PUBLIC ASSETS INSTITUTE

# State of Working Vermont 2013



DECEMBER 2013

State of Working Vermont 2013—created in conjunction with the Economic Policy Institute in Washington, D.C.—highlights how working Vermonters and their families are faring in the current economy. It also shows how economic conditions have changed, for better or worse, in recent years. These indicators can help policymakers focus attention and resources on the problems Vermonters face. 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. The charts are based mostly on annual data through 2012, the latest available at the end of 2013.

**Five years after the start of the Great Recession at the end of 2007, life had not improved for many low- and middle-income Vermonters.**

- Despite a low unemployment rate, fewer Vermonters were working in 2012 than in 2007. And private employers were providing fewer jobs, most concentrated in low-wage sectors.
- The number and the percentage of Vermonters in poverty had increased, along with homelessness.
- More Vermonters received the Earned Income Tax Credit in 2011* than in 2007.
- At the end of 2012, more than 100,000 Vermonters qualified for 3SquaresVT, the state's food stamp program—an 86 percent increase in five years.
- Typical Vermont households' purchasing power was lower in 2012 than in 2007—or even 2002.

While there is much about the state of working Vermont in 2012 that is troubling, Vermont also has some solid fundamentals on which to build an economic recovery that works for all Vermonters:

- Vermont's workforce has a higher percentage of college graduates than most other states.
- The state's median household income is higher than the national average.
- Vermont's workforce participation rate is typically better than in most other states.
- And the state's poverty rate is lower than most.

* 2012 income tax statistics from the Vermont Department of Taxes were not available as of the end of 2013.

# Jobs, Employment, and Unemployment

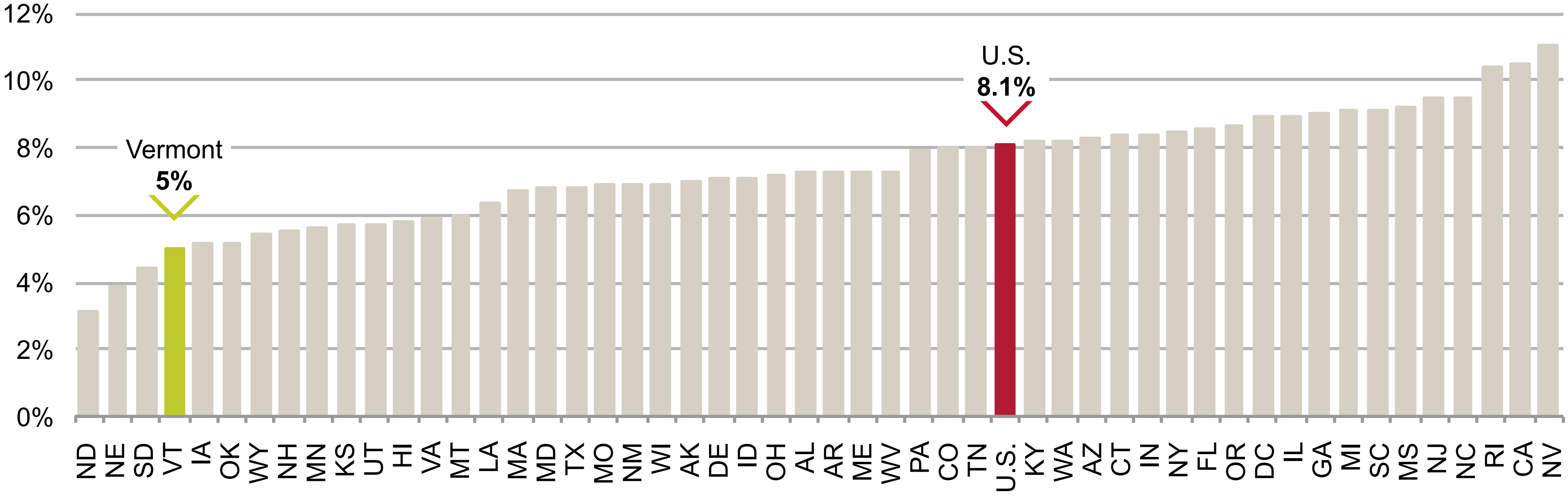
At 5.0 percent, Vermont's 2012 unemployment rate was lower than all but three other states'. But while joblessness dropped in 2011 and 2012, the number of Vermonters working did not increase. Some people found jobs. But others stopped looking and no longer were counted as unemployed.

At the rate Vermont is currently creating new jobs, it will take until 2020 to rebuild employment to pre-recession levels.

## Vermont's Jobless Rate Was 4th Lowest in the Country

States ranked by average annual unemployment rate, 2012

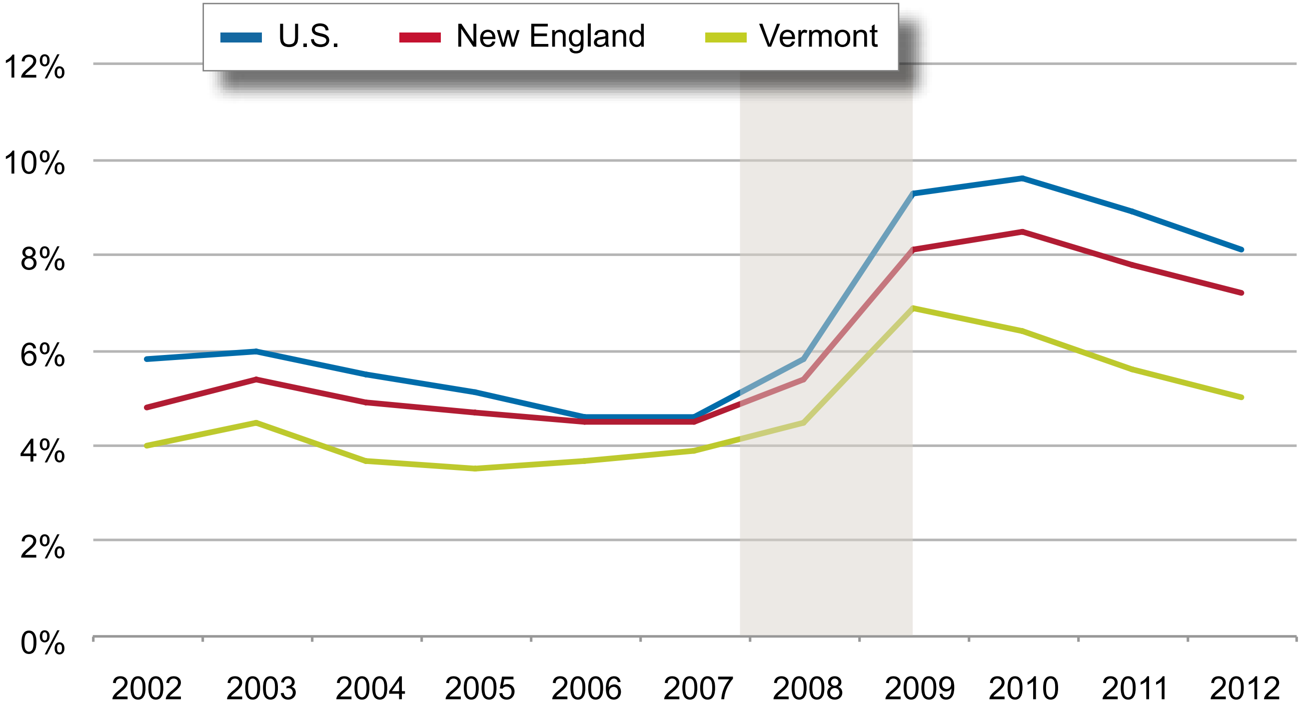



Data source: U.S. Bureau of Labor Statistics

Before the recession began in late 2007, Vermont's average annual unemployment rate was among the nation's lowest. Five years later, at 5.0 percent, it still was: Vermont trailed only North Dakota, Nebraska, and South Dakota. Meanwhile, the national jobless rate for 2012 stood above 8 percent, and rates in three states—California, Rhode Island, and Nevada—exceeded 10 percent.

