

A JOINT PUBLICATION OF THE

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## The State of Working Vermont 2006

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Vermonters have a reputation for hard work, and the state continues to enjoy a workforce participation rate that is higher than the national rate and that of most other New England states.

The unemployment rate is low as is the state poverty rate, ranking fourth in the nation in recent years for the percentage of people living above the poverty level. The state has maintained a minimum wage above the federal level for most of the last twenty years.

But recent trends highlight areas of concern for Vermont. Good jobs in manufacturing and information continue to disappear and wages remain well below regional standards and slightly below national levels for all groups of workers. Additionally, the state's working age population is dwindling just as many in the Baby Boom generation approach retirement. Thus, it is apparent that Vermont has an interest in sustaining and developing its current and future workforce.

This brief highlights trends related to the economic and labor force characteristics of Vermont's workers. It is produced in cooperation—and its release coincides—with the Economic Policy Institute's (EPI) national report, *The State of Working America 2005/2006*.

### Overall Labor Force Participation Declines, Except for Oldest Workers

Workforce participation in Vermont compares favorably with other states in the region. Vermont had a 71 percent labor force participation rate in 2005. This was higher than the national participation rate (66 percent) and the rate of most other New England states (with the exception of New Hampshire at 72 percent). The state also had the lowest unemployment and underemployment rates in the region (4 percent and 7 percent, respectively).<sup>3</sup>

Labor force participation peaked at 72 percent in 1999 and has since experienced some decline. Workers over the age of 54 were the only group that increased their participation in the labor force since 1999 (39 percent to 45 percent). As a result, one in five of Vermont's workers was 55 years of

age or older in 2005. These workers formed a larger share of Vermont's workforce than any other New England state and than the national workforce (at 16 percent).

As older workers' share of the labor force has grown, there has been a corresponding decrease in the percentage of the labor force between 25 and 54 years of age. These workers continue to comprise the largest share of Vermont's labor force (65 percent) and their labor force participation remains high and steady (88 percent in 2005). But their representation in the workforce has dwindled since 1999 (when it stood at 71 percent). Other research documents similar trends, prompting some analysts to warn of a serious decline in the working age population in Vermont and the larger New England region.<sup>4</sup>

### Job Growth in Construction, Education, and Health Services Buffers Job Losses in Other Sectors

Between 2000 and 2005, Vermont's nonfarm employment grew by approximately 7,000 jobs, a 2 percent increase.<sup>5</sup> This exceeds job growth in most other New England states over the same period (with the exception of Rhode Island at 3 percent). Vermont's employment growth also outpaced national growth over the same five-year time period.

Most recently, job growth in the state trailed national figures. Between 2004 and 2005, job growth in the state was slightly below the national average (0.8 percent in Vermont compared to 1.5 percent nationally). National job growth exceeded job growth in all six New England states over this time period.

Job growth was uneven across Vermont's counties. Table 1 shows that the greatest job growth between 2000 and 2005 occurred in Grand Isle County. The figure conceals absolute growth in jobs in this county, which only totaled to 200 jobs over the five year period. Jobs in Franklin County grew by 6 percent, accompanied by 9 percent growth in wages between 2000 and 2005. Four counties experienced a loss of jobs; two of these counties also had wage growth that was below the state figure.

**Table 1. Growth in Average Monthly Employment and Average Annual Wages in Vermont Counties, 2000–2005 (in 2005 Dollars)**

	Growth in Employment (2000–2005)	Growth in Wages (2000–2005)
Grand Isle County	18.9%	6.2%
Franklin County	5.6%	8.7%
Orleans County	5.3%	5.4%
Lamoille County	3.9%	11.6%
Rutland County	2.6%	6.8%
Addison County	2.5%	5.9%
Windsor County	1.8%	3.7%
Washington County	1.8%	7.6%
Orange County	0.5%	8.8%
Caledonia County	0.1%	7.4%
Chittenden County	-0.6%	2.1%
Windham County	-4.8%	4.7%
Bennington County	-6.0%	6.8%
Essex County	-11.1%	4.0%

