

Vermont's Middle Class: The Facts

We typically think of a middle-class family as owning a home, having health insurance, a decent car, and a college degree (or aspiring for their children to gain one), and earning a reliable income that's good enough to support a yearly vacation and a secure retirement. Polls tell us that most people consider themselves middle class.

A large middle class is evidence that the wealth in society is shared by a broad base of citizens. It's an indication that a majority have hope for the future—their own and their children's.

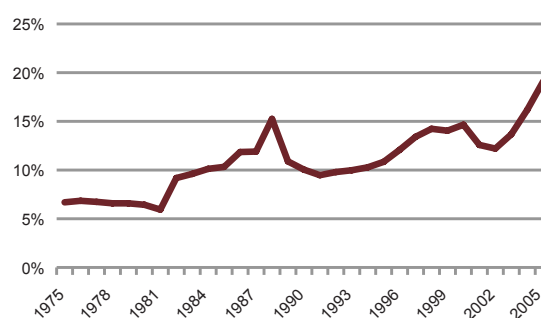
This issue brief shows that Vermont's middle class is slipping. This slippage is not an accident; it's the result of state and federal policies over the last several decades. And these policies can be reversed to help rebuild Vermont's middle class.

Increased income inequality

Occupy Wall Street protests have focused public attention on growing inequality: a greater portion of the economic pie is now going to the top 1 percent, while the remaining 99 percent hold on to a dwindling slice. The pattern in Vermont has paralleled the national trend of the last 30 years. While the share of total income going to Vermont's top 1 percent declined following the Great Depression, reaching a low of 5.9 percent in 1981, its share rose to 19.1 percent by 2005—more than tripling in 24 years.

Vermont's Top 1% Is Getting More

Share of total state income, 1975-2005



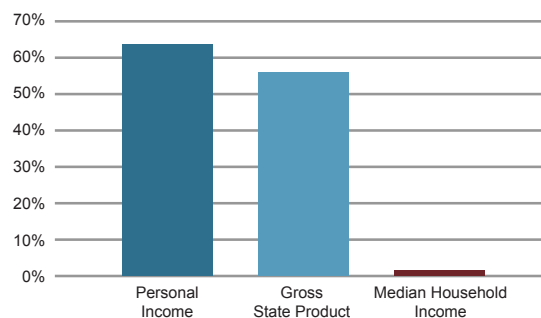
Source: IRS data analyzed by Mark Frank, Sam Houston State University

Gains not trickling down

From 1990 to 2010, Vermont's economy saw respectable growth, almost as good as the nation's as a whole. Real gross state product (after adjusting for inflation) grew 56 percent; national growth was 61 percent. During the same period, Vermont's real personal income rose 64 percent. However, inflation-adjusted income for the median Vermont household—half the households make more and half make less—rose just 1.5 percent over those 20 years.

Economic Growth Isn't Broadly Shared

Vermont real growth, 1990-2010



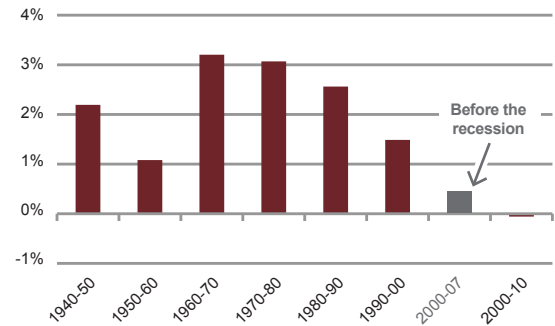
Data source: U.S. Bureau of Economic Analysis; Census 1990, ACS est. 2008-10

Anemic job creation

A decent job has long been the route to the middle class, but Vermont has not created any net jobs in the past decade. Even before the start of the Great Recession in 2007, Vermont was creating jobs at the slowest rate since records have been kept. By 2010, Vermont was seeing a net loss of jobs. This poor showing occurred in a decade when the wealthiest Vermonters—the so-called “job creators”—saved hundreds of millions in federal taxes thanks to the Bush tax cuts.

Job Growth Drops to Record Low

Vermont average annual job growth rate by decade



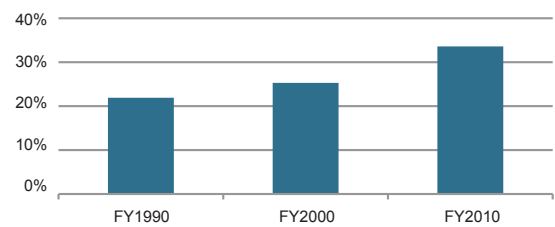
Data source: U.S. Bureau of Labor Statistics

Higher-cost higher education

A college education is key to a decent income and provides another entrée to the middle class. But while median household incomes have stagnated—even fallen by some measures—college costs have grown at more than twice the rate of inflation. The result is that the cost of college now takes a bigger bite of the income of the median household, making college unaffordable for more Vermonters.

College Takes a Bigger Bite of Income

Average annual Vermont public college cost as a percent of median household income*



*Inflation adjusted. College costs include tuition, fees, and room and board at UVM and VSC.

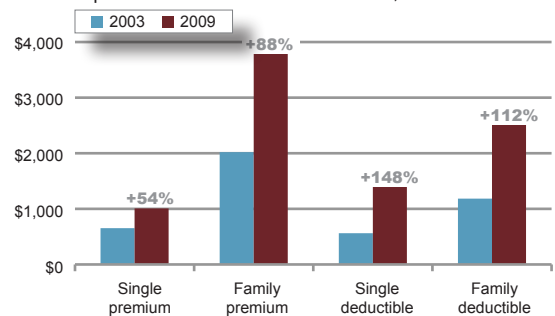
Data source: Vermont Student Assistance Corporation; U.S. Census 1990, 2000, ACS 2008-10

Rising health insurance premiums

Access to doctors, hospitals, prescription medicines, and other care is a life essential. But rising health care costs and Medicaid cutbacks have driven up health insurance premiums and squeezed the middle class. Between 2003 and 2009, Vermont employees’ share of health insurance premiums rose 54 to 88 percent, depending on the type of plan. Premiums rose even though average deductibles more than doubled during the same period.

Health Insurance is Less Affordable

Vermont premium and deductible increases, 2003-2009



Data source: The Commonwealth Fund, MEPS

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