## Vermont Joblessness Stayed Lower than U.S., New England During the Recession

Average annual unemployment rate, 2002-2012




Note: Shaded area indicates recession

Data source: U.S. Bureau of Labor Statistics

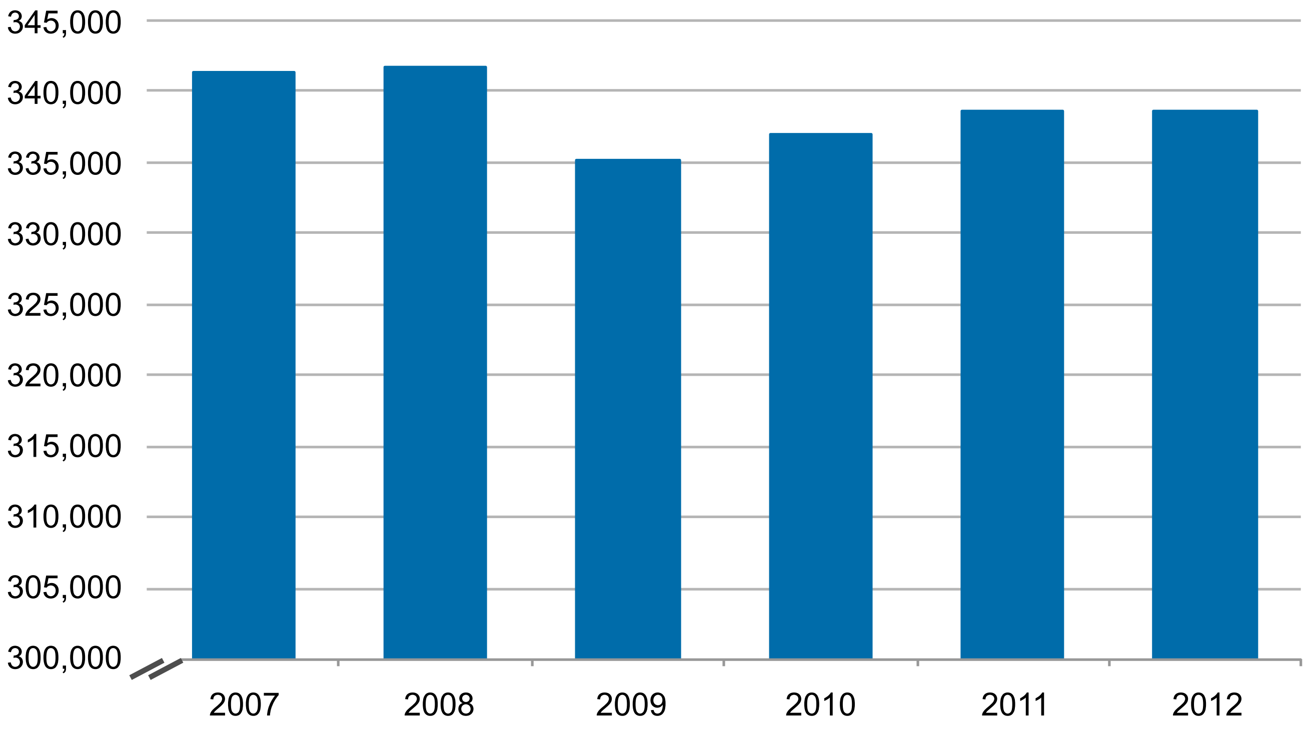
Throughout the recession, Vermont's unemployment rate remained below the national rate and the overall rate for New England.

Employment has not been growing as fast as unemployment has been falling. Average unemployment for 2009, in the depths of the recession, was 24,700. Over the next three years, unemployment dropped by 7,000, but employment grew by only 3,500: For every person who returned to work, one left the labor force. Since 2012, the number of Vermonters who say they are working has continued to decline.

## Employment Stalled Despite Declining Unemployment

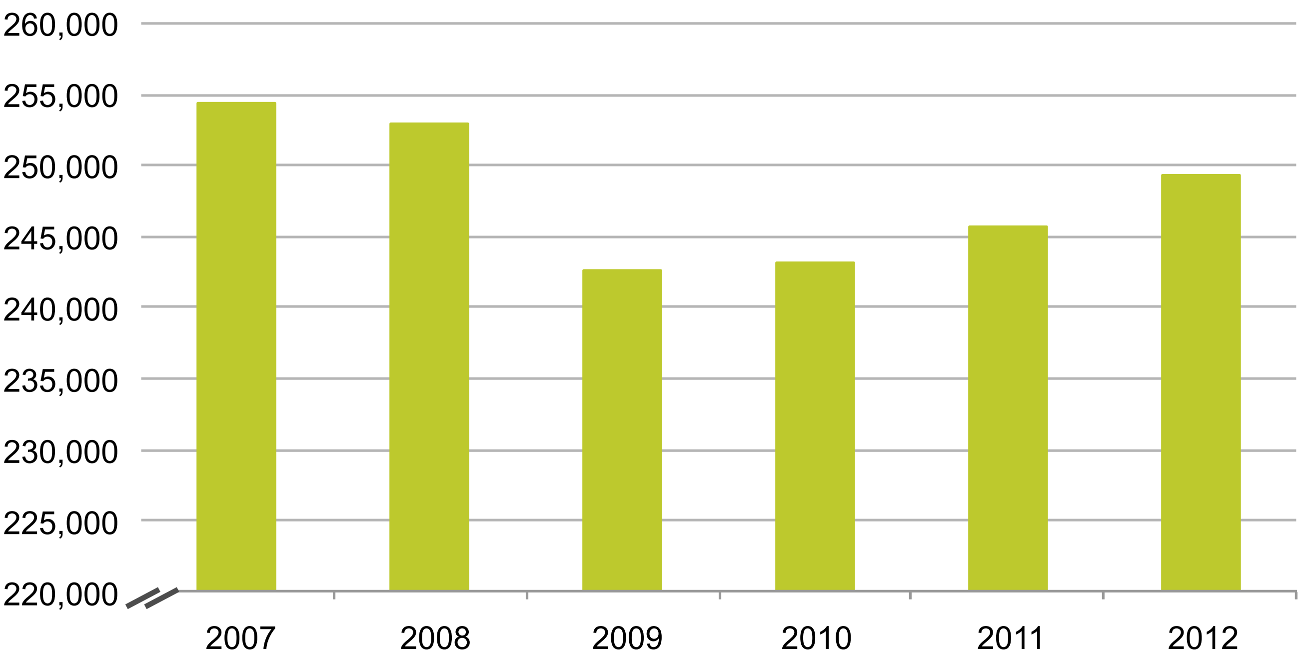
Vermont average annual employment, 2007-2012




Data source: Vermont Department of Labor

## Vermont Had 5,000 Fewer Private Sector Jobs than in 2007

Annual average private sector non-farm payroll jobs, 2007-2012

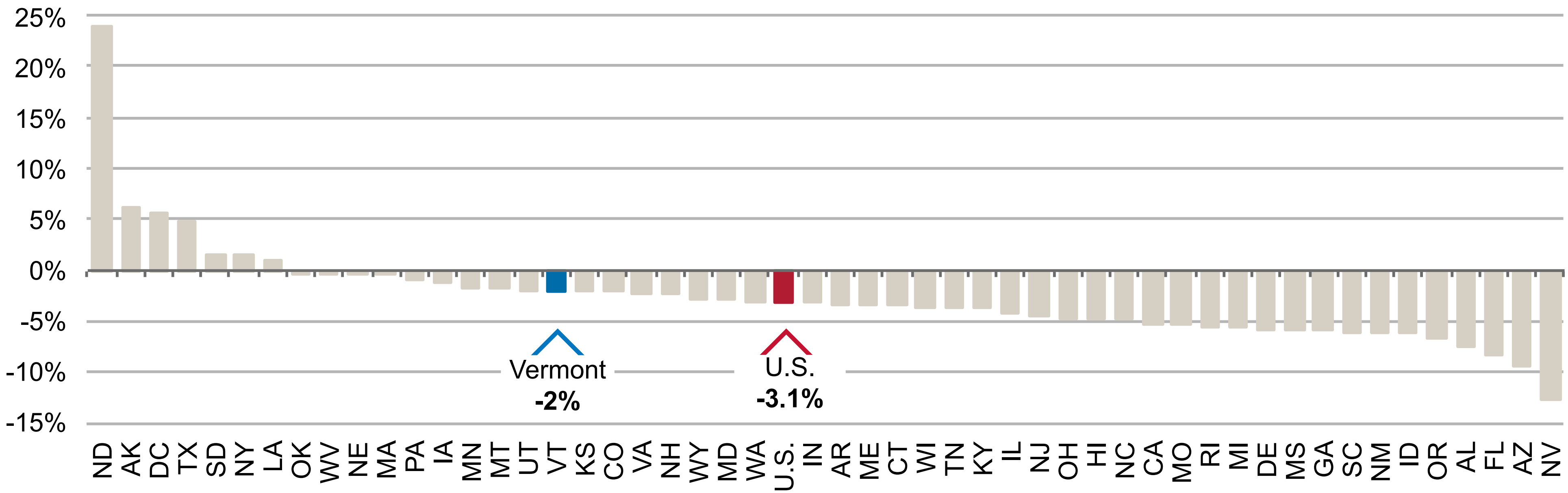



Private employers shed more than 14,000 jobs during the recession. Since the low point in July 2009, jobs have returned, but slowly. In 2012, the private sector offered 5,000 fewer jobs than it did before the recession. Since 2012, this gap has closed further.