Source: Vermont Department of Labor

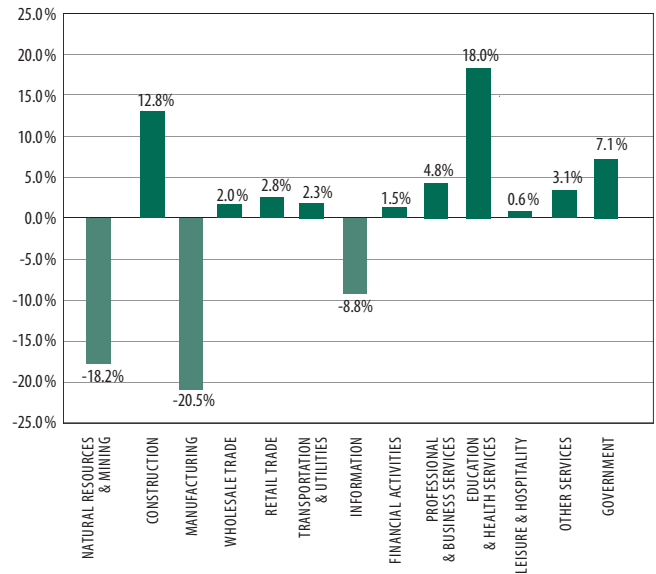
Between 2000 and 2005, most job growth in the state occurred in education and health services (employment up 18 percent) and construction (up 13 percent). Over the five-year time period, these two industries added approximately 10,000 jobs to the state. Growth in eight other industries added another 7,000 jobs between 2000 and 2005, for a total gain of approximately 17,000 jobs in the state.

In contrast, over the same five-year time period, a substantial number of jobs were lost in manufacturing, natural resources and mining, and information. These losses contributed to the decline of 10,000 Vermont jobs between 2000 and 2005. This was not unique to Vermont. Cuts to manufacturing and information industries in Vermont parallels substantial job losses in these industries in all New England states over this time period. At the national level, employment in manufacturing declined 18 percent and information dropped by 16 percent.

### High Wage Workers Pull Ahead of Middle and Low Wage Workers

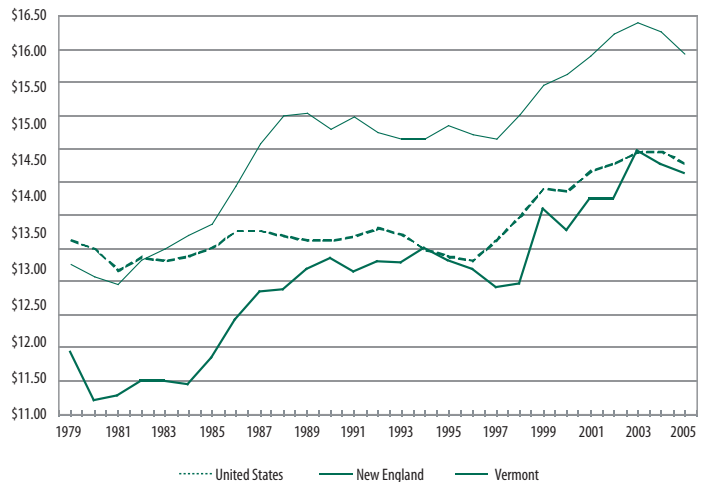
Vermont workers' median hourly wage was \$14.13 in 2005.<sup>6</sup> This represents 7 percent growth in the median wage since 2000, which outpaces all other states in New England except New Hampshire. Still, the state maintains the second lowest median wage in New England (next to Maine at \$13.16). Vermont's median wage falls below the national average of \$14.28 and well below the regional median wage of \$15.92.

