

The Importance of Vermont's Largest Employers

Vermont's economy depends more on small businesses as a source of employment than the nation as a whole. As *VEN* reported in our March 2006 issue, nearly three-fourths of the state's workers are employed by firms with fewer than ten employees.

Vermont's media loves to focus on small firms, frequently devoting considerable coverage to a hard-working family producing a small amount of artisan products for the local market and for tourists. While this is a large part of what is considered the "Vermont culture," it is, and will remain, a negligible part of the state's employment and income base.

Vermont's large firms, however, still play a disproportionate role in the state as a job-provider and, particularly, as a wage provider.

In this article *VEN* examines the role of large businesses in the state of Vermont, with a particular focus on the wages generated by these large employers.

Data Source

Each year the Vermont Department of Labor (VDOL) publishes data on Vermont's employment and wages by industry. At our request VDOL did a special tabulation of the employment and wages paid by Vermont largest firms in 2006.

We asked VDOL to include only private sector firms in the tabulation. This obviously eliminated state government, the City of Burlington, and other large public sector employers. We asked VDOL to include UVM and the state college system in the totals. Although they are technically public institutions, most of their operating budget comes from private sources.

We asked VDOL to define the largest firms two ways: those with the largest payrolls and those with the largest employment. The results reported in this article are based on the largest payrolls. However, similar findings result from the alternative definition.

Findings

As shown in the table above, Vermont's 25 largest firms had an average annual employment in 2006 of 34,800. While the 25 firms are only a tiny fraction of all private employers in the state (there are about 22,000 firms in Vermont), these 25 firms accounted for 13.7% of all employment.

2006 Employment and Payroll of Vermont's Largest Private Employers

	<u>Employment</u>	<u>Payroll</u>
Top 25 employers	34,800	\$1.91 billion
Top 50 employers	48,500	\$2.46 billion
Top 100 employers	64,200	\$3.09 billion
Remaining employers	188,600	\$5.91 billion

And possibly more important is the share of the state's wages paid by these 25 firms. In 2006 the top 25 firms paid \$1.91 billion in wages, which equaled 21.2% of all wages paid that year.

The average wage paid by Vermont's largest 25 firms was \$54,900. This is 75% greater than the average wage paid by the rest of the state's employers (the non-top 100), which equaled \$31,400.

The table also reports the employment and wages of the top 50 and top 100 firms. The top 50 employers hired 19.1% of all employees and paid 27.3% of all wages. The top 100 employers hired 25.7% of all workers and paid 34.3% of all wages.

Policy Implications

Regardless of the cutoff chosen for the top firms, Vermont's largest firms clearly pay high wages and pay a disproportionate share of the total wages in the state. A simple rule would be the top 100 firms hire one-quarter of Vermont's workers and pay one-third of Vermont's wages. The average size of a large firm is 500 employees.

While Vermont's policy-makers like to encourage start-up firms and have a bias for small firms, they should never lose sight of the effect of their actions on the state's major employers. The large firms are too important a part of the economy to ignore. ■

Thanks to VDOL

VEN thanks the Vermont Department of Labor, particularly the people in the Labor Market Information Section, for their willingness to provide special tabulations of data for this and other recent articles in *The Vermont Economy Newsletter*.