Data source: Economic Policy Institute analysis of Current Employment Statistics survey data

## Vermont Lost Private Sector Jobs, But Fewer than Many States

Percent change in annual average private sector non-farm payroll jobs, 2007-2012



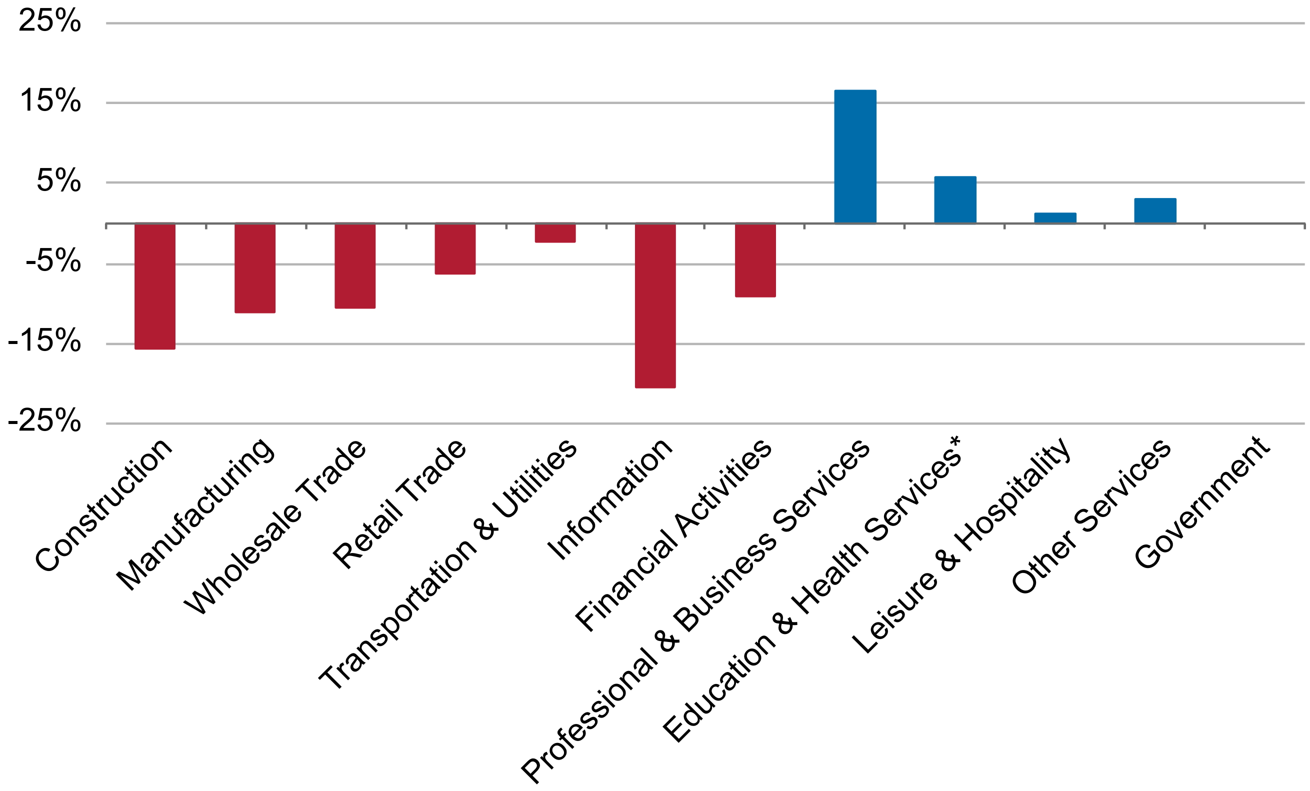

Data source: Economic Policy Institute analysis of Current Employment Statistics survey data

Vermont had fewer private sector jobs in 2012 than in 2007. A decline in people working hurts the economy and stresses the state budget. Fewer people pay taxes and more turn to public services for help. Still, things could be worse. Most other states, including the rest of New England except Massachusetts, suffered greater private sector job losses than Vermont.

Only the service sectors saw job growth in Vermont, led by professional and business services, which increased more than 15 percent from 2007 to 2012. Some areas of the sector, such as technical and hospital services, paid above Vermont's 2012 average of almost $41,000 a year. But many paid little more than minimum wage. Vermont added almost 2,400 social assistance jobs between 2007 and 2012, with an average annual wage just over $18,000— below poverty for a single parent with two children.

## Service Sectors Dominated Job Growth

Percent change in average annual jobs in selected industries, 2007-2012

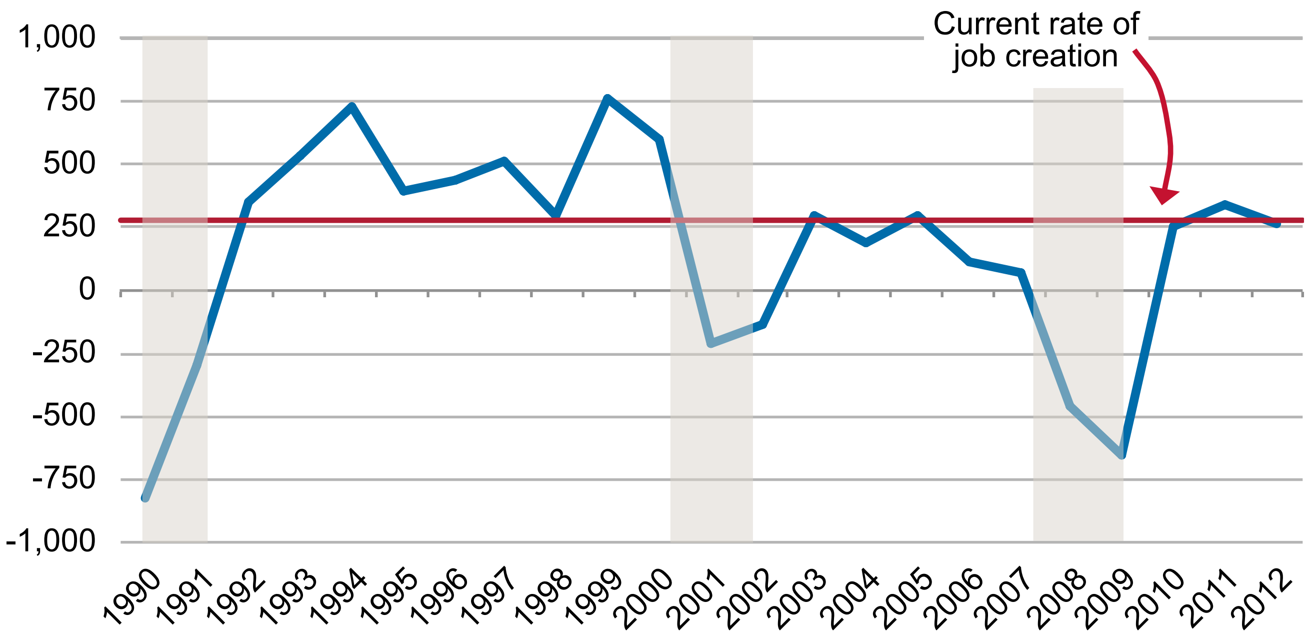



*Includes trade schools, job training, educational support service; not public education.

Data source: Economic Policy Institute analysis of Current Employment Statistics survey data

## Vermont Must Create More Jobs to Regain Pre-Crash Levels

Average monthly change in non-farm payroll jobs by year, 1990-2012




At the current rate of job creation, nearly 300 per month, it will take Vermont until 2020—13 years from the start of the recession—to get back to pre-crash levels. For Vermont to return to its 2006 annual average unemployment (3.7 percent) and workforce participation (72.1 percent) rates, it needs 280 new jobs every month for 84 months. If Vermont added jobs at rates seen in the 1990s—400 to 600 a month—recovery would come more quickly.

Note: Shaded areas indicate recessions

Data source: Federal Reserve Bank of Atlanta Jobs Calculator™

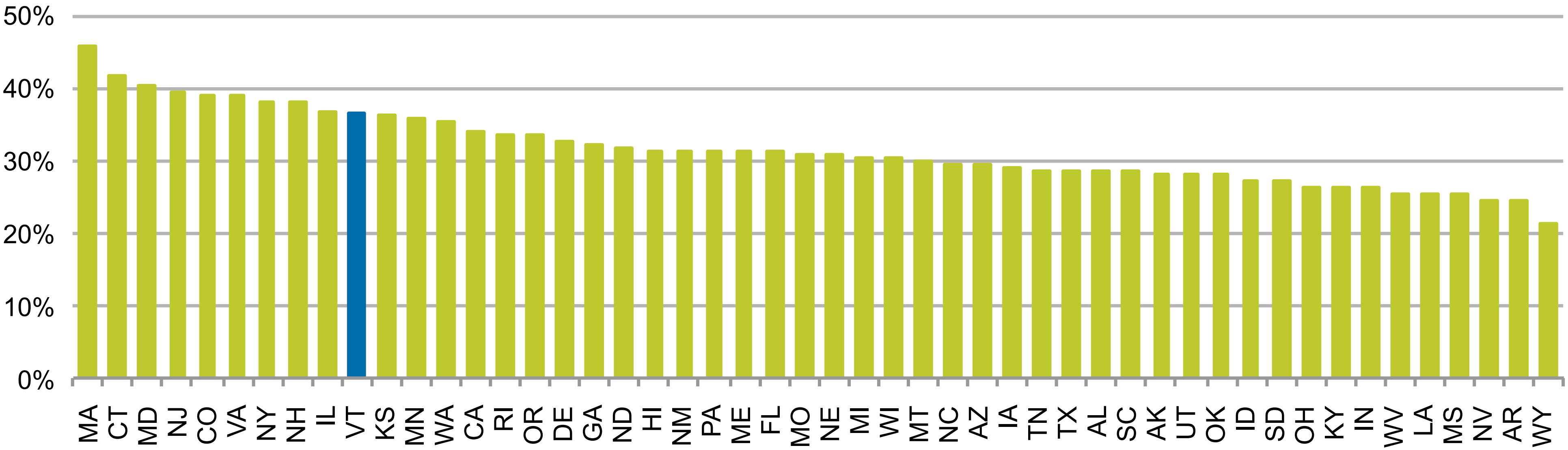
# Labor Force

Vermont's labor force was older than in many other states in 2012, and the percentage of women working or seeking work was the country's third highest. The state's labor force was also among the best educated, which is good for the economy. College-educated workers are less likely to be unemployed than the average worker. And states with better-educated labor forces tend to have higher wages than those with less-educated workers.