**Figure 1. Percent Change in Employment by Industry in Vermont, 2000–2005**



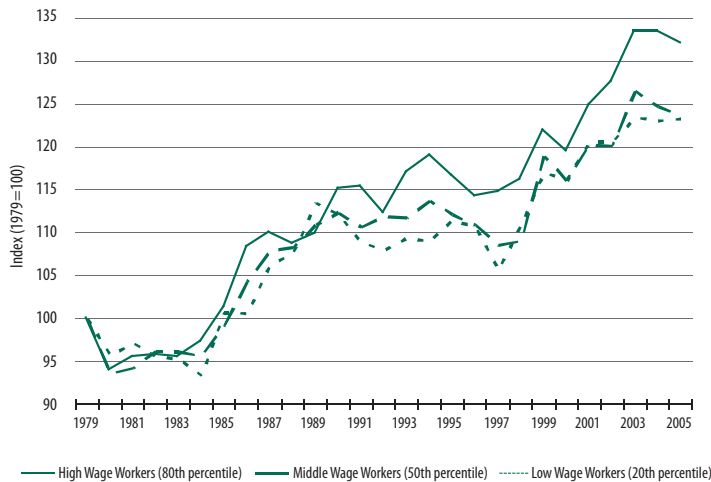
Source: Economic Policy Institute analysis of Current Employment Statistics data

**Figure 2. Median Wages in Vermont, New England, and the United States, 1979–2005 (in 2005 Dollars)**



Source: Economic Policy Institute analysis of Current Population Survey data

**Figure 3. Growth in Hourly Wages in Vermont, 1979–2005 (in 2005 Dollars), Relative to 1979=100**



Source: Economic Policy Institute analysis of Current Population Survey data

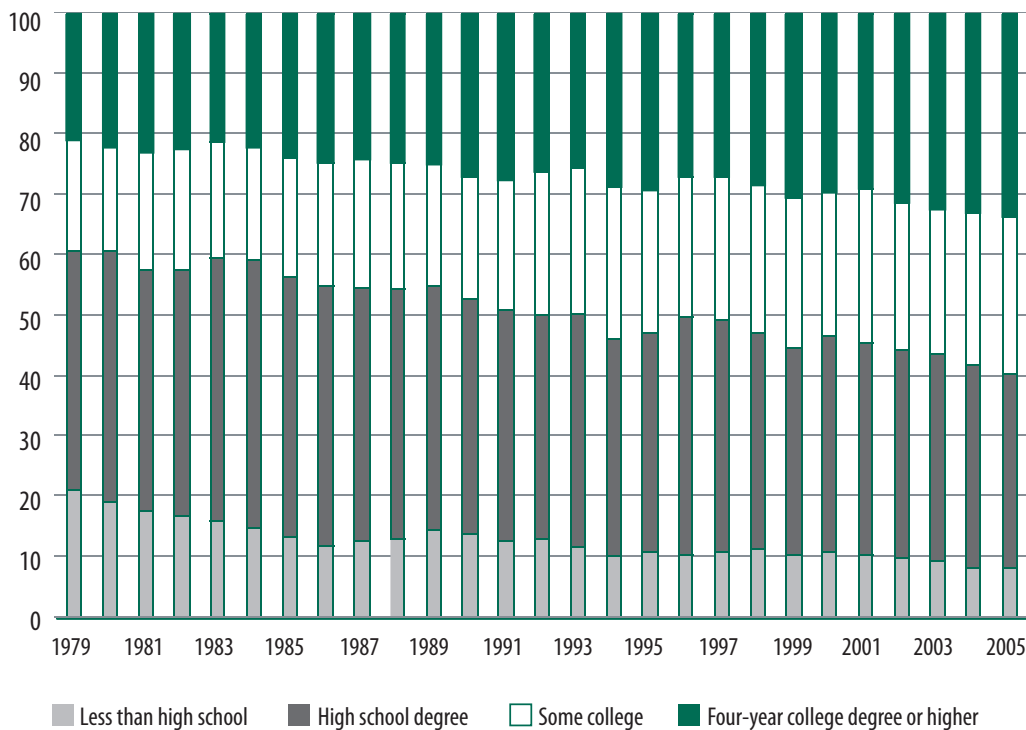
According to wage data for the past twenty-five years, Vermont’s wages typically run lower than both national and regional wages.

