



State of Working Vermont 2009

by Jack Hoffman and Paul Cillo

The recession dominated Vermont's economy in 2008, as it did the rest of the country. The state lost jobs at an alarming rate, especially late in the year. Almost 5,000 jobs disappeared in December 2008 alone, Vermont's biggest monthly loss in nearly 20 years.¹

The private sector accounts for about 4 out of 5 jobs in the state,² and the bulk of the losses in 2008 occurred there. However, Vermont also saw a drop in public sector jobs—specifically, at the state level—as Gov. Jim Douglas responded to the recession by reducing the size of state government. Through layoffs, attrition, and early retirement, he has eliminated more than 600 state jobs since the start of the recession, and at least 100 more reductions are pending.

This is a departure from historic trends. Federal, state, and local government jobs don't fluctuate in recessions as the private sector does. In fact, demand for public sector services typically grows during recessions, when people turn to the government for help.

The administration's policy has worsened the impact of the recession. It has increased the number of unemployed Vermonters—and the state's cost for unemployment compensation—and reduced the availability of state services just when many Vermonters need them most.

Private Sector Job Losses

In December 2007, there were 308,700 seasonally adjusted jobs in Vermont. A year later,

10,900 of those jobs—positions in offices, factories, shops, schools, and so on—were gone. The losses continued in 2009, although at a slower pace. By the end of August, the total number of seasonally adjusted jobs was down to 294,300—a decline of 14,400, or 4.7 percent, since the start of the recession.

Job losses in the private sector over that period were actually greater than total job losses. But new jobs in federal and local government offset some of the private sector losses. Private sector jobs dropped 11,000 in 2008 and an additional 4,700 through August of this year—a total of 15,700 jobs lost. So far, the recession has wiped out 6.2 percent of the private sector jobs that existed before the slump.³ Vermont lost more of its private sector jobs than did any other state in New England (**Figure 1**).

These losses were spread across industries; only health services and private education showed growth in the private sector. A few private sector industries were hit especially hard: the number of construction jobs shrank almost 20 percent, and more than 15 percent of manufacturing jobs vanished (**Table 1**).

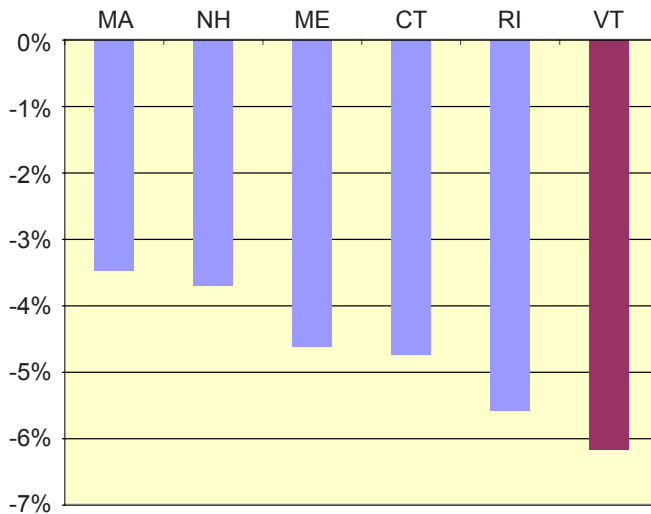
Big Cuts by the State's Biggest Employer

With more than 8,000 employees, the state of Vermont is Vermont's largest single employer. Unlike the private sector, where the demand for products and services drops when the economy slows, the public sector has seen its workload increase as the

This State of Working Vermont report covers 2008, coinciding with the first 12 months of the recession, which officially started in December 2007. During this time both the national and state economies were declining most sharply. Continuing into 2009, this recession is the longest period of contraction since the Great Depression, which lasted 43 months. Although this report provides a snapshot of how Vermont workers were faring at the end of 2008, it also includes more recent data where available.

This report is presented in cooperation with the Economic Policy Institute in Washington, DC.

