

REPORT: INEQUALITY IN VERMONT



Vermont Workers' Center

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Introduction

Most Americans, according to recent polls, believe that the distribution of wealth and income in the US is unfair.¹ Despite over six years of apparent recovery since the financial crisis, jobs and economic security are still hard to come by for millions of people, while persistent racial and gender inequalities continue to make headlines.

But inequality isn't just a matter of abstract facts and figures - for the majority of us, it's intensely personal.

For Jack from Burlington, inequality looks like the struggle to hold three jobs in order to pay for diabetes medicine, while the hospital CEO across town makes \$1.9 million every year.² For Kim from North Troy, inequality is the experience of getting paid less than her male co-workers at her construction job - despite working the same hours doing the same work. And for Karen and Bill from Barre, inequality is the daily grind of living with their two adult children whose Walmart jobs aren't enough to allow them to move out and live on their own.

Inequality in the US and in Vermont isn't an accident - it's the result of a rigged economic system with policies intentionally designed to benefit a small minority at the very top, at the expense of the rest of us.

The enormous support for Bernie Sanders' presidential bid, along with the success of organizations fighting for racial, environmental, and gender justice, demonstrate that thousands of people are willing to fight to move our country in a new direction towards justice and dignity. But first, it helps to know more about how inequality is affecting our families and communities.

Inequality is Growing

"My father was a mason, was in a union, and earned a wage he could live on. I work doing landscaping, roofing, and snow removal. In my job I get no health insurance, no benefits, I don't get paid on time, and I don't make enough to afford the cost of housing. There's terrible safety precautions at my job and people get hurt all the time. I've also experienced race discrimination at work. It feels impossible to get ahead, it feels hard to survive." -John, Putney

Sixty-two people own the same amount of wealth as half of the world.³ The top 10% of the US population owns 76% of all of the wealth in America, and takes home 28% of the total income.⁴

We often hear these incredible statistics on the news, but rarely are they linked to stories about people struggling with homelessness, unemployment, or healthcare and education-related debt. But the fact is that an increase in wealth at the top means an increase in poverty at the bottom.

In fact, currently, the bottom 40% of people in the U.S. have negative wealth, meaning they owe more debt than all their income plus every asset they own!⁵ This is despite the fact that since the 1970s, workers in the U.S. are producing more and more.⁶ Taken together, a picture emerges in which the top of the economic pyramid profits not only from increased productivity gains, but also from holding the loan or credit card debt of those of us at the bottom of the pyramid.

Our present-day predicament didn't drop from the sky - it's the result of decades of undermining unions to drive down wages, increasing automation to cut out the need for workers, pressuring government to reduce taxes on people in the highest wealth and income brackets, cutting social programs, and pitting us against each other along racial or ethnic lines to create a "race to the bottom" in economic competition.

Vermont isn't immune to these trends. Our state ranks fourth in the nation for the largest decline of middle-income households, while from the 1970's to the mid 2000s, the richest 20% of people in Vermont saw their incomes rise by 75%.⁷ From 1980 to 2013, the share of Vermont's total income going to the top 1% nearly doubled - while that same 1% pays the smallest share of income in state and local taxes.⁸

Even while wages and income for most people in Vermont has remained stagnant, the productivity of the state has continued to rise.⁹ The state's GDP, a measure of all the economic activity in the state, has increased almost 1.5 billion from 2005-2015.¹⁰ That means that as a state we're producing more, but making less money. Just as is happening nationally, the increase in productivity isn't benefitting most people in Vermont, and instead that benefit is going to the top 1%.

Healthcare Inequality

"My husband and I didn't have any access to health insurance until I started at my new job. I was making \$9 an hour and didn't have health insurance. That was really hard, because my husband has diabetes which can be a life threatening disease when it's not treated right.

We still don't have any access to dental care, and my husband has lots of dental problems related to his diabetes. He's even had to pull his own tooth out because we couldn't afford to go to the dentist. The only place we could go would be Aspen Dental, where we'd have to try to get a high interest loan to get dental work done and that's really not affordable for us."

-Lori, Brattleboro

While the Affordable Care Act greatly expanded formal access to health insurance since its passage in 2010, it hasn't stopped the steady rise in costs that keeps thousands of people in our communities from actually using the care that they have.

In our surveys with hundreds of Vermont residents, we heard over and over that the high cost of copays and deductibles meant that people avoided going to the doctor unless their condition rose to the level of a crisis.

In the decade leading up to the embattled Vermont Health Connect rollout in 2013, health insurance costs for Vermont families grew by 70%, at the same time that median wages dropped by 7%.¹¹ Since then, the cost of Vermont Health Connect plans provided by MVP Health Care and Blue Cross Blue Shield have cumulatively risen by an additional 22%.¹²

These costs aren't just impacting working families when we go to the doctor. Healthcare-related costs now account for more than a third of the Vermont state budget, growing since 2010 at more than twice the rate of overall spending.¹³ This squeeze on the budget means less resources going to education (resulting in higher property taxes), and cuts to services that

families depend on, such as child support or programs for people with disabilities.