Vermont's labor force participation—the number of people working or seeking work as a percentage of the population age 16 and older—fell in recent years. Some workers got discouraged and dropped out of the labor force. Other, older ones retired, either as planned or earlier because of lack of work.

## Vermont's Workforce Was Among the Best Educated

Percentage of labor force with a bachelor's degree or higher, 2012

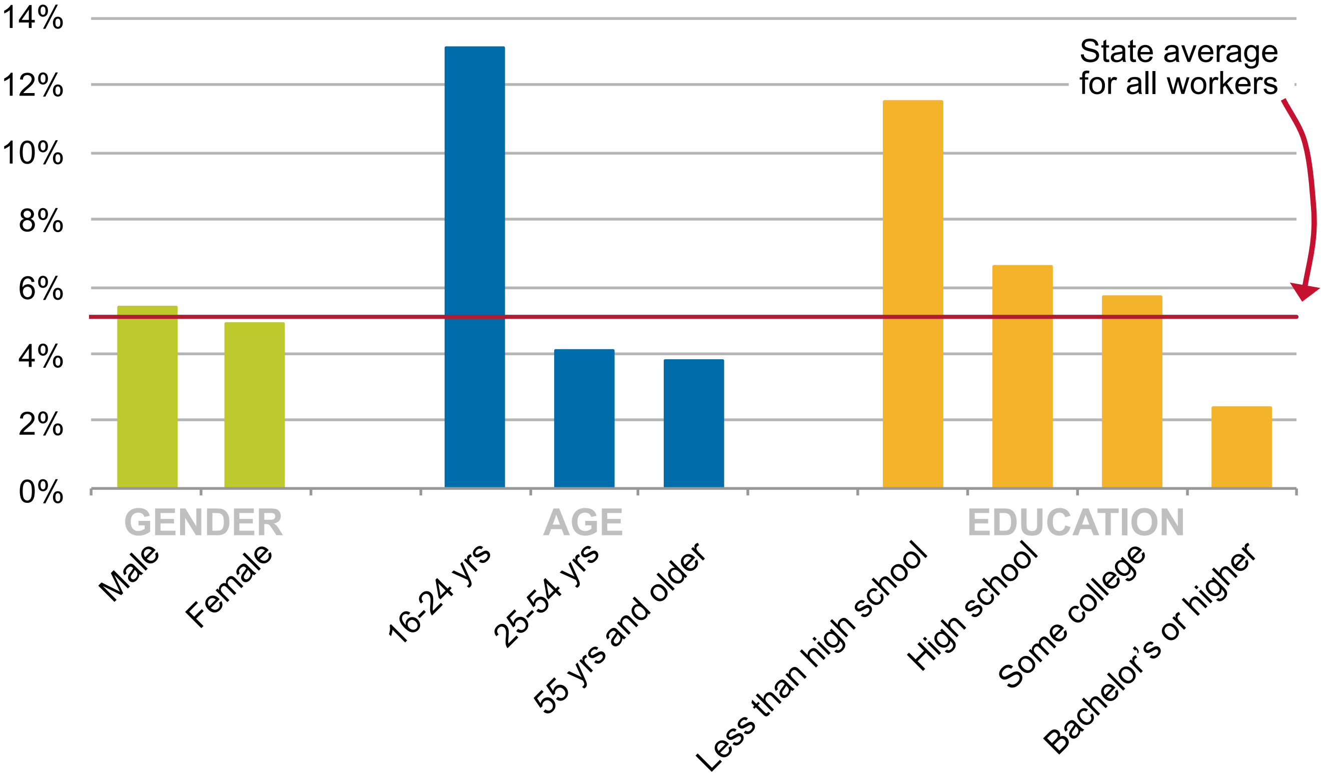



Data source: Economic Policy Institute analysis of Current Population Survey data

The education level of Vermont's workforce has long been one of the state's strongest assets. The state frequently ranks near the top in the percentage of college graduates in the labor force. In 2012, Vermont ranked 10th, with 36.7 percent of the labor force holding a bachelor's degree or higher.

## Unemployment Was Higher for Young, Less-Educated Workers

Average annual unemployment rate by gender, age, and education level, 2012



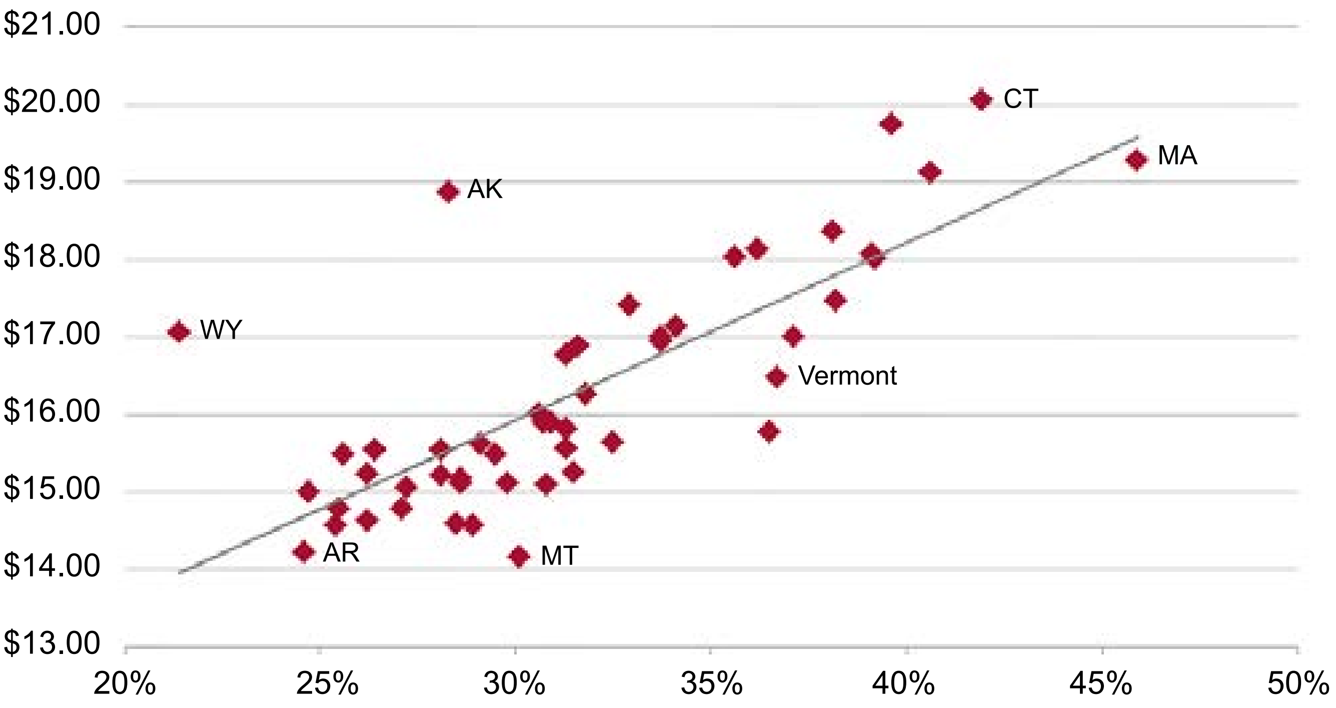

College graduates have a clear advantage in the labor market. Theirs was the lowest rate of unemployment in 2012—2.4 percent—the only education-level group with a lower rate than the Vermont average. Meanwhile, the unemployment rate among workers without high school diplomas—11.5 percent—was more than double the overall rate. Unemployment for younger workers—16 to 24—also far outstripped the average; more than 13 percent could not find work in 2012. Men's unemployment rate slightly outpaced women's.

Data source: Economic Policy Institute analysis of Current Population Survey data

## Wages Were Higher in States with Better Education

Correlation between percentage of labor force with bachelor's degree or higher and state median wage, 2012




Higher levels of education are connected to higher wages. In 2012 states in which more workers held college degrees generally had higher wages. The chart shows that approximately 60 percent of the variation in wages among states was attributable to the percentage of college graduates in the workforce. The correlation between education and wages was only about half as strong in 1982.

