2007 – 2014: How about Economic Growth?

A different view on economic growth: Comparing Employment and 'Wages and Salaries' to illustrate how stagnant jobs growth has led to further disparity in the income distribution

According to the Current Population Survey (U.S. Department of Labor, Bureau of Labor Statistics) in 2007, there were 146.1 million employed and in 2014 there were 146.3 million employed. Employment expanded by only 213,000 over the entire seven year period.
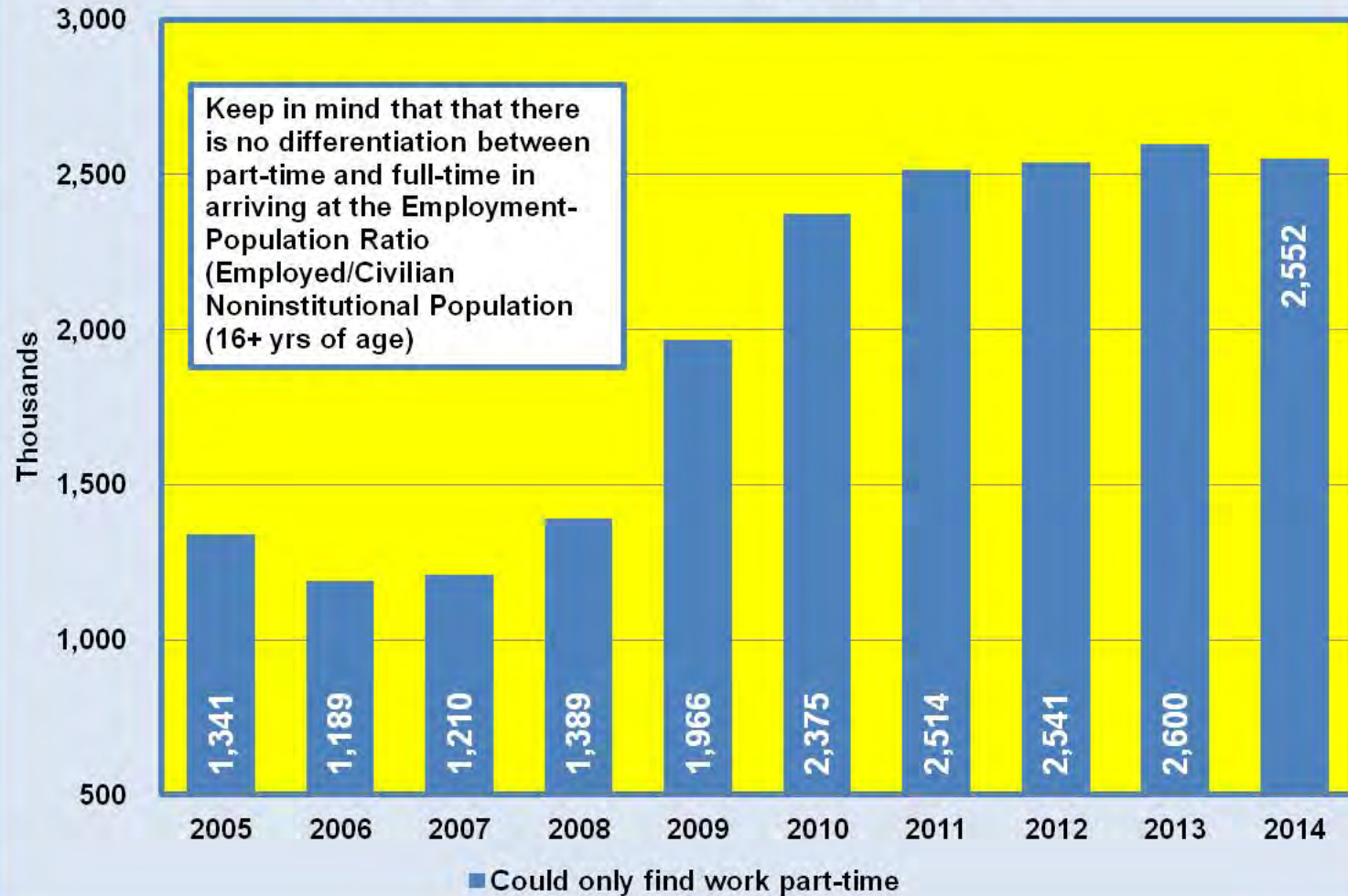
In that same time frame, the Civilian Noninstitutional Population (those 16+ years and older not in the military, incarcerated, or otherwise counted in on the rolls of institutions) was 231.9 million in 2007 and 248.0 million in 2014 for an increase of 16.1 million. Folks think on this statistic for a while. Of the 16.1 million (16,100,000) net increase in the Civilian Noninstitutional Population 16 years of age and over during the 7 year period from 2007 through 2014, only 0.26 million (263,000) or about 1.6% of them have found jobs (on a net basis).