So if we're paying more and more for health insurance every year, where is all of this money going? The answer requires unearthing the underlying driver of health costs — healthcare corporations who make millions off of our misery, and a market-based system which treats healthcare as a commodity rather than a human right and a public good.

"I'm a student and the health care crisis has really impacted my family. I have a family member who passed away from cancer that went undiscovered because they had no health insurance, and were unable to ask for or find an alternative." -Jill, South Royalton

The years since the Affordable Care Act have been a bonanza for money-making in the health sector, as health insurance, pharmaceutical, and hospital corporations consolidate and expand their control over the economy, leaving independent providers and patients out in the cold.

Pharmaceutical corporations, with their control over drug patents often developed at public universities, are making annual corporate profits as high as 42% — double the average return on assets than the rest of the Fortune 500 companies.¹⁴ Last year in Vermont, the state paid \$5 million for cystic fibrosis medication for just 39 residents, and \$5.8 million to provide 70 residents with Harvoni, a drug that can cure hepatitis C.¹⁵ Meanwhile, big pharma is fighting to eliminate programs such as 340B, which allows rural hospitals in Vermont and across the country to purchase drugs at discount.¹⁶

Over the last ten years, Vermont's 14 hospitals, which pay their CEOs an average of \$500,000 a year, have seen their assets double and their profits triple, despite paying many of their workers far below a livable wage.¹⁷

It's a similar story for the health insurance companies. Blue Cross Blue Shield covers eight out of ten people on Vermont Health Connect, and its basic silver

plan has the distinction of having the highest monthly premium of any state, at \$469/month without subsidies.¹⁸ At the same time, Blue Cross Blue Shield paid its seven executives almost \$2.6 million in 2015, and due to its dubious “non-profit” status, pays no taxes to the state of Vermont.¹⁹

To make matters worse, the ACA pays public subsidies to cover premiums which enrich healthcare corporations without improving people’s ability to get the care they need - exacerbating the transfer of wealth from everyday Vermont residents to the profiteers at the top of the system.

Moving towards a system which treats healthcare as a human right and a public good is entirely possible, and there are concrete steps we can take along the way. But getting there will require building organizations and alliances that can stand up to the power of the healthcare industry.

“I’m disabled and on medicaid, but because of the cost of everything there have been times I’ve had to sell my food stamps to be able to afford medication. I joke about it being a great diet plan, but it’s really hard to not get my needs met and having to go without food to be able to afford medication. Healthcare is a major issue.” -Sarah, Burlington

Inequality in the Workplace

"I know wealthy people and dirt poor people, and not much in between. I was laid off from my temp job the end of last year, and I haven't been able to find steady work since. My family gets disconnection notices and eviction notices all the time, we're so behind on rent and bills. Lack of jobs that pay enough is a huge problem in our community." -Amy, Barre

Wages and income have not kept up with the cost of living in Vermont, even as the overall productivity of the state has continued to rise.

From 2007-2014, average wages in Vermont in the private sector maintained an almost level dollar amount after being adjusted for inflation.²⁰ From 2004 to 2014 the median household income in Vermont actually shrank 7% to \$54,166.²¹

At the same time, the cost of living in Vermont has gone up, which makes income stagnation much more dramatic. In order to afford an average 2 bedroom apartment in Vermont, the average renter would need to make \$20.60 an hour, yet the average wage for people who rent apartments in Vermont is \$11.78 — almost half what is needed.²²

Vermont's workers are also facing a steady erosion of job security, as full-time jobs with benefits are replaced by temporary employment and oftentimes misclassification as an independent contractor. Combined with wage and benefit theft, this trend leads to downward pressure on workplace standards, benefits, and wages for all workers - not to mention tax revenue for public programs.

Wage and Benefit Theft

Although state and federal laws like minimum wage and overtime rules are designed to protect workers from wage theft, workers in Vermont are regularly denied rightful wages and benefits, through mechanisms such as:

- Minimum wage and overtime violations
- Illegal deductions from pay
- Invalid tip pools
- Not giving workers their last paychecks
- Not paying workers for accrued leave
- Not paying for all hours worked or not paying commissions

Nationwide, hundreds of millions of dollars are are stolen from workers each year. According to a 2012 study by the Economic Policy Institute, the “total amount of money recovered for the victims of wage theft who retained private lawyers or complained to federal or state agencies was at least \$933 million — almost three times greater than all the money stolen in robberies that year.”²³

The EPI study did not include data from Vermont and five other states, however, it concluded that the “nearly \$1 billion collected is only the tip of the wage-theft iceberg, since most victims never sue and never complain to the government.”