Data source: Economic Policy Institute analysis of Current Population Survey data

## Workforce Was Nearly 50-50 Men and Women

Vermont employed workers and population by age group, 2012


Data source: U.S. Census, American Community Survey, 1-year, 2012

Although their pay was still not equal in 2012, men and women were fairly equally represented in the workforce in most age groups.

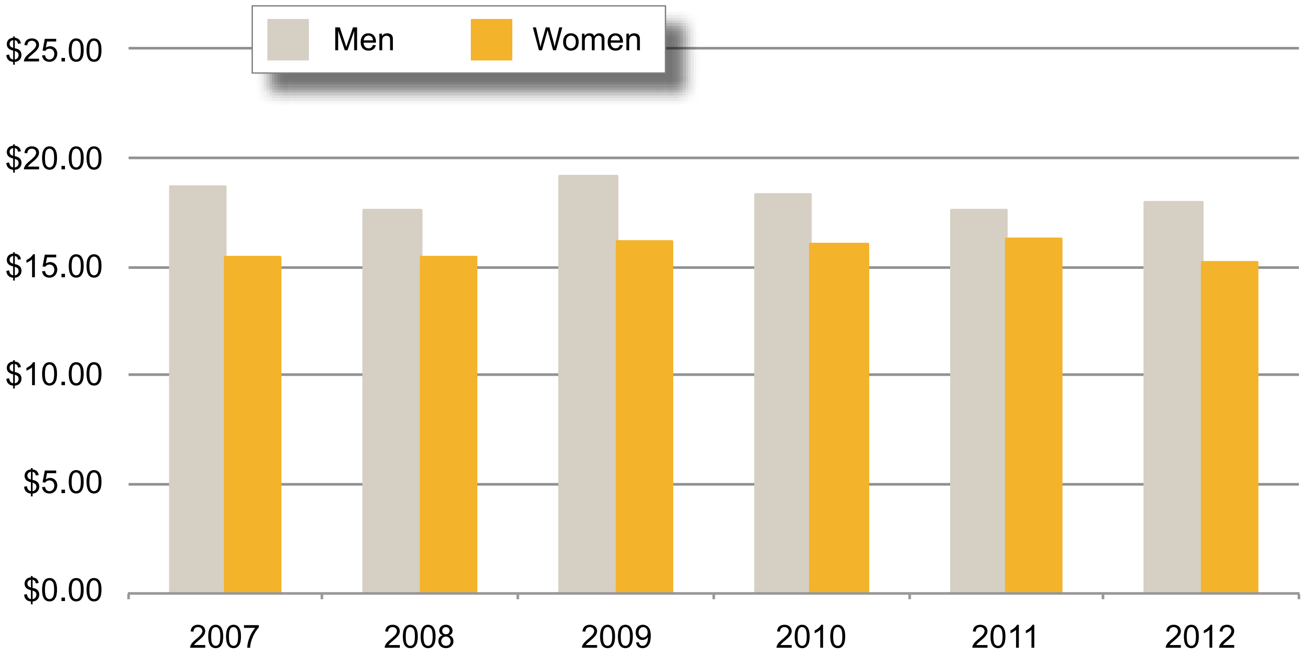
# Wages and Income

Like the rest of the country, Vermont has seen a growing income gap over the last 30 years between those at the top and everyone else. After the Great Depression, the gap between rich and poor gradually declined and income inequality reached a low in the late 1970s and early 1980s. In Vermont in 1981, the top 1 percent received about 6 percent of the income, with the rest going to the other 99 percent. By 2005, the top 1 percent had increased its share of income to about 19 percent, which left a smaller share for everyone else.

## Wage Gap Grew Between Men and Women

Real median hourly wage for men and women, 2007-2012

In the wake of the recession, the wage gap between men and women closed, but largely for the wrong reason: Wages for men fell. In 2012, however, men saw about a 2 percent increase in their real median hourly wage, after adjusting for inflation, while the wage for women dropped more than 6.5 percent.

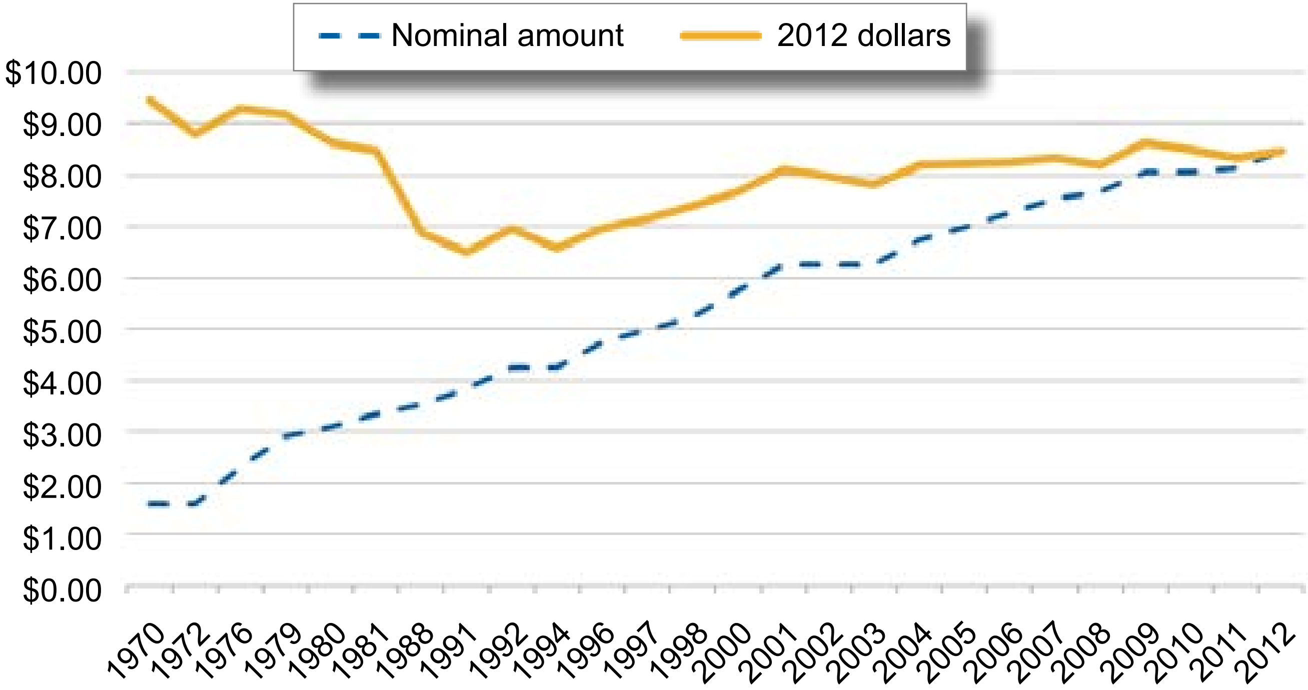



Data source: Economic Policy Institute analysis of Current Population Survey data

## Minimum Wage Was Worth Less than in 1970s

Value of Vermont's minimum hourly wage, selected years, in 2012 dollars

Vermont's minimum wage 40 years ago—almost $9.50 an hour in 1970, in 2012 dollars—was worth a dollar more than it was last year. In 2005, Vermont became one of a few states to tie its minimum wage to inflation.* This policy has helped low-wage workers, but has not made up the ground lost in the 1970s and 1980s.



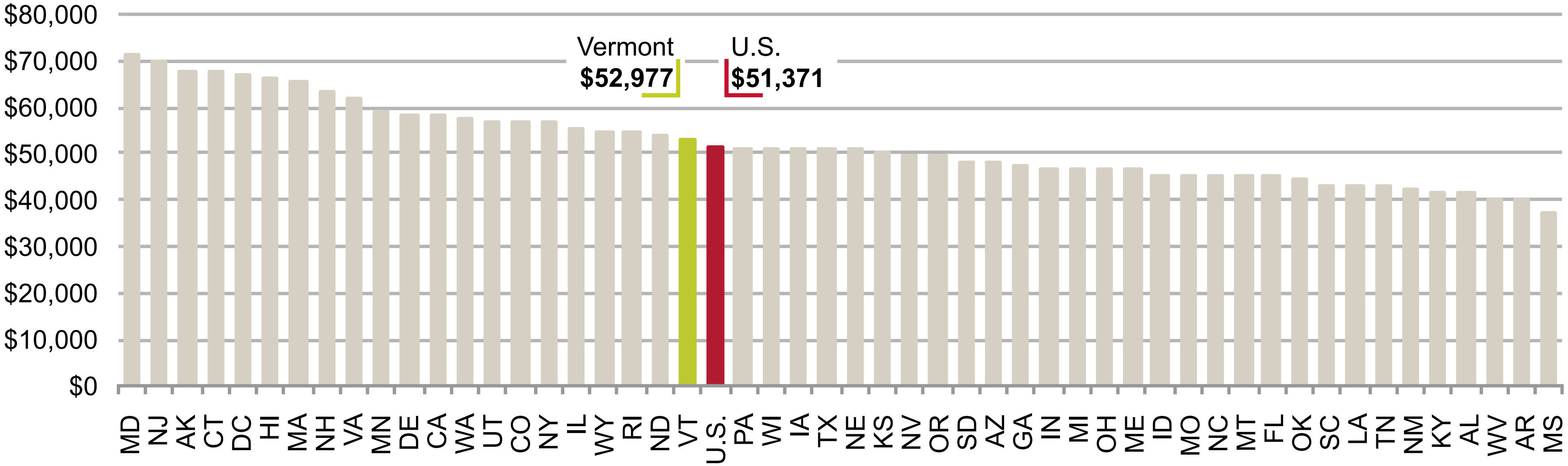

Data source: U.S. Department of Labor, Wage and Hour Division and Bureau of Labor Statistics

* The Legislature raised the wage to $7.00, scheduled another 25-cent increase for the following year, and linked the minimum wage to the Consumer Price Index thereafter. Each Jan. 1, the minimum wage rises by the same percentage as the CPI or by 5 percent, whichever is smaller. The law prohibits a downward adjustment of the wage.