There has been a general pattern of growth in the median wage over the past two decades, with some losses in the mid-1990s that were recovered by the end of the decade. By and large, median wages in the state have remained above their 1979 level, with the exception of about five years in the early 1980s.

There have been distinct patterns of growth in median wages for workers across the earnings spectrum since the early 1990s. Beginning in 1990, growth in high wage workers’ earnings gained momentum and pulled away from growth in middle and low wage workers earnings.<sup>7</sup> As a result, these workers have seen a 32 percent increase in wages since 1979. Middle and low wage workers experienced wage growth of just over 20 percent during the same time period. Since 2000, the gap in wage growth between high wage workers and middle and low wage workers has remained steady.

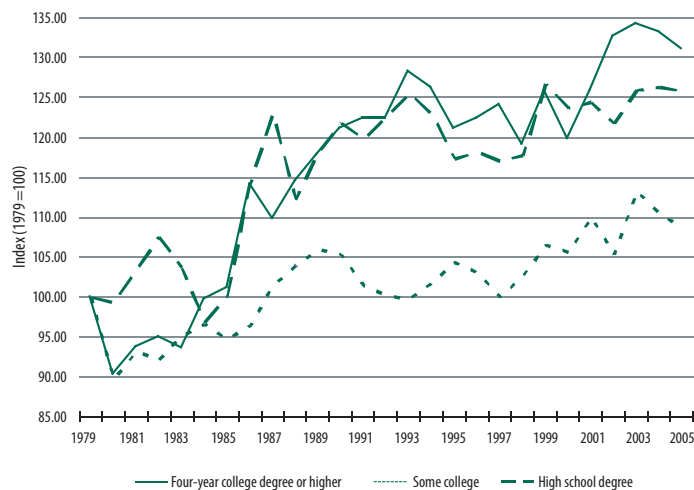
In 2005, one in five Vermont workers earned a wage that fell below the poverty level.<sup>8</sup> It is encouraging that this percentage has declined every year since 1998, when almost one

**Figure 4. Education of Vermont’s Workforce, 1979–2005**



Source: Economic Policy Institute analysis of Current Population Survey data

**Figure 5. Growth in Hourly Wages by Education in Vermont, 1979–2005 (in 2005 Dollars), Relative to 1979=100**



Source: Economic Policy Institute analysis of Current Population Survey data

in three workers earned a poverty-level wage. Since then, Vermont has fared better than national standards, but the state continues to maintain one of the highest rates in New England.

### Vermont Labor Force Is Well Educated

Compared to national figures, workers in New England tend to be very well-educated. Vermont is no exception. In 2005, one-third of Vermont's workers had four-year college degrees and almost 60 percent had at least some college education. Compared to the national figure, there is a greater prevalence of four-year college graduates in the labor force in all New England states. Twenty-nine percent of the labor force in the United States has a college degree.

This reflects a twenty-year trend of increasing educational attainment among the state's workforce. Since 1986, a growing share of the workforce has held four-year college degrees. Over the same period, the share of the labor force with a high school degree or less decreased. Since 1994, over half of the labor force has had at least some college education.

There has been a corresponding increase in median wages for workers with any college experience. Figure 5 shows that these workers' wages have pulled away from median wages earned by employees with just a high school degree. In particular, workers with some college have experienced a 26 percent increase in wages and workers with a four-year degree have increased their median wages by 31 percent since 1979.

### Interpreting the Female-to-Male Earnings Ratio

The female-to-male earnings ratio is a measure that is commonly used to gauge the earnings gap between female and male workers. The ratio is computed by dividing the female median wage by the male median wage. It is commonly interpreted as the amount of money women earn for every dollar earned by men. For example, a female-to-male earnings ratio of 0.87 means that, on average, working women earn 87¢ for every dollar earned by working men.