Let's not forget that most of these jobs are only part-time jobs.   Some legacy indeed!

Note: BLS Labor Force Characteristics - http://www.bls.gov/cps/lfcharacteristics.htm "Employed persons consist of: persons who did any work for pay or profit during the survey reference week; persons who did at least 15 hours of unpaid work in a family-operated enterprise; and persons who were temporarily absent from their regular jobs because of illness, vacation, bad weather, industrial dispute, or various personal reasons. The employment-population ratio represents the proportion of the civilian noninstitutional population that is employed."

"Could only find work part-time"
US Department of Labor, Bureau of Labor Statistics

Keep in mind that that there is no differentiation between part-time and full-time in arriving at the Employment-Population Ratio (Employed/Civilian Noninstitutional Population (16+ yrs of age)

Year	Could only find work part-time (Thousands)
2005	1,341
2006	1,189
2007	1,210
2008	1,389
2009	1,966
2010	2,375
2011	2,514
2012	2,541
2013	2,600
2014	2,552

■ Could only find work part-time

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About that Employment Population Ratio: 9.9 million jobs short of 2007 Level

One of the metrics used by the BLS (U.S. Bureau of Labor Statistics) is the Employment-Population Ratio which measures the Employed divided by the Civilian Noninstitutional Population.

2007: 146.1 million employed divided by 231.9 million Civilian Noninstitutional Population* = 146.1 / 231.9 = 63.0% Employment-Population Ratio

*Note: the Civilian Noninstitutional Population = those 16+ not included in the military, incarcerated, or otherwise institutionalized.

2014: 146.3 million employed divided by 248.0 million Civilian Noninstitutional Population* = 146.3 / 248.0 = 59.0% Employment-Population Ratio (a 4 % drop).
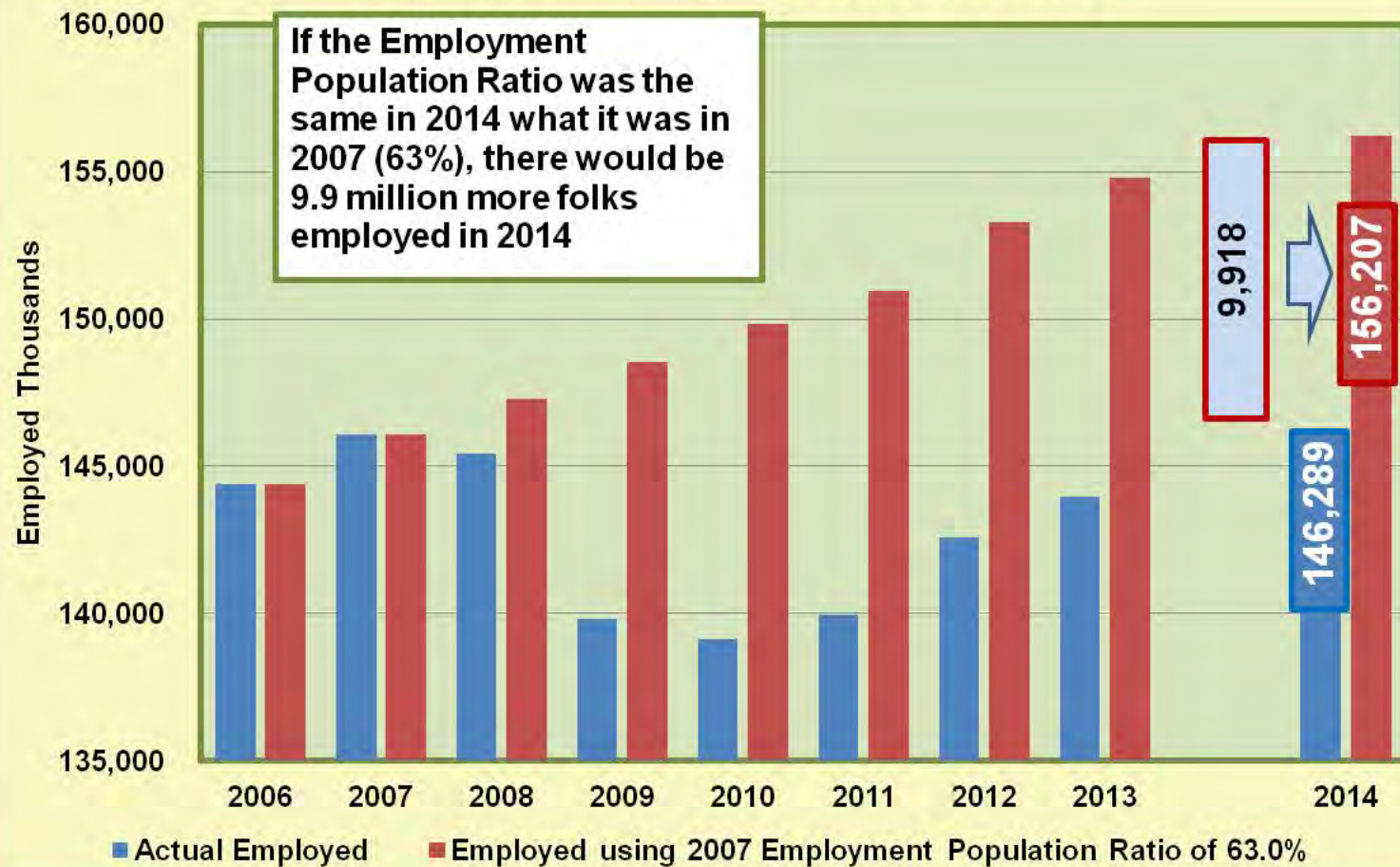
If, in 2014, the Employment Population Ratio was 63% the number of employed would have been 9.9 million higher. 248.0 million X 63% = 156.2 million; while the actual was 146.3 million.