## Vermont's Median Household Income Was Just Above U.S. Median

States ranked by median household income, 2012

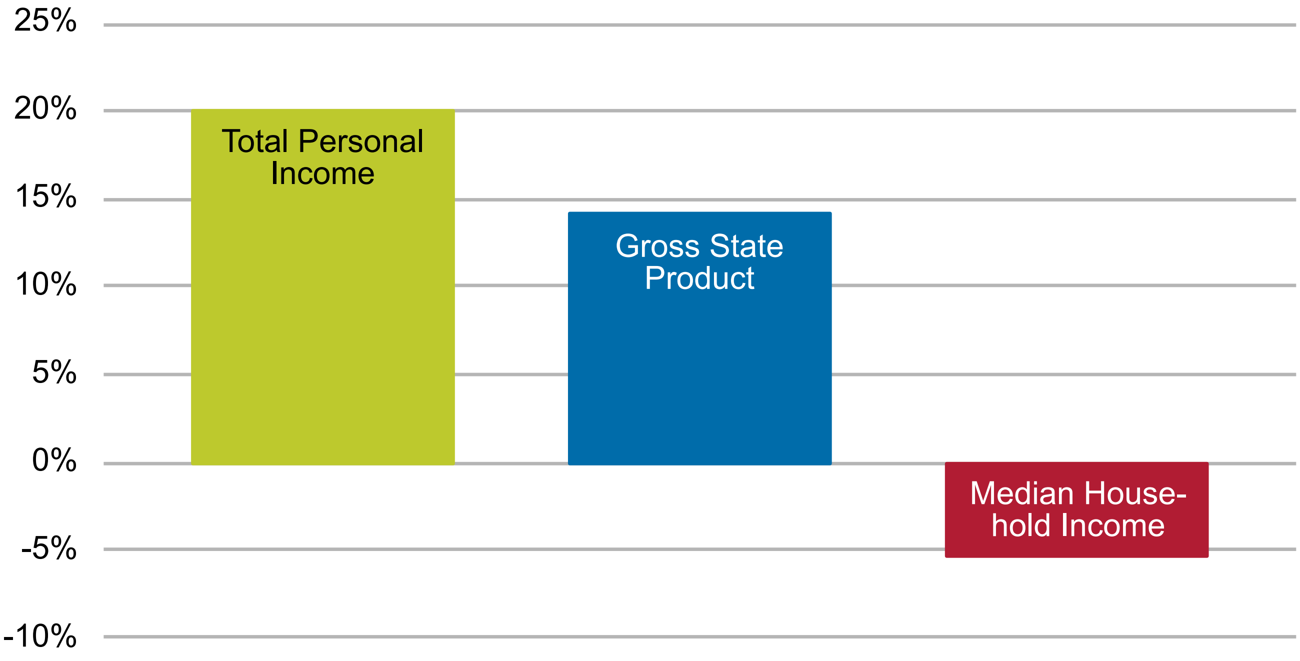



Data source: U.S. Census, American Community Survey, 1-year, 2012

Vermont's median household income stood near the middle of the states. At just under $53,000 a year, the median household income was slightly higher than the national median. Half of the households in Vermont make more than the median income, and half earn less.

## Economic Growth Was Not Shared by All

Change in total personal income, gross state product, and median household income, adjusted for inflation, 2002-2012




Data source: U.S. Bureau of Economic Analysis, U.S. Census, American Community Survey, 2002-2012

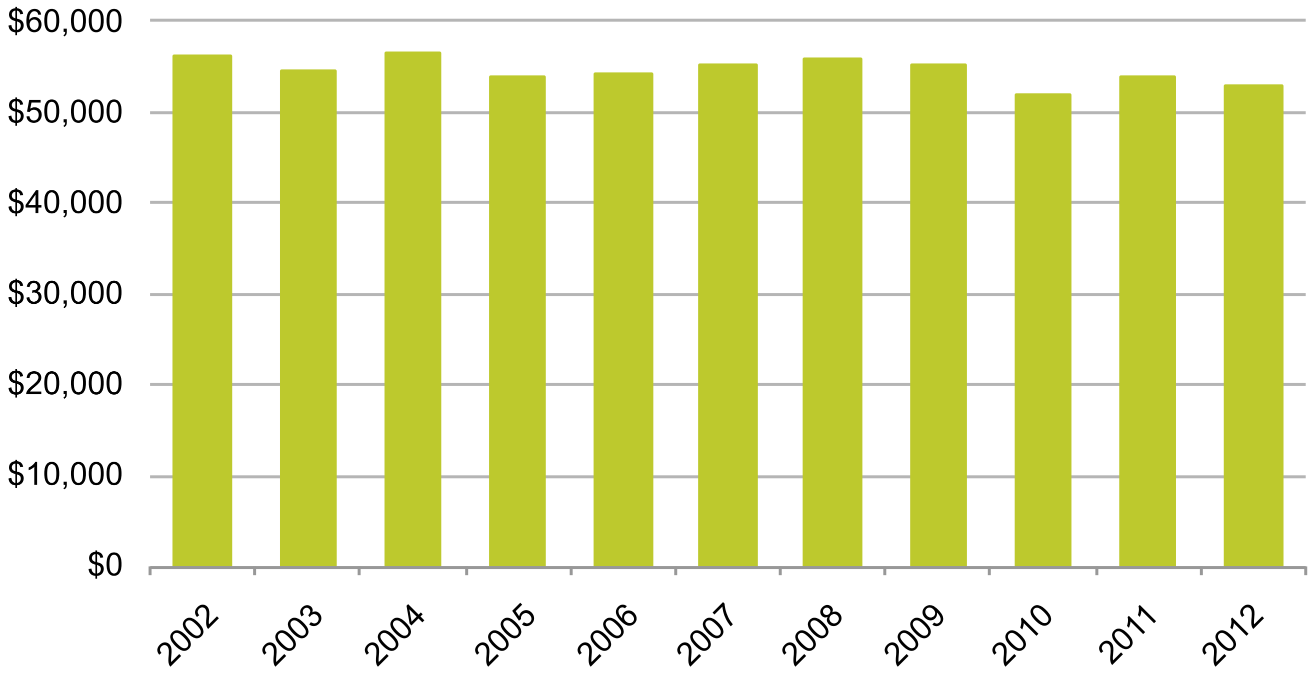
Even with the recession, Vermont's economy grew during the decade 2002-2012. The gross state product was up 14 percent. Total personal income for the state also grew.* However, income for the typical household was down. Median household income—half of households make less than the median and half make more—fell 5.5 percent between 2002 to 2012.

* The statewide sum of income from all sources, including wages, salaries, benefits and bonuses, investments and proprietors' business income, and government transfer payments to individuals, such as Social Security.

## Typical Vermont Households Lost Ground

Real median household income (in 2012 dollars), 2002-2012




Many Vermont households have seen their real income drop in the wake of the recession. But even before 2007, many weren't getting ahead; for them it's been a lost decade. After adjusting for inflation, median household income dropped 5.5 percent between 2002 and 2012. While incomes for typical Vermont households have fallen, their expenditures for such basics as health care, higher education, and gasoline and heating oil have risen faster than inflation.

Data source: U.S. Census, American Community Survey, 2002-2012

# Poverty

Next year will mark the 50th anniversary of President Lyndon Johnson's War on Poverty. While Vermont has come a long way from the days of the poor farm and local overseers of the poor, poverty persists. During some periods in the last 20 years Vermont's poverty rate dropped below 8 percent. Although that still translated to more than 40,000 people in poverty, many of them children, the state did better than many others. In 2004, for example, Vermont had the third-lowest poverty rate in the country.

In recent years poverty has been rising again. In 2012, Vermont ranked 13th in the percentage of people living at or below the federal poverty level when the states were listed from lowest to highest.