Vermont’s Unemployment / Wage and Hour division “handles nearly 100 calls each day from businesses and workers, and pursues hundreds of wage and hour, child labor, and employment practices complaints” with 1 full-time employee and 2 temporary staff.²⁴ The state reports that in 2015 it recieved 3,125 wage and hour cases, totaling \$162,376 in disputed wages and benefits, of which \$80,665 or 50% was settled.

An assessment of calls to the Vermont Workers’ Rights Hotline over the past 5 years found that 15% of cases (151 calls) involved Wage and Hour violations, including workers paying for supplies or client expenses without reimbursement, bosses pocketing tips, paychecks being shorted, not receiving pay stubs in order to verify wages, not receiving final paychecks, not receiving the minimum wage or overtime, and not being paid on time. Every one of these incidents, whether reported or gone unseen, represents less money going towards working families and additional hardship in people being able to meet their fundamental needs.

Employee Misclassification

“When I started my working career I’d never even heard of a 1099. Ever since I started working at the age of 15, virtually every single job I had came with a payroll check — taxes taken out, everything legit and above board. Most of the jobs were W2 payroll jobs, and I had no reason to expect any different.

In the last 25 years, however, I became well acquainted with what the 1099 means — the legitimate payroll and other taxes taken from my weekly paycheck were no longer being deducted. My “employers” under the 1099 system made no contribution to my payroll taxes or other federal taxes. They provided me with no benefits — sick time, healthcare, or vacations— things that most people take for granted. I was in business for myself and by myself. I never asked to be a businessman — it was never one of my goals. I think I make a lousy businessman. I like to work a steady job, I like to work hard, and I like to be rewarded for it.

For people who live paycheck to paycheck, it’s hard to say no to any paycheck — whether it comes with taxes deducted or not. But now that I’ve reached almost retirement age, I sure could use those contributions to SSA that would have been made had I not been classified as a subcontractor. That extra bit of social security money would make a big difference for me and other people who rely primarily on social security.” - Sam, Burlington

Another form of wage and benefit theft is the trend towards employee misclassification, including hiring workers as independent contractors, outsourcing or subcontracting job duties to other firms or temp agencies, and the long-term utilization of temporary employees. Improper employee classification denies workers rights and protections like overtime pay, unemployment, workers’ compensation, social security and Medicare, FMLA, and vacation, holiday, and other paid leave. Industries where there are growing numbers of misclassified employees include construction, home care, janitorial, and trucking.

It's estimated that a "construction worker earning \$31,200 a year before taxes would be left with an annual net compensation of \$10,660.80 if paid as an independent contractor, compared to \$21,885.20 if paid properly as an employee."²⁵ In 2015, a report by the Vermont State Auditor indicated that field audits in the previous year identified either 1,339 or 1,553 misclassified employees, but that the "VT-DOL has failed to enforce unemployment insurance penalties for worker misclassification, which have been required by statute since 2010, and some workers' compensation penalties as well."²⁶

The U.S. Department of Labor and Department of Commerce track job placements by temp agencies, which reached an all-time high of 2.9 million jobs in May 2015.²⁷ However, they don't track the number of direct hires of temporary workers by individual companies, nor the rate that permanent positions are downgraded to temporary status.

Inequality and Discrimination

“My son is Black, and I’ve seen so much discrimination towards him because of his race. People on our street hang confederate flags in their windows, and I can’t even imagine how my son feels seeing that in our community.”
-Tanya, Brattleboro

Inequality in Vermont also plays out along lines of race, gender, ability, and immigration status, affecting our ability to enjoy our human rights at work and in our communities. Lack of enforcement of anti-discrimination laws has left many working people in our communities open to both subtle and blatant discrimination.

Women working full-time are disproportionately employed in low-wage jobs, with 43% of full-time women workers not making enough to cover basic living expenses, as defined by the state’s Joint Fiscal Office.²⁸ Based on median annual income, women working full-time are paid 16% less than the median annual salary of men.²⁹

Workers with disabilities in Vermont who have a high school diploma experience the highest wage disparity than any other state, making \$12,700 annually less than people without disabilities — a poverty gap that widens as educational attainment increases.³⁰ And while statewide data on race-based discrimination in the workplace was not immediately available, recent news reports and calls on our Workers’ Rights Hotline indicate that people of color in Vermont experience racism from their bosses and co-workers.