Comparing Actual Employed and Employed using 63% Employment Population Ratio 2007-2014

U.S. Department of Labor, Bureau of Labor Statistics

If the Employment Population Ratio was the same in 2014 what it was in 2007 (63%), there would be 9.9 million more folks employed in 2014

Employed Thousands (y-axis): 135,000 — 140,000 — 145,000 — 150,000 — 155,000 — 160,000

Years (x-axis): 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014

2014 values: 9,918 → 156,207 ; 146,289

Legend:
- Actual Employed
- Employed using 2007 Employment Population Ratio of 63.0%

National Income --- Wages and Salaries and those Employed

Wages and Salaries is a subgroup under National Income in the National Income and Product Accounts published by the Bureau of Economic Analysis in the U.S. Department of Commerce.

Wages and Salaries were $6.4 trillion in 2007 and the employment level was 146.1 million. The average wages and salaries came to $43,780. Keep in mind that these numbers are nominal; as in, not inflation-adjusted.

In 2014, Wages and Salaries rose to $7.5 trillion, while the employment level rose only slightly to 146.3 million. The average wages and salaries were $50,938 per person employed.

At face value, it's a good thing to see that wages and salaries rose, but you have to keep in mind that over that same time frame, 2007 – 2014, there were 16.1 million people added to the Civilian Noninstitutional Population. Using the Employment-Population logic from above, if the Employment expanded at a 63% rate as a percentage of the Civilian Noninstitutional Population, this would equate with 9.9 million additional employed.