**2012 Federal Poverty Thresholds by Family Size**

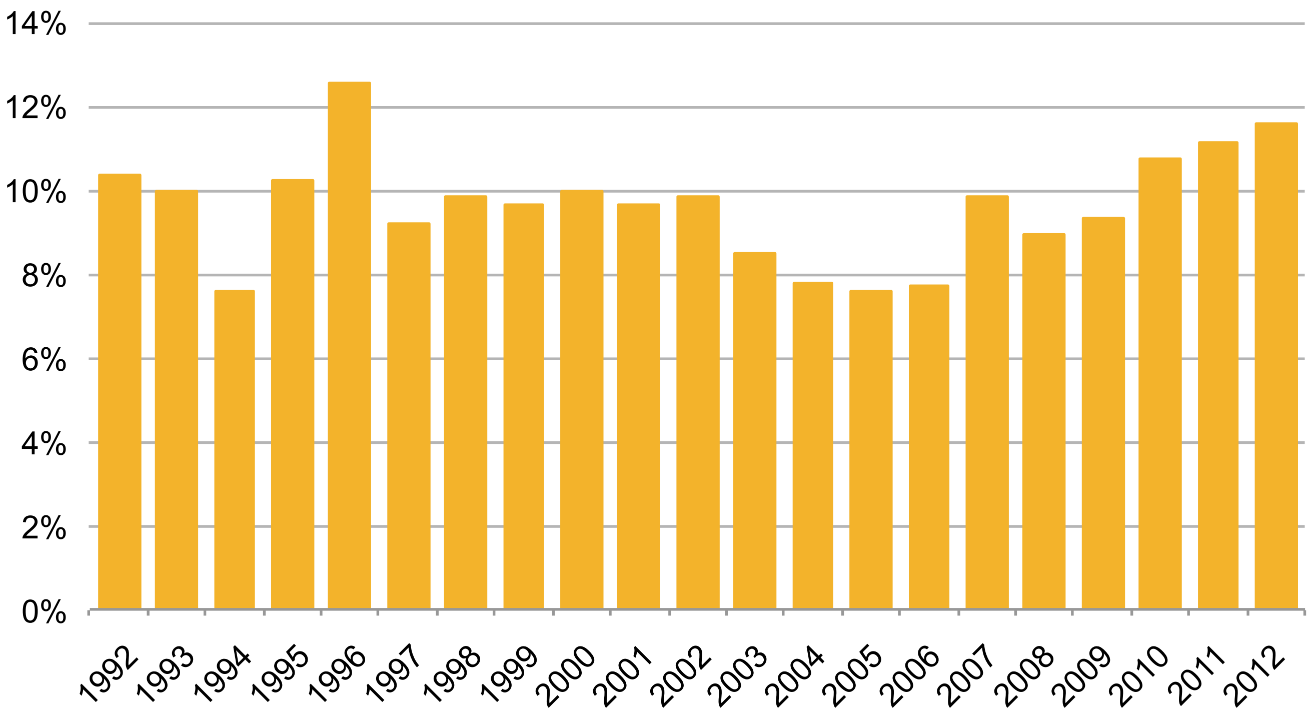
| | |
|---|---|
| One person | $11,720 |
| Two people | $14,937 |
| Three people | $18,284 |
| Four people | $23,492 |
| Five people | $27,827 |

Vermont made gains in fighting poverty in the early 2000s. The poverty rate stayed under 10 percent from 1997 to 2006 and in the last three of those years fell below 8 percent. Since that point, however, the trend has moved in the wrong direction. Vermont's poverty rate climbed above 10 percent in 2010—the highest since the mid-1990s. Then it rose further in 2011 and further still in 2012.

## Poverty Was On the Rise Again

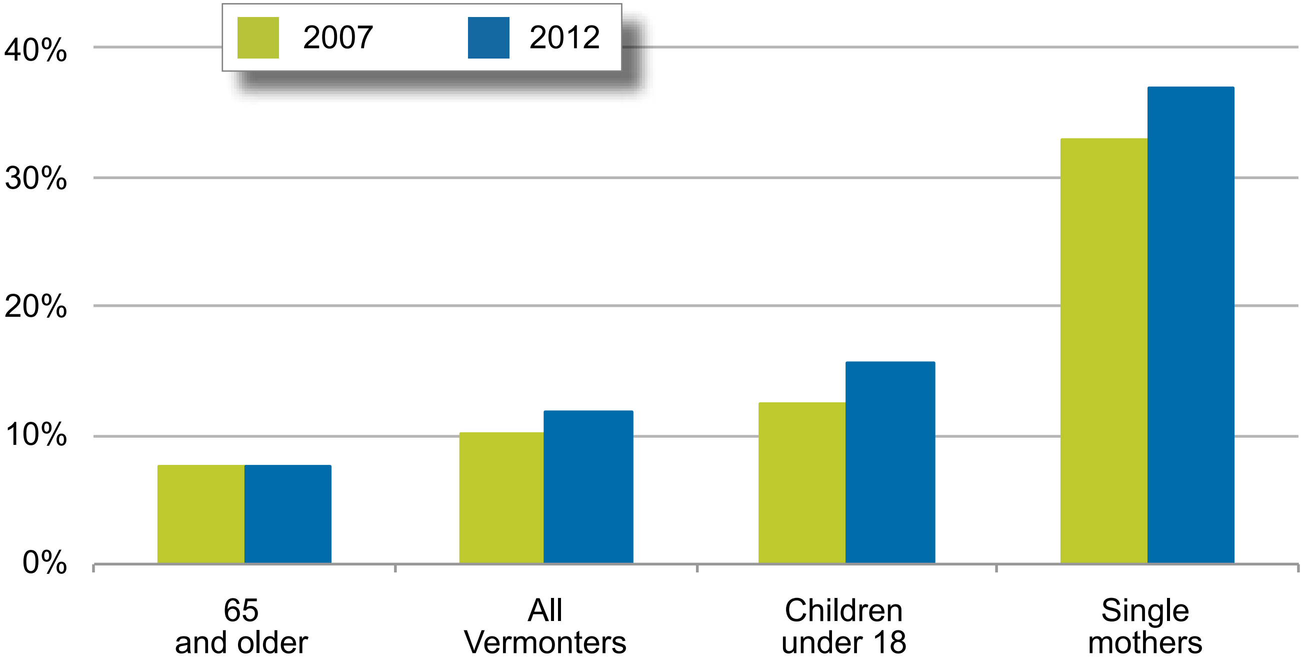
Percentage of Vermonters at or below the federal poverty threshold, 1992-2012




Data source: U.S. Census, Current Population Survey

## Poverty Rate Was Higher for All but Seniors

Percentage living at or below the federal poverty level for select groups, 2007 and 2012

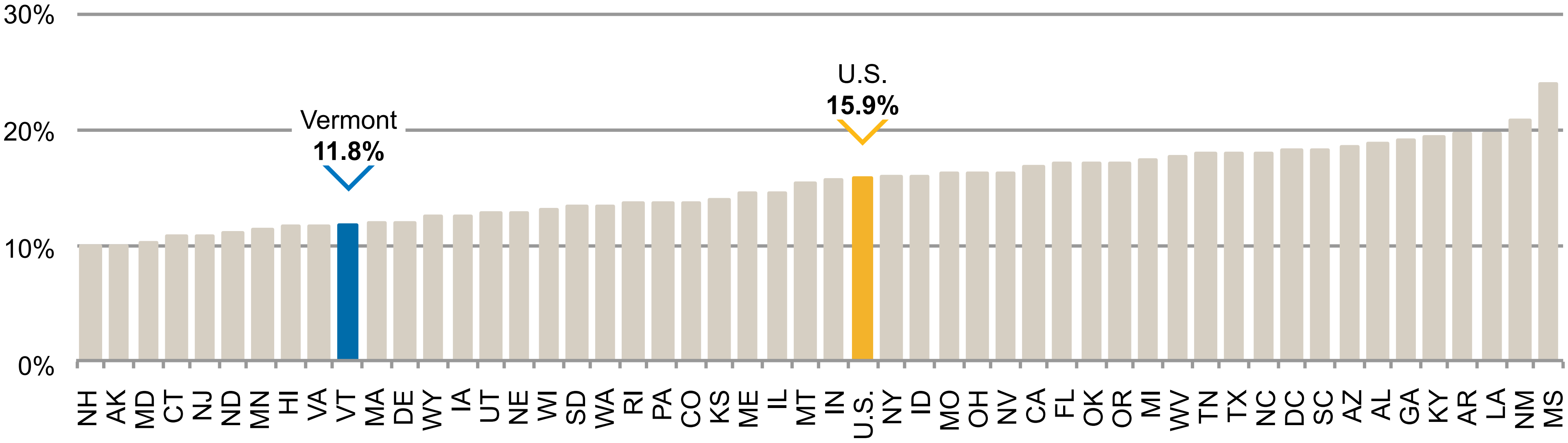



Data source: U.S. Census, American Community Survey, 1-year, 2007 and 2012

For certain groups, especially children, the poverty rate was higher than for the population overall. In 2012, the poverty rate for single mothers rose above 35 percent.