There is greater equity in women's and men's median wages as the earnings ratio gets closer to \$1.00. In other words, women appear to be better off in states with a higher earnings ratio because there is less inequality in wages.

But the earnings ratio should be interpreted with caution because it is also a measure of the strength of male wages. The earnings ratio tends to increase during periods when male wages decline, even without an increase in female wages. Thus, women appear to fare better even without an increase in their average wages. Similarly, women appear to fare worse in states or during periods when male wages are strong, even though women's average wages may be quite high. The conclusion is that a narrowing gap between female and male wages is good news only if it reflects growth in female wages without an accompanying drop in male wages.

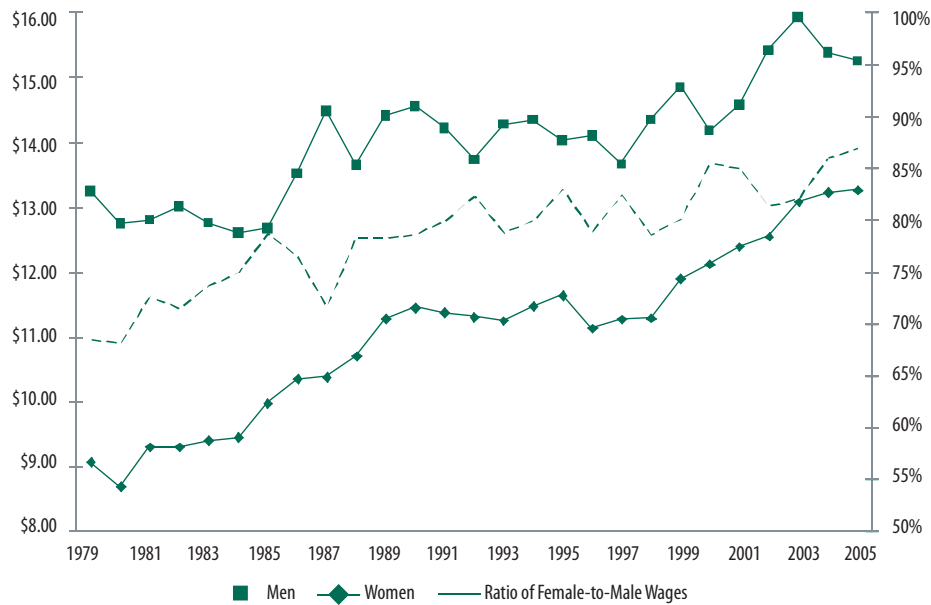
Workers with a high school degree have only seen 9 percent growth in their wages since 1979. The gap in growth between their wages and college-experienced workers' wages began dramatically in the late 1980s. In the approximately twenty years that have since passed, this gap has been maintained.

### Increasing Gender Equity as Female Wages Trend Steadily Upward

Compared to the other five New England states, Vermont also performs well on measures of gender equity. The state had the highest female labor force participation rate (66 percent) and the lowest female unemployment rate (3 percent) in 2005. Thirty-five percent of female workers worked part-time, one of the lowest percentages of the New England states but higher than the national figure of 30 percent.

Among male workers, Vermont had one of the highest male labor force participation rates (75 percent) and one of the lowest male unemployment rates (4 percent) in the

Figure 6. Median Male and Female Wages in Vermont, 1979–2005



Source: Economic Policy Institute analysis of Current Population Survey data

region (next to New Hampshire). Nineteen percent of male workers were employed part-time.

Women workers in Vermont benefited from the second greatest growth in median wages in New England (9 percent, next to New Hampshire at 15 percent). Growth in women's median wages in the state has been positive over the last two decades, outpacing men's wage growth (see Figure 6). In 2005, female workers earned about 87¢ for every dollar earned by men in Vermont. This was the highest earnings ratio in New England. But next to Maine, Vermont has the lowest female median wages (\$13.27) and male median wages (\$15.26) in the region.