Figure 1. Percent Change in New England Private Sector Jobs, Dec. 2007 - Aug. 2009



Source: U.S. Bureau of Labor Statistics Current Employment Statistics

recession has forced people to turn to state agencies and programs for help. Despite this increased demand for state services, however, the state government workforce has declined by a greater percentage than the private sector since the start of the recession. From late 2007—just before the start of the recession—through late September 2009, the number of state employees was reduced by 6.9 percent. From December 2007 through August 2009, 6.2 percent of jobs in the private sector disappeared.

The administration announced plans to reduce the state workforce before the official start of the recession. Initially, the administration cut vacant positions. In doing so, it eliminated the funding for those jobs, which many agencies and departments were using to plug other gaps in their budgets. In the second half of 2008 and continuing into 2009, the administration turned to layoffs as part of its drive to reduce the General Fund budget.

At the beginning of 2008, there were about 9,220 positions in state government, excluding the 180 state

legislators. Almost 500 of those positions were vacant, so just over 8,700 state employees were working when the administration started eliminating state jobs.

By September 2009, the state payroll was down 600 people to just over 8,100—again excluding legislators. Another 110 jobs will be eliminated later this fall through retirements or layoffs. If these reductions are all carried out by year-end, as planned, the administration will have cut the number of state employees by 8.2 percent. Some agencies and departments have seen bigger reductions than others. The largest number of reductions came from the Agency of Human Services, which is the state's largest agency and includes the departments of corrections, health, children and families, aging and independent living, and others. Some smaller agencies and departments lost bigger shares of their employees (Table 2).

The Fallout of Job Cuts

How have these layoffs affected services? There is no easy way to measure. The administration provided only limited information—and few details—in documents submitted to the Legislature on the effect of proposed budget cuts. News accounts have pointed out some problems caused by staff shortages—for instance, the Vermont Education Department passed up federal funding and reduced its capacity to improve school nutrition programs because it didn't have the staff to do the work.⁴

Table 1. Private Sector Job Loss/Gain by Industry, Dec. 2007- Aug. 2009

	Jobs December 2007	Jobs August 2009	Change	Percent Change
Construction	16,300	13,100	-3,200	-19.6%
Manufacturing	35,600	30,200	-5,400	-15.2%
Professional & Business Services	22,700	20,500	-2,200	-9.7%
Leisure & Hospitality	33,200	30,400	-2,800	-8.4%
Other Services	10,000	9,500	-500	-5.0%
Trade, Transportation & Utilities	59,500	56,800	-2,700	-4.5%
Financial Activities	13,000	12,500	-500	-3.8%
Education & Health Services*	57,900	60,800	2,900	5.0%

*Includes private education services, but not public schools.

Source: Vermont Department of Labor

Table 2. Reduction in Vermont State Work Force,* Nov. 2007 – Sept. 2009

Agency/Department	Change	Percent of staff
Corrections	-130	-11.5%
Health	-81	-14.9%
Buildings & General Services	-71	-16.8%
Transportation	-48	-3.8%
Children & Families	-41	-4.3%
Aging & Independent Living	-40	-13.2%
Education	-28	-14.8%
Environmental Conservation	-25	-8.7%
Public Safety	-25	-8.7%
Tax	-22	-12.5%
Commerce & Community Dev.	-19	-19.2%
Judiciary	-18	-5.4%
Natural Resources (Central Office)	-15	-26.8%
Finance & Management	-13	-28.3%
Human Resources	-13	-25.5%
Agriculture	-11	-11.6%
Forests, Parks & Recreation	-10	-8.8%
Banking, Insurance, Securities & Health Care	-10	-8.6%
Libraries	-8	-24.2%
Office of Vermont Health Access	-6	-6.7%
Governor's Office	-5	-27.8%
Vermont Veterans' Home	-5	-2.4%

*Agencies/departments that lost five or more employees

Source: Vermont Department of Human Resources position control reports

The reduction in the state payroll, through layoffs and an early retirement plan offered in 2009, was designed to reduce state spending. But it also further weakened Vermont's economy by increasing Vermont's unemployment rolls. And it has increased the state's cost for unemployment just when revenues are declining and the demand for many state services is increasing. The state, like some private employers, does not pay unemployment insurance premiums. Instead, it pays benefits for the employees it lays off. Total payments for unemployment compensation increased about 50 percent last year, from just over \$1 million in fiscal 2008 to \$1.55 million in fiscal 2009.