## Vermont Poverty Was Lower than Other States

States ranked by the percentage of people living at or below the federal poverty level in 2012



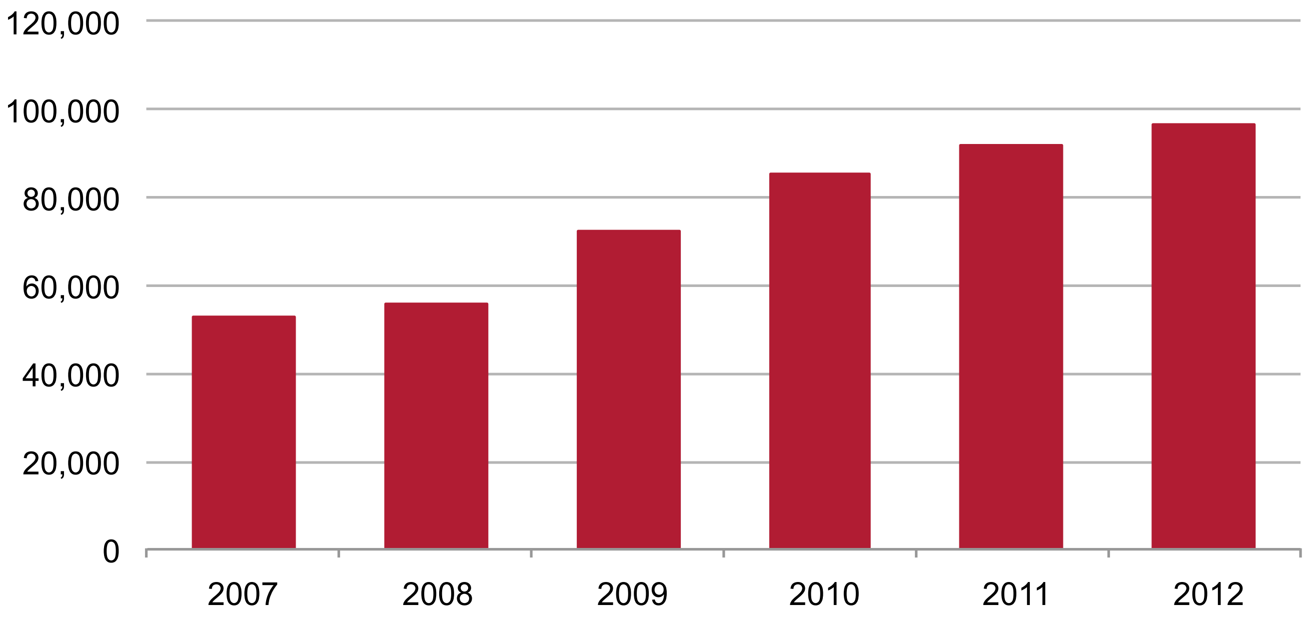

Data source: U.S. Census, American Community Survey, 1-year, 2012

With the national poverty rate at almost 16 percent and some states hovering around or above 20 percent, Vermont was doing better than most of the U.S. in 2012. But that year the Vermont Legislature also adopted a new approach to the budget. Now the law says the purpose of raising and spending public funds is to address people's basic needs, including health, housing, dignified work, food, and social security. Vermont's policy, then, is not simply to have less poverty than other states, but to alleviate poverty altogether.

## Vermonters Needing Food Stamps Nearly Doubled Since 2007

Average monthly participation in 3SquaresVT by year, 2007-2012




Vermont has seen a dramatic increase in the number of families struggling to get enough to eat. Between 2007 and 2012 participation nearly doubled in 3SquaresVT, the state's version of the federal food stamp program. By the end of 2012, more than 100,000 Vermonters—over 15 percent of the population—were receiving assistance.

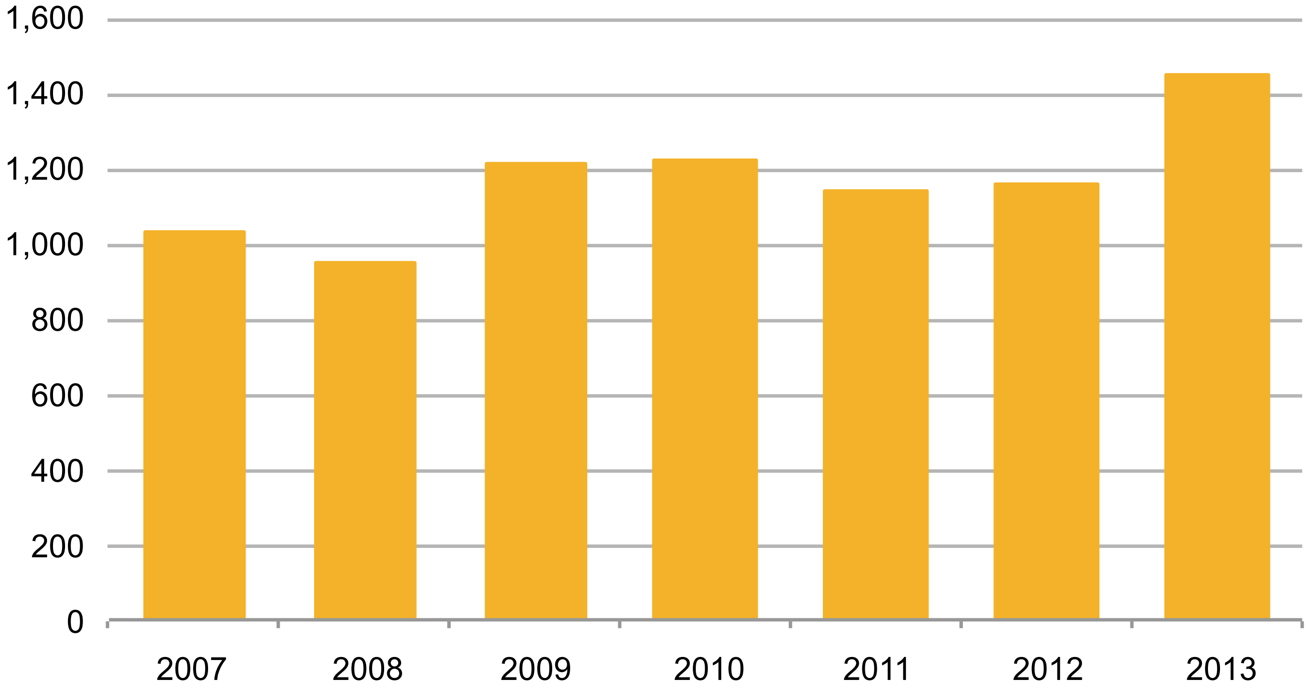
Data source: U.S. Department of Agriculture, Supplemental Nutrition Assistance Program

Homelessness rose more than 25 percent in the wake of the recession. It dropped somewhat in 2011 and 2012, but jumped 25 percent again in 2013.

**More Vermonters Were Homeless than in 2007**

Homeless count reported on single night in January each year, 2007-2013




Data source: U.S. Department of Housing and Urban Development

# Recommendations

Providing a livable wage and a secure life for everyone and closing the income gap between the top and everyone else are national problems. Vermont cannot solve them on its own. Nevertheless, Vermont policymakers can take several concrete steps that will improve struggling Vermonters' lives:

- To boost the economy, invest public funds in education and infrastructure, which benefit everyone, rather than give tax breaks to a few chosen businesses.[1]
- Eliminate regressive school property taxes on primary residences so that all Vermont residents pay school taxes as a percentage of income rather than a percentage of property value.
- Reduce tax breaks that benefit primarily upper-income taxpayers, such as mortgage interest deductions for expensive residences and second homes.
- Increase Vermont's minimum wage, which is worth less today than it was 40 years ago after adjusting for inflation.[2]
- Increase Vermont's child care subsidies so that more low-income parents have access to high-quality care and education for their children and can go to work.
- Follow through on the goals outlined in Vermont's Plan to End Homelessness, the report issued by the Vermont Council on Homelessness in December 2012.

> "The state budget should be designed to address the needs of the people of Vermont in a way that advances human dignity and equity. . . .
>
> "Spending and revenue policies will reflect the public policy goals established in state law and recognize every person's need for health, housing, dignified work, education, food, social security, and a healthy environment."
>
> —32 VSA § 306a

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1 Jeffrey Thompson, Political Economy Research Institute (PERI), Prioritizing Approaches to Economic Development in New England: Skills, Infrastructure, and Tax Incentives, 8/18/2010.
2 Jeannette Wicks-Lim & Jeffrey Thompson, PERI, Combining Minimum Wage and Earned Income Tax Credit Policies to Guarantee a Decent Living Standard to All U.S. Workers, 10/18/2010.

  

# Notes on the Data

1. Data for the charts in this report are for 2012 with data from previous years used to provide context or identify trends. Additionally, where more recent data are available and reliable, the report notes that fact, and, in the case of homelessness, includes the 2013 data in the chart.

2. Monthly employment and unemployment statistics are based on two monthly surveys conducted by the U.S. Bureau of Labor Statistics in conjunction with the U.S. Census Bureau. Unemployment estimates are based on a monthly survey of households. A monthly survey of employers is the source of the estimate of non-farm, payroll jobs. The household survey includes self-employed workers, so the number of people who report they are working in any given month is higher than the number of non-farm payroll jobs reported by employers.

The "official" unemployment rate published each month counts only people who are unemployed and actively seeking work. Other, broader measures of unemployment are also published periodically. They include discouraged workers, for example, or people who would work more hours if they could.

  

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