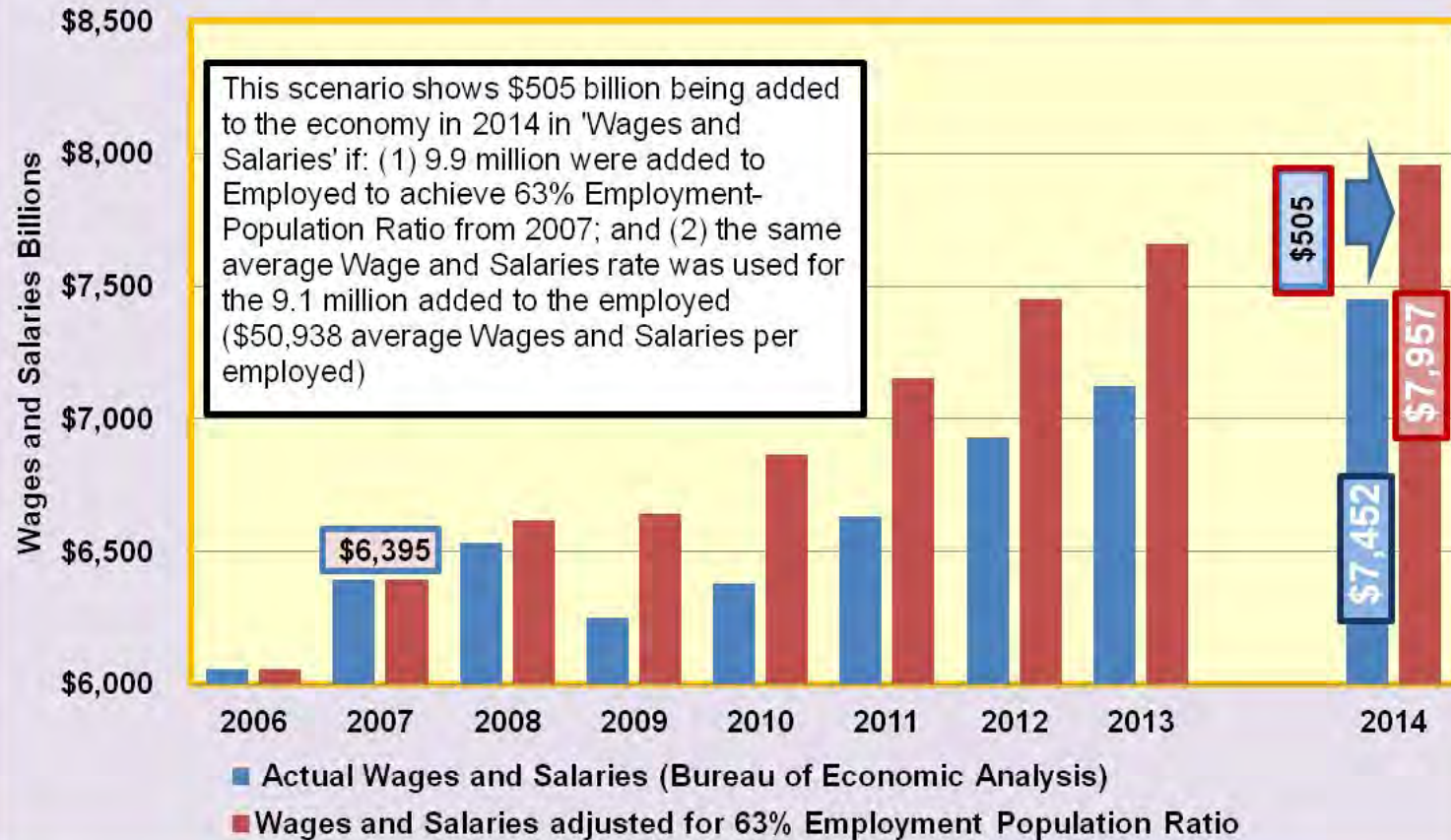
In the following two graphs we're showing a couple of takes on the same basic scenario.

In the first graph we show the actual wages and salaries portion of the National Income. Again, in 2007 Wages and Salaries were $6.4 trillion and by 2014 they grew to $7.5 trillion. If we were to apply the 63% Employment-Population Ratio from 2007 for 2014, the Employment would have grown by 9.9 million. If the same average wages and salaries rate of $50,938 were applied to the additional 9.9 million added to employment in this scenario that would equate to an increase of $505 billion in wages and salaries adjusted from an actual of $7.5 trillion to $8.0 trillion.

The following graph looks at the issue on an average (wages and salaries) basis. While the wages and salaries of those employed rose from 2007 through 2014 [$6.4 trillion to $7.5 trillion], the number employed remained static [146.1 million in 2007 to 146.3 million in 2014]. Since the wages and salaries increased from 2007 through 2014 by $1.1 trillion (from $6.4 trillion to $7.5 trillion), this certainly added to the overall income disparity, especially considering that 16.1 million were added to the Civilian Noninstitutional Population (not to mention that 9.9 million of the 16.1 million that would have been added to the employment roles if the 63.0% Employment Population Rate had held.