Unemployment

Monitoring the number of jobs lost or created is one of the most common ways to assess the health of an economy. The state reports job losses or gains every month. When the number of jobs available is compared with the number of people in the labor force or the working-age population, we get a sense of how well the economy is producing work for those who want it.

Another especially important indicator is unemployment. The official seasonally adjusted monthly unemployment figures tell us how many people are looking for work but can't find it. The state's unemployment rate was below the national rate throughout 2008; that has been true for most of the last several decades.

Vermont began 2008 with a 4 percent unemployment rate. By the end of the year, the rate had jumped to 5.9 percent. Unemployment continued to rise into 2009 and hovered above 7 percent for five consecutive months; that hasn't happened in Vermont for more than 25 years. More recently, the unemployment rate dropped a bit, to just under 7 percent.

While the official unemployment rate—referred to as U-3 by the US Bureau of Labor Statistics—is high, it understates the problem for Vermont workers. It fails to account for “discouraged workers” who have given up looking for work, as well as the underemployed—those working part time who would work full time if the economy were stronger. The federal government tracks these groups and publishes figures—U-6—that more accurately reflect the number of people out of work. A comparison of these two measures of unemployment is provided in **Table 3**.

Because people who have stopped seeking jobs are not counted in the labor force—and are therefore not in the official unemployment rate—it is also important to look at employment numbers, or the number of Vermonters who *are* working. There

Table 3. Vermont Unemployment Rates

	U-3	U-6
2005	3.5%	6.6%
2006	3.6%	6.4%
2007	4.0%	6.9%
2008	4.9%	9.1%
2009*	5.6%	10.4%

*average of last two quarters of 2008 and first two quarters of 2009

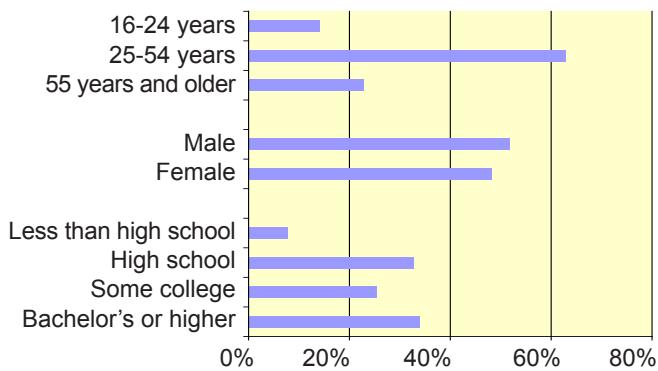
Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

were 339,598 Vermonters working at the end of 2007. A year later, that number had dropped to 335,662—a decline of 1.1 percent. At the end of September 2009, the number of employed Vermonters stood at 333,059.

The Labor Force: Who's Working

Historically Vermont's population has been older and better educated than the national average. Vermont ranked 10th among the states in the percentage of college-educated workers in the labor force. The state continues to have the largest proportion of older workers in the country. In 2008, 22 percent of Vermont's labor force was 55 and older, about evenly divided between men and women (Figure 3).

Figure 3. Characteristics of Vermont Labor Force



Source: Economic Policy Institute analysis of Current Population Survey data

Nationally, 18 percent of the workforce is 55 or older. There are eight states—including two others from New England—where this age group makes up at least 20 percent of the workforce.

Men are more heavily represented in the for-profit sector of the labor force, whereas more than two-thirds of non-profit employees are women (Figure 4). Men's annual earnings—a statistic determined by both hourly rate and the number of hours worked—were more than 40 percent greater than women's in 2008 (Figure 5).

Poverty

Jobs and the unemployment statistics, while crucial, tell only part of the story of what is happening to individual Vermonters. Other statistics—poverty,

income, wages, and health insurance coverage—help paint a more vivid picture of the day-to-day lives of Vermont workers and their families.

