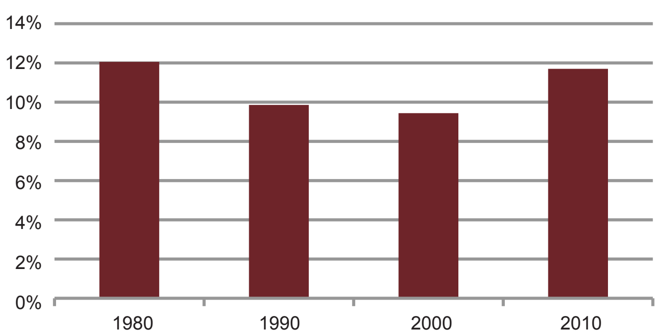
Data source: U.S. Bureau of Economic Analysis; Census 1990; 2008-10 ACS 3-year estimates

While the richest Vermonters gained a bigger share of the economic pie, more than 70,000 Vermonters lived at or below the poverty level in 2010.[11] Vermont's poverty rate had been steadily dropping over the past several decades, but it was up again in 2010 (**Figure 8**). More than 15,000 Vermonters drifted into poverty over the last decade.

FIGURE 8

Poverty is Rising Again

Percentage of Vermonters below the poverty level



Data Source: 1980-2000 Decennial Census; 2008-10 ACS 3-year estimates

Historical patterns

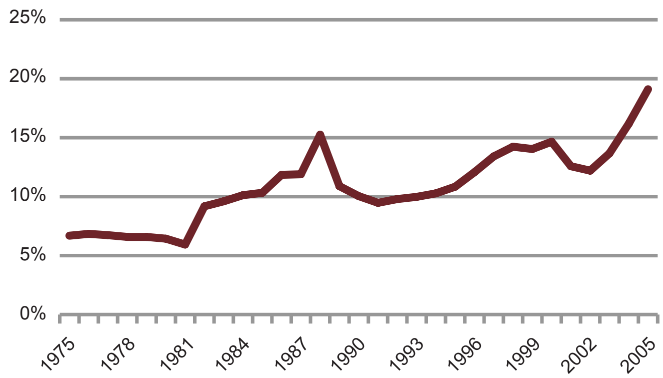
Historically, Vermont's pattern of relative income equality mirrors what has happened nationally, according to research by Sam Houston State University economist Mark W. Frank. Frank used IRS data going back to 1916 to calculate the share of income going to the top 10 percent and the top 1 percent of taxpayers in each state.[12]

A wide gap between rich and poor persisted through the 1920s, but after the Great Depression the disparity began to decrease. For almost 50 years, from 1930 until the late 1970s, the gap steadily narrowed. During that time, union membership rose, taxes on the wealthy increased, and new banking regulations curbed the kind of financial speculation that contributed to the Crash of 1929 and the Depression.

FIGURE 9

Vermont's Top 1% Are Getting More

Share of total state income, 1975-2005



Source: IRS data analyzed by Mark Frank, Sam Houston State University

For the last 30 years, however, the gap between the rich and everyone else has widened again. In the late 1920s, 14 percent of Vermont's income went to the top 1 percent of taxpayers. That share reached a low of 6 percent in 1981, before income disparity began to grow again. By 2005, the latest year for which we have Vermont-specific data, the share of income received by the top 1 percent of Vermont taxpayers had climbed to 19 percent—more than tripling in 24 years (**Figure 9**). Meanwhile, the share of income for the bottom 99 percent shrank from 94 percent in 1981 to 81 percent in 2005.

A Vermont that works for everybody

The first step to moving Vermont in a new direction is acknowledging the problems we face—and face what those problems say about us.

Governor Shumlin identified an important part of the problem when he described the fears of many middle-class Vermonters who don't see their lives getting better. The commitment to rebuild the middle class is a good place to start, but Vermont's problems go beyond the middle class. Income disparity is growing. Do we want to be a state where a few continue to amass greater wealth while tens of thousands live in poverty? Continued rhetoric about the benefit to all of making Vermont more attractive to the wealthy—the approach that got us to this place—will not suffice. To reduce poverty and income inequality, the state needs to make real investments that benefit all Vermonters.

Such investments will also enhance Vermont's economic position. For instance, if Vermont wants to be competitive in the nation and the world, it will need to invest more in higher education, while maintaining its investment in pre-K through grade 12.[13] Indeed, our per-pupil education spending is already high relative to other states. But other states, and the U.S. as a whole, lag behind much of the developed world. Simply aiming to top the list in the U.S. will not make Vermont a world-class educator.

Aiming for increased total wealth or a "better economy" is not enough. The goal should be a state that works for all Vermonters. Our political leaders can take steps right now to move toward that goal.

Adopt policies explicitly aimed at improving the lives of all Vermonters.

For example, if the Legislature wants to rebuild the middle class, then rebuilding the middle class should be a policy objective, and major legislation should be judged against that goal. When the governor presents his budget or a committee proposes new tax changes or economic development plans, the proposals should be measured by how much they will help or hurt the middle class.