Comparing Wages and Salaries of those Employed from 2007 -2014
Using 63% Employment Population Ratio from 2007U.S.
Department of Labor, Bureau of Labor Statistics
Department of Commerce, Bureau of Economic Analysis

This scenario shows $505 billion being added to the economy in 2014 in 'Wages and Salaries' if: (1) 9.9 million were added to Employed to achieve 63% Employment-Population Ratio from 2007; and (2) the same average Wage and Salaries rate was used for the 9.1 million added to the employed ($50,938 average Wages and Salaries per employed)

Wages and Salaries Billions

$8,500
$8,000
$7,500
$7,000
$6,500
$6,000

$6,395
$505
$7,957
$7,452

2006 2007 2008 2009 2010 2011 2012 2013 2014

■ Actual Wages and Salaries (Bureau of Economic Analysis)
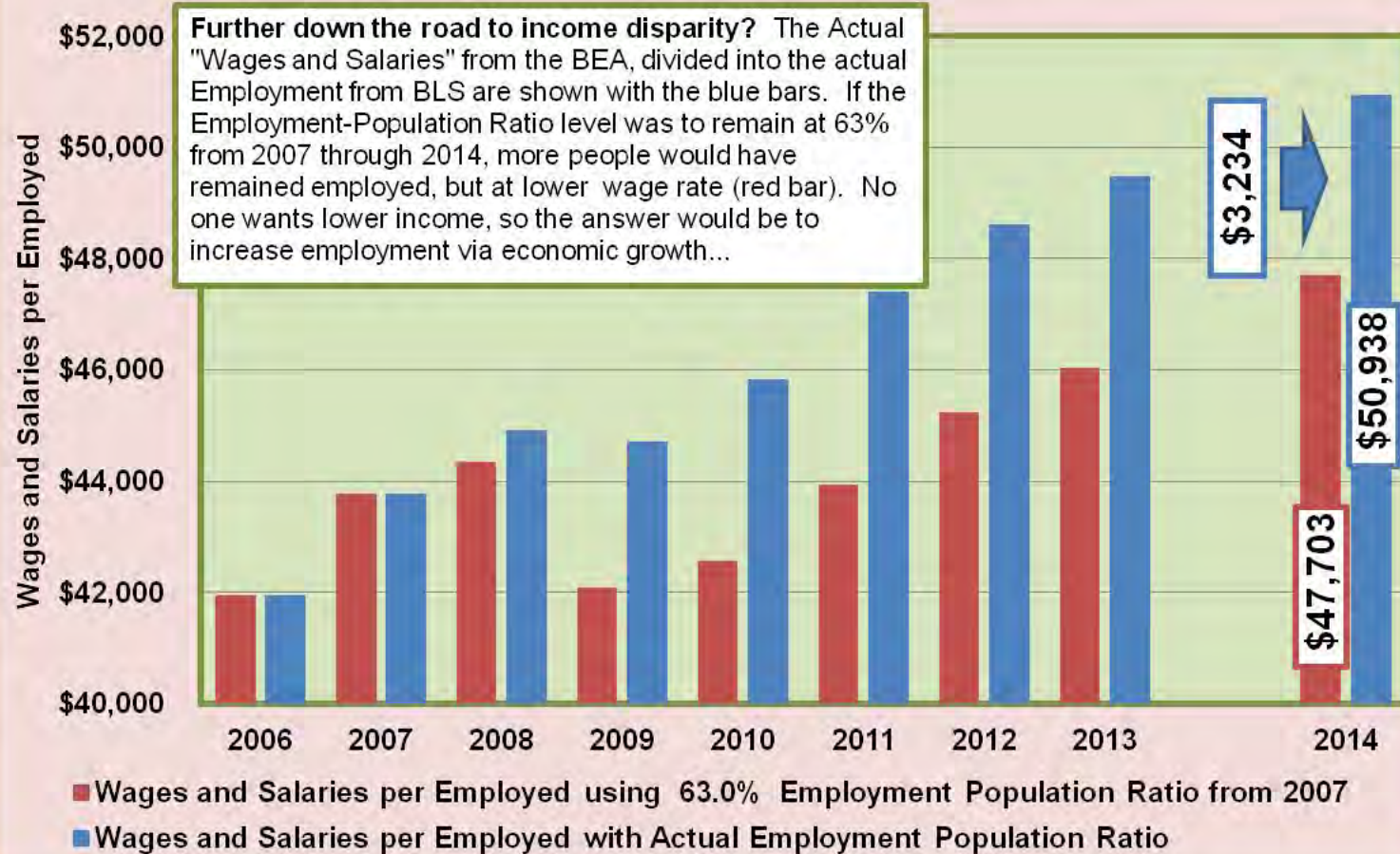■ Wages and Salaries adjusted for 63% Employment Population Ratio