The recession had little impact on the state's overall poverty rate or Vermonters' incomes through 2008. Those two indicators are likely to show more significant changes when the U.S. Census reports the results of its next survey in the fall of 2010.

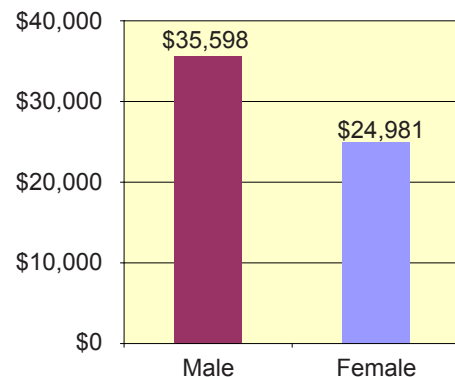
In the latest Census survey, which covers 2008, Vermont's child poverty rate was 13.2 percent—up from 12 percent in 2007. Vermont's rate was lower than

Figure 4. Gender of Vermont Workers



Source: U.S. Census, 2008 American Community Survey, 1-year estimates

Figure 5. Vermont Median Earnings by Gender



Source: U.S. Census, 2008 American Community Survey, 1-year estimates

most other states: It ranked 14th, with number 1 being the lowest rate, or the least child poverty. But New Hampshire (1), Massachusetts (10), and Connecticut (12) had lower child poverty rates than Vermont. Vermont's rate means more than 16,500 of the state's children were living in poverty. For a family of four, that means trying to get by on an annual income of \$22,025 or less (**Figure 6**).

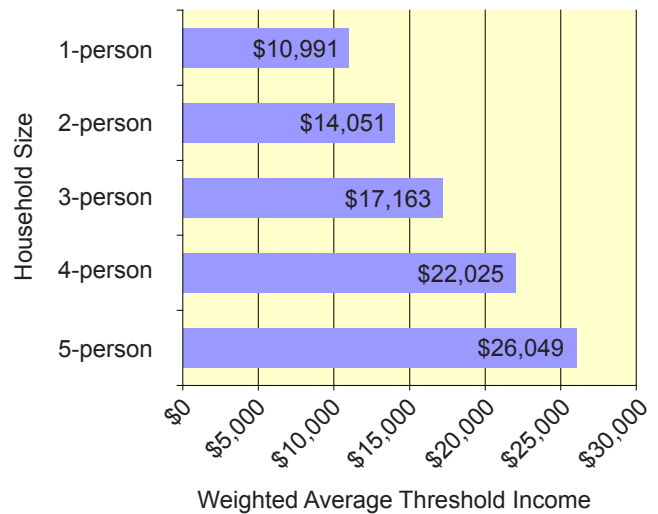
Jobs and Employment: What's the Difference?

Various employment statistics can be confusing because they often sound similar but do not measure the same things. "Non-farm payroll employment," for example, is a measure of jobs—positions as receptionists, crane operators, or store clerks, say—not a count of people. Throughout this report, we have used the term "jobs" in lieu of "non-farm payroll employment."

But even the distinction between jobs and employment can be murky. One person can hold two or more jobs, which is one reason jobs figures and employment figures differ. The jobs figures come from a monthly survey of employers, who report the current number of people on their payrolls. Employment and unemployment numbers are drawn from a monthly survey of individuals, who answer a series of questions about their employment status.

The employment and unemployment numbers also take into account people who are self-employed and those who work on farms. Neither of those groups is included in the employer surveys. One way to remember the distinction between jobs and employment is that jobs represent opportunities for work; employment is a count of the people working—or, in the case of unemployment, looking for work. And, as discussed above, people who have given up looking for work are not counted as unemployed or as part of the labor force.