Vermont’s roughly 1500 migrant farmworkers, most of whom are from Mexico and Central America, are systematically excluded from many worker and housing rights protections, working 60-80 hours/week and suffering regular injustices such as illegal withholding of paychecks. Justicia Migrante, a Vermont-based farmworker-led organization, reports that 40% of workers they’ve surveyed receive less than the minimum wage, while 40% don’t have

a regular day off.³¹

Inequities aren't just limited to the workplace, however. While thousands of Vermont residents already struggle to meet their fundamental needs, our conversations with community members and recent studies indicate that people of color, women, transgender and queer folks, and people with disabilities often deal with an additional layer of discrimination in accessing public goods such as healthcare, education, housing, and transportation.

In Vermont's school system, recent reports show that in schools with substantial populations of students of color, Black and Native American students are two to three times more likely to be suspended than white students.³² Meanwhile, on a statewide level, students with disabilities were almost three times more likely to be suspended than students without disabilities.³³

Vermont's criminal justice system disproportionately targets people of color and especially Black people. Earlier this year two reports were published showing that Black people are searched by state troopers at five times the rate of white drivers, and disproportionately incarcerated at a rate of over 10 to 1.³⁴

Safe and accessible housing is a human right, and a critical issue in a cold-climate state like Vermont. But recent reports by Vermont Legal Aid show that housing providers generally disfavor Black renters, renters of foreign origin, and renters with disabilities.³⁵

What does all of this show? In the workplace and in our communities, some of us get hit first and worst by the brunt of the economic crisis — oftentimes women and queer folks, people of color, immigrants, and people with disabilities. Taken together, the larger picture shows that the majority of people living in Vermont are barely scraping by, or just one crisis away from living in debt and poverty, while a small few are making off fabulously.

So long as we're pitted against one another, however, it's unlikely we'll ever be able to unite and improve the conditions for the vast majority of us.

From Inequality to Human Rights

Inequality hurts our families and our communities on a deeply personal level. But despite what we may hear on television, it's not our fault - it's the result of intentional policies and a rigged system that allows a select few to become fabulously wealthy, while the rest of us struggle to meet our fundamental needs.

However, more and more people in our communities aren't just accepting the status quo as the only option. Following the powerful examples of groups like Migrant Justice, Green Mountain Self Advocates, and Black Lives Matter, working class people in Vermont and across the country are building democratic organizations and fighting together for concrete improvements in our workplaces, neighborhoods, and communities.

We also know that in order to win large-scale political victories, we need to cohere our organizations into a social bloc that can express an alternative vision for society - one based on human rights, real democracy, and environmental stewardship.

Bernie's revolution demonstrates that people are ready for something like this - but it's going to take a fight, and that means we need to lay the foundation by building organizations that can last for years, or even decades. The Vermont Workers' Center, along with our allies, is committed to building an organization that can stick around for the long haul.

Will you join us today?

Appendix: Did you know...

New Overtime Rules:

Effective December 1st, certain salaried employees must be paid \$47,475 per year or be classified as hourly and paid overtime. This new law will help to alleviate years of wage stagnation, pay workers what they deserve for longer hours, or help more people achieve greater work-life balance.

Payroll Leap Year:

If you're paid biweekly, then every 11 or 12 years (or 5-6 years for weekly pay periods), salaried workers will have an extra payday because the 365-day calendar doesn't neatly divide by a 7 day week and the payroll period eventually catches up. This is called a Payroll Leap Year. Workers paid biweekly will receive 27 paychecks instead of 26 checks, or 53 checks instead of 52 for weekly pay periods. Hourly employees or salaried employees paid semi-monthly are unaffected by Payroll Leap Years.

To handle payroll leap years, employers can either give workers the extra paycheck to maintain the pay period schedule, or spread annual salaries across more weeks, thus slightly reducing each paycheck to maintain the annual salary for the year.

The last Payroll Leap Year was in 2015 or 2016 for many employees, so the next one will occur around 2026.

* Workers have up to 2 years to file a Wage and Hour claim for lost wages. If you believe your pay was shorted because of a Payroll Leap Year (or any other reason), call the VT Workers' Rights Hotline at (866) 229-0009.

"For the past 5 years, I've worked in an administrative role in food service for the school district as a salaried worker, paid bi-weekly. My co-workers and I were notified in May that we would start getting paid every 3 weeks instead 2 weeks, beginning with the next fiscal year starting on July 1st. We

thought our pay would increase for those weeks, but it didn't, the paychecks were the same. Although we are salaried employees, over course of summer, we've been shorted 2 weeks pay, so a basically whole paycheck.

It's been a major struggle and a ton of time to figure it all out. The financial repercussions for me and my co-workers were serious, including credit card debt and bounced checks. I've had to live off credit cards to buy groceries and gas, so there's interest on top of that. I had to ask my parents to help pay one of my monthly student loan payments, which was hard to do.

When you make a certain amount of money a year that's lower than what you really need, then it's always a stretch to make it with all the bills. Everything is rationed out every week. Missing 2 weeks of pay means everything else goes out of balance and it's impossible to catch up."

- Anonymous hotline caller

Endnotes

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