Wages and Salaries of those Employed from 2007 - 2014 Using 63% Employment Population Ratio from 2007

Data from U.S. Department of Commerce, Bureau of Economic Analysis (NIPA); and U.S. Department of Labor, Bureau of Labor Statistics (CPS)

Further down the road to income disparity? The Actual "Wages and Salaries" from the BEA, divided into the actual Employment from BLS are shown with the blue bars. If the Employment-Population Ratio level was to remain at 63% from 2007 through 2014, more people would have remained employed, but at lower wage rate (red bar). No one wants lower income, so the answer would be to increase employment via economic growth...

Y-axis (Wages and Salaries per Employed): $40,000 – $52,000

X-axis years: 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014

2014 callouts: $3,234 ; $47,703 ; $50,938

■ Wages and Salaries per Employed using 63.0% Employment Population Ratio from 2007
■ Wages and Salaries per Employed with Actual Employment Population Ratio

What does all of this mean in terms of sharing the gains from economic growth?

In summary, while employment remained basically unchanged in comparing 2007 (146.1 million) and 2014 (146.3 million), *wages and salaries** grew from $6.4 trillion to $7.5 trillion. While this is a good thing for those employed, for those unable to find employment it only added to the misery. If, for example, if we used the 63% Employment Population Ratio (Employed divided by Civilian Noninstitutional Population) from 2007 in 2014, there would be a shortfall of 9.9 million people in the employed.

This is why when we hear the hue and cry for higher minimum wages, and legislation to promote profit-sharing, we ask what does this do for the millions that are not even currently employed? If the minimum wage was raised, how would this encourage further employment? A higher 'effective' minimum wage would only encourage employers to reduce the amount of labor demanded (Law of Demand…price rises, the quantity demanded of the item in question, i.e., labor, decreases).

If, as recently proposed by Hilary Clinton, there was legislation encouraging profit sharing through tax cuts to corporations, those employed would certainly benefit, but what about those not employed? Doesn't this miss the mark so far as addressing the issue of adding to the actual number of those employed?

Income disparity has and continues to be a political hot potato, but it is best addressed through increased economic growth (and thus employment), not by adding monetary distance from those employed and those relegated to the sidelines.

Again, how does raising the minimum wage or expanding access to profit sharing for those employed help those not employed?

On a good note, the Employment Population Ratio has risen to 59.3% in June 2015, but the downside is that the Labor Force Participation Rate has fallen to 62.6% in June 2015, down from the 62.9% for the year in 2014. What does this tell us? Well, the higher Employment Population Ratio points to growing employment, but the lower Labor Force Participation Rate shows that on a net basis, while unemployment is falling, those individuals are moving out of the labor force altogether.

Growing jobs is all about economic growth…on that point we have fallen far short over the last several years.

* Wages and Salaries
http://bea.gov/national/pdf/ch10%20compensation%20for%20posting.pdf from BEA…
CHAPTER 10: COMPENSATION OF EMPLOYEES

Median Household Income 2013 Dollars
US Department of Commerce, Census Bureau Table H-6.
May 2015

Even 4.1 million full-time minimum wage jobs added at to the economy would help.

This would equate to a $500 bump in Median Income, getting us back nearly to 2010 levels ($52,446)

	2007	2008	2009	2010	2011	2012	2013
	$56,436	$54,423	$54,059	$52,646	$51,842	$51,758	$51,939

Gini Index
U.S. Department of Commerce, Census Bureau
October 2014
https://www.census.gov/hhes/www/income/data/historical/household/

GINI index - Gini index measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of 0.00 represents perfect equality, while an index of 1.00 implies perfect inequality.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gini Ratio	0.466	0.469	0.470	0.463	0.466	0.468	0.470	0.477	0.477	0.476