Figure 6. Poverty Thresholds, 2008

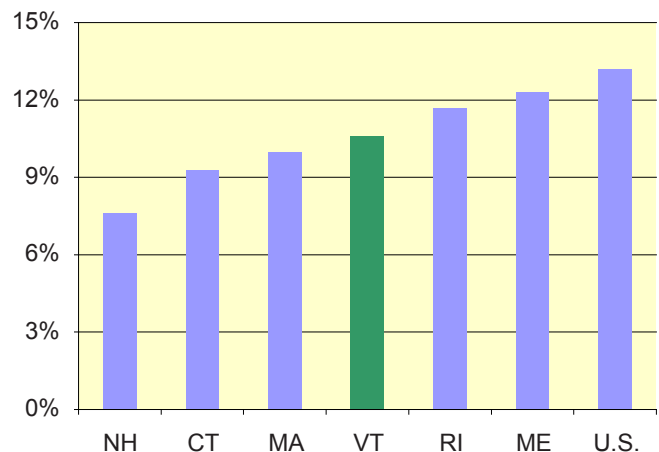


Source: U.S. Census

Vermont's total poverty rate for 2008 was 10.6 percent—14th lowest in the country (**Figure 7**). Statistically, the rate was unchanged from the previous year. But behind the single statistic were 63,288 Vermonters living below the poverty line, which for some older couples is about \$13,000 a year.⁵

Vermont's median household income⁶ in 2008 was \$52,104, which was just above the national median, but it ranked fifth among the New England states.

Figure 7. Percentage of Population in Poverty, 2008



Source: U.S. Census, 2008 American Community Survey, 1-year estimates

Median income for single men was higher than for single women (**Figure 8**).

According to the latest survey by the Vermont Department of Banking, Insurance, Securities, and Health Care Administration (BISHCA), 47,286 Vermonters—7.6 percent of the population—had no health insurance coverage in 2008.

Cost of Living

Almost all of the news out of the recession has been grim, with one bright spot: the downturn did reverse the rise in fuel prices. Gasoline peaked at just over \$4 a gallon in July 2008. It was under \$2 by the end of 2008 and has since risen to about \$2.60 a gallon.⁷ Vermonters saw a 67 percent increase in the price of gasoline from 1998 to 2008, and the price of fuel oil almost tripled. The cost of health insurance has risen 231 percent in the last decade⁸ (**Figure 9**).

The Stimulus

Vermont also got some relief from the recession through the federal stimulus package, formally known as the American Recovery and Reinvestment Act of 2009. The state will receive more than \$1 billion in direct and indirect assistance over three years. The measure included tax cuts to individuals and busi-

nesses, fiscal assistance to states and to those most directly hurt by the recession, and direct government investment in infrastructure and initiatives.

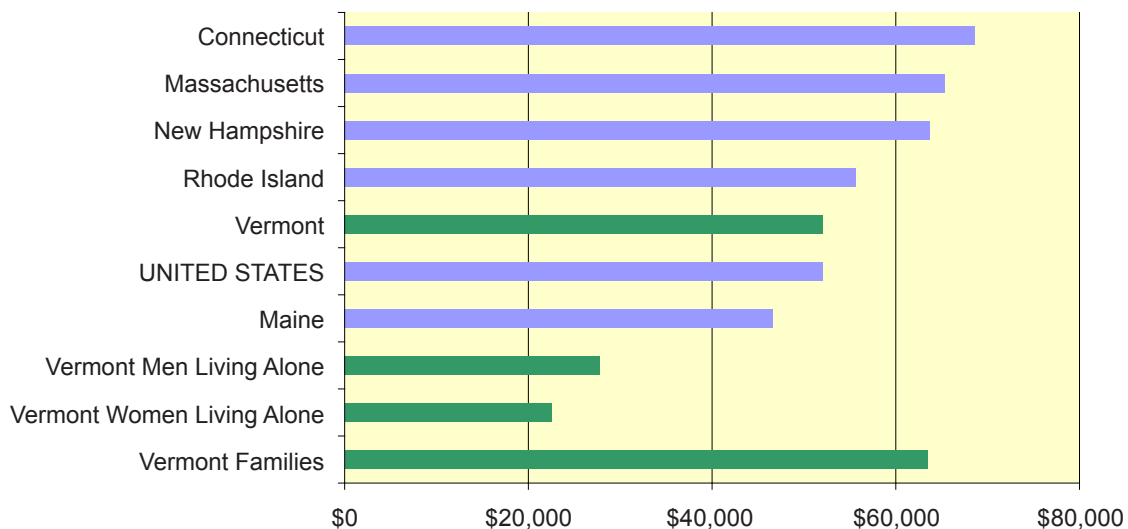
In the early months, most of the funds were disbursed as individual tax cuts and similar payments or as direct payments to states. By the fall, Vermont reported that federal funds helped to create or retain almost 2,000 jobs in the state.⁹