## Conclusion

By and large, Vermont has made some economic and labor force gains in recent years. Labor force participation remains high relative to the national average and other New England states, while the state maintains moderate positive growth in jobs and wages. Vermont's labor force is increasingly well-educated and the positive gains made by the state's working women continue to set a precedent for other neighboring New England states. This can all be interpreted as good news for workers and their families in Vermont.

But other specific trends that are emerging in the state may be worrisome to Vermont policymakers. With an aging workforce, the state may face difficulties as greater numbers of Baby Boomers begin to retire. It is clear that Vermont has an interest in keeping the state desirable for young and

middle age workers. Strategies that do so may also attract new workers to the state.

Trends through 2005 suggest that, by and large, Vermont has seen continued progress for workers in the state. This good news must be balanced by concern about recent developments in the composition of Vermont's labor force. Effective policy measures could address the dwindling middle age labor force before the state experiences difficulties. The state has the opportunity to address impending trends before they impact the state's continued progress.

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## ACKNOWLEDGEMENTS

The author would like to thank Cynthia Duncan, Kristin Smith, Ross Gittel, Paul Cillo, and Reagan Baughman for their thoughtful comments on earlier versions of this issue brief. Financial support was provided by the Jane's Trust and the Vermont Community Foundation. Responsibility for the analysis lies with the Carsey Institute and the Public Assets Institute.

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### ENDNOTES

<sup>1</sup> U.S. Census Bureau. 2006. "Poverty 2005: Percentage of People in Poverty By State Using 2- and 3-Year Averages: 2003-2005." U.S. Census Bureau, Washington, DC. Retrieved September 7, 2006 (<http://www.census.gov/hhes/www/poverty/poverty05/table8.html>)

<sup>2</sup> Unless otherwise noted, all figures are drawn from EPI's analysis of Current Employment Statistics and Current Population Survey data. The Current Employment Statistics program surveys a sample of over 400,000 business establishments and government agencies to provide industry estimates of job growth, hours, and wages. Data is collected as part of a joint effort between state employment security agencies and the Bureau of Labor Statistics. The Current Population Survey program surveys a nationally representative sample of approximately 50,000 households (and individuals in those households) to provide demographic and employment information on the United States population. The survey is conducted by the U.S. Bureau of the Census for the Bureau of Labor Statistics. Except when noted otherwise, dollar amounts were adjusted for inflation to 2005 dollars.

<sup>3</sup> Unemployed workers include those willing and able to work that looked for work in the four weeks preceding data collection. Underemployed workers include those working part-time that desire full-time employment, "discouraged" workers that have given up seeking employment, and "marginally attached" workers that are not currently searching but desire employment and have looked for work in the previous 12 months.

<sup>4</sup> Coelen, Stephen and Joseph B. Berger. 2006. *New England 2020: A Forecast of Educational Attainment and Its Implications for the Workforce of New England States*. Quincy, MA: Nellie Mae Education Foundation; Gittell, Ross. 2006. "Demographic Alert! The Declining Youth Population in New England." Unpublished manuscript based on analysis of American Community Survey data from the U.S. Bureau of the Census, University of New Hampshire.

<sup>5</sup> Employment figures reflect full-time and part-time employees in nonfarming industries in the state.

<sup>6</sup> The median hourly wage is the wage earned by the worker at the exact middle of the wage distribution. In other words, half of the state's workers earn more than this wage and half earn less.

<sup>7</sup> In this report, low, middle, and high wage workers are defined by their placement on the wage spectrum. Low wage workers' earnings place them in the 20th percentile; in other words, twenty percent of workers in the state earn less than this wage. Middle wage workers earn wages at the 50th percentile (or the median) and high wage workers earn wages at the 80th percentile.

<sup>8</sup> Poverty wage was \$9.60/hour in 2005 Consumer Price Index research series using current methods (CPI-U-RS) adjusted dollars.