In recent years, we have seen proposals to reduce eligibility for paying school taxes based on income, an option available to most resident homeowners under Vermont's school funding law. Such a change would increase taxes on middle-income Vermonters and lower taxes for second-home owners and for those in the highest income brackets. It would not advance the objective of strengthening the middle class, and it would not serve to narrow the gap between rich and poor—another policy goal Vermont should adopt.

Develop easily understood indicators that show whether Vermont is moving toward its new goals.

The Agency of Human Services used to collect data and publicize a set of indicators that measured Vermonters' wellbeing. The indicators included things like school graduation and dropout rates, teen pregnancy, college enrollment, drinking and drug use, poverty, and employment. The administration and Legislature should resurrect those Human Services indicators and develop others for other areas of state government.

For example, the Department of Economic Development could use median household income as one of the indicators of whether its economic development efforts are working. Instead of focusing on the amount of tax credits awarded to businesses, the department should be looking at whether all Vermonters are sharing in the state's economic growth.

Part of the stated mission of the Department of Economic Development is "to enhance Vermonters' quality of life through expanded economic opportunity." We need indicators that clearly show whether Vermonters' quality of life is improving, and then measure the department's initiatives in terms of contributions toward that goal.

The Legislature tried to move toward this results-based approach with the Challenges for Change program in 2010. The program was supposed to save money while maintaining or even improving the delivery of public services through greater efficiency. But Challenges for Change became a pretext for more budget cuts, and, rightly, was abandoned.

Create tools and restore the capacity to measure the effectiveness of public programs and services.

One problem Challenges for Challenge revealed was that recent budget cuts and staff reductions have diminished state government's ability to collect and analyze information about its own performance. We need to rebuild that capacity, which means the governor's administration and the Legislature need to invest more money to improve the government's efficiency and effectiveness before it can ultimately save some money.

Vermont also needs better tools to measure effectiveness: what works and what doesn't—or which programs or services produce the best results for the dollars spent.

The Legislature is exploring a new system that could help. Results First, developed by the Pew Center for the States, measures the return on investment—that is, the cost effectiveness—of public programs by calculating the benefits of things like reduced crime or higher graduation rates and comparing them to program costs. The state also is investing in a computer upgrade that is supposed to make it easier to track each program's costs.

The spirit of Irene

In late August, after the period covered by this report, Tropical Storm Irene hammered Vermont. Responding to the worse disaster to hit the state since the 1927 flood, Vermont showed a unity of purpose and commitment to do what needed to be done that was refreshing in this era of political and cultural polarization. Unlike this summer's floods, though, our current economic problems didn't just happen. They are the result of policies adopted over the last 30 years. We can choose different policies that will move us in a better direction. We can hold onto that post-Irene spirit and rebuild the hopes that many Vermonters have lost over the last 30 years.

ENDNOTES

1. Rankings in this report exclude the District of Columbia.

2. Vermont's unemployment rate is typically below the national average.

3. Vermont Public Radio, "Governor-elect Vows To Focus On Creating Jobs," Nov. 3, 2011, http://www.vpr.net/flash/audio_player/audio_player.php?id=32209

4. Jobs and employment figures for specific months in this report are seasonally adjusted; annual averages are not seasonally adjusted.

5. Vermont Department of Labor, Alternative Unemployment Rates, U-6, http://www.vtlmi.info/unempaltrate.cfm

6. Detailed descriptions of industries in the North American Industry Classification System (NAICS) can be found at the U.S. Bureau of Labor Statistics, http://www.bls.gov/iag/

7. Paul Cillo and Doug Hoffer, "State of Working Vermont 2007," Fall 2007, Figure 5, http://publicassets.org/wp-content/uploads/2008/05/pai-ib0701.pdf

8. Edward L. Glaeser, "Goodbye, Golden Years," New York Times, Nov. 19, 2011, http://www.wehaitians.com/goodbye,%20golden%20years.html

9. Ranking does not include District of Columbia, which always has a higher percentage of college graduates than any of the states.

10. A study by the College Board Advocacy and Policy Center ranks the U.S. 11th among 24 countries in the education level of 25-to-34-year-olds. See "The College Completion Agenda," http://completionagenda.collegeboard.org/

11. Research shows a link between the rich getting richer and the poor getting poorer. See Public Assets blog, "A Bigger Pie Doesn't Mean a Bigger Slice for All," http://publicassets.org/blog/a-bigger-pie-doesn%E2%80%99t-mean-a-bigger-slice-for-all/; and Jeffrey Thompson and Elias Light, "Searching for the Supposed Benefits of Higher Inequality: Impacts of Rising Top Shares on the Standard of Living of Low- and Moderate-Income Families," April 2011, http://www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_251-300/WP258.pdf

12. Mark W. Frank, "U.S. State-Level Income Inequality Data," Department of Economics and International Business, Sam Houston State University, http://www.shsu.edu/~eco_mwf/inequality.html

13. For research on long-term economic benefits of education, including early childhood education, see the work of Timothy Bartik, W.E. Upjohn Institute for Employment Research, http://www.upjohninstitute.org/Research/EducationandTraining/K12

This research was funded in part by the Annie E. Casey Foundation. We thank it for its support but acknowledge that the findings presented in this report are those of the Public Assets Institute and do not necessarily reflect the opinions of the foundation.

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