The stimulus bill eased the burden on the unemployed in four ways during 2009. It increased unemployment compensation payments by \$25 per week for every unemployed worker; extended benefits for 33 additional weeks; exempted the first \$2,400 of unemployment benefits from income taxes; and subsidized premiums for up to nine months for unemployed workers to continue their health coverage.

Conclusion and Recommendations

Some hopeful signs suggest that the end of the recession is coming into view—that is, the overall economy is beginning to grow again instead of shrink. But for unemployed and under-employed Vermonters, the official end of the recession is not likely to mean a quick return to work.

Figure 8. Median Income, 2008



Source: U.S. Census, 2008 American Community Survey, 1-year estimates

After the recession of the early 1990s, it was more than three years before the number of Vermont jobs was back to where it was before the recession. That was the fastest recovery among the New England states. After the recession of 2001, it took 30 months to return to Vermont's pre-recession job level. New Hampshire took 39 months, Connecticut 66 months, and Massachusetts never recovered: the current recession hit before that state regained all of its lost jobs.

Even if this recession officially ends soon, it has been longer and deeper than the two previous recessions. Vermont lost 6,900 jobs in the 2001 downturn; so far this one has taken 14,400 jobs.

State government and public officials may not be able to control the economy, but they can control the state's capacity to provide the services that individuals and businesses need during a crisis like this one. They also can make sure Vermont is in good position to recover as quickly as possible.

Protecting and restoring jobs should be the top priority for policymakers—not just because it will be good for the economy, but because it will be good for Vermont-

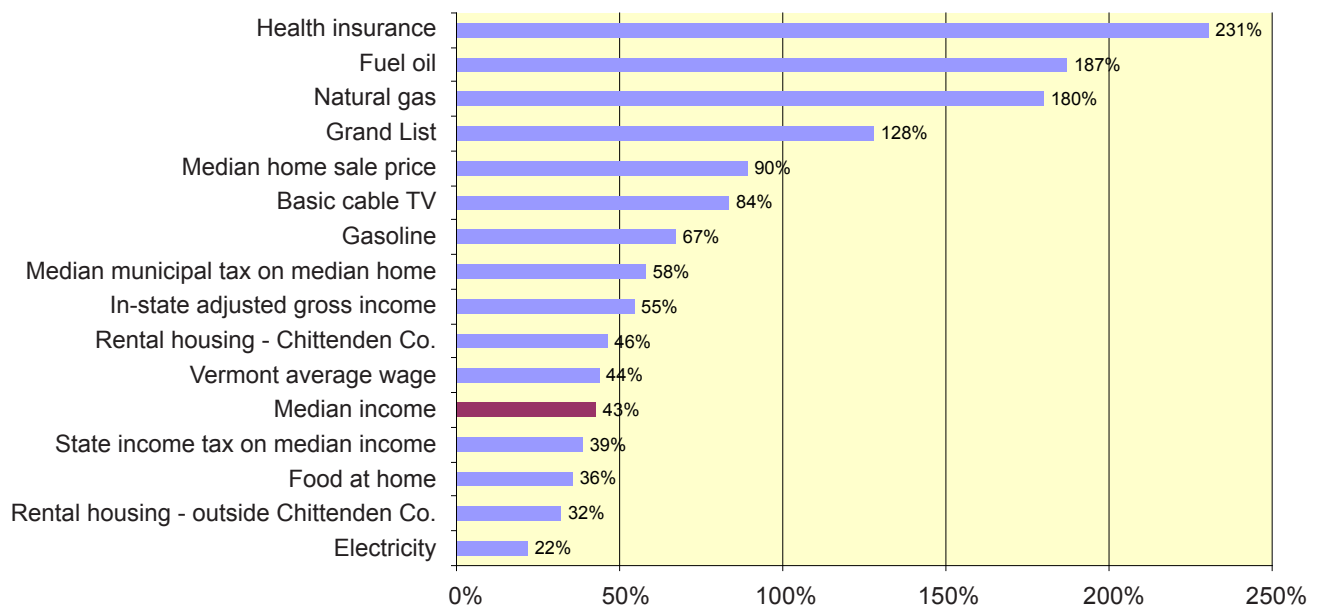
ers. Jobs are the means to their livelihoods and well-being. So when political leaders face a choice of cutting spending or raising revenue, one question they should ask is whether their action will help or hurt jobs.

In recent years Montpelier's assumption seems to have been that anything that makes government smaller must be good for business and the economy. But in some cases, cutting the state budget actually increases costs for Vermonters—for example, when the state gives up federal Medicaid funds and Vermonters are forced to pay for health care out of their own pockets.¹⁰ There are numerous services—provided by the courts, schools, state highway workers, regulators, and police—that are essential for the economy to operate well.

Few among policymakers, opinion leaders, or the press have discussed, or even acknowledged, the effect of public sector layoffs on the state's capacity to deliver services. The administration's goal has been to reduce the payroll, not to improve efficiency or make state government more effective.

The Legislature recently hired an outside firm to look at ways the state might save money through efficiency

Figure 9. Percent Change in Costs, 1998 - 2008 (not adjusted for inflation)



Sources: U.S. Department of Energy, Energy Information Administration; U.S. Department of Labor, Bureau of Labor Statistics; U.S. Department of Housing and Urban Development, Fair Market Rents; Vermont Department of Labor; Vermont Department of Taxes; U.S. Census, The Hanson Index, MVP

or perhaps through discontinuing specific services that no longer need to be provided by the government. Such research should be done before state jobs are eliminated and state employees are pushed into the unemployment lines.

Public sector jobs are just as important to the economy as private sector jobs. At times like these, with the economy fragile and unemployment still rising, policymakers should do all they can to hang onto the jobs that already exist. The work these employees do is important not only to provide them paychecks, but also to help all Vermonters weather the hardships that are unlikely to abate soon.

While raising taxes and cutting budgets both involve difficult political choices, the economic benefits of increasing taxes to maintain spending—if temporarily targeted toward the upper income brackets—outweigh the harm of curbing government outlays. If the public sector pulls back when the private sector and investors are also doing so, the effects of the recession grow even more severe.¹¹

ACKNOWLEDGEMENTS

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ENDNOTES

1. All figures for jobs, employment, or unemployment in this report are seasonally adjusted unless otherwise noted.
2. The private sector includes for-profit and non-profit jobs.

3. Vermont Department of Labor provides data for seasonally adjusted private sector non-farm jobs (254,800 jobs in December 2007 and 239,100 in August 2009) as well as private sector jobs data by industry (presented in Table 1 of this report). Total private sector jobs does not equal the sum of jobs by industry, however, due to the impacts of seasonal adjustment and rounding.

4. Shay Totten, “Gonna Eat Them Words,” *Seven Days*, April 15, 2009, <http://www.7dvt.com/2009gonna-eat-them-words>

5. U.S. Census weighted average threshold for two-person family, householder 65 or older, is \$13,030.

6. All households, including single-person households.

7. Vermont Department of Public Service, Vermont Fuel Price Report, January and September 2009.

8. MVP (Single person Small Group HMO; CoPlan 25; \$25 co-pay, \$500 inpatient co-pay) <https://www.mvphealthcare.com/ourplans/documents/MVP%20VT%20HMO%2025%2011-08.pdf>

9. http://www.whitehouse.gov/assets/documents/CEA_ARRA_Report_Final.pdf

10. Public Assets Institute, “Vermonters Would Pay More with Governor’s Budget Cuts”, <http://publicassets.org/publications/reports/vermonters-would-pay-more/>

11. Nicholas Johnson, “Budget Cuts or Tax Increases At the State Level, Which is Preferable During a Recession?”, Center on Budget and Policy Priorities, <http://www.cbpp.org/cms/index.cfm?fa=view&id=1032>

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