United States Senate Budget Committee

JEFF SESSIONS | Ranking Member

# THE ECONOMY SINCE 2009

## A Chart Book on Economic Life in Working America

*Overview*

The recession officially ended in June 2009, but by nearly every measure, the period since has seen the slowest economic recovery since the end of World War II. Job creation is historically low for this point in a recovery, investment is poor despite record low interest rates, and labor supply is sluggish. Every day that passes in this "snail economy" sees working Americans slip further away from the income gains that could have been theirs in a normal recovery.

At the aggregate level, the economy is sluggish. At the household level, things are much worse—it seems like the recession never ended. Household incomes adjusted for inflation have steadily declined since 2009, wages plus benefits for most workers are lower today than three years ago, and the fastest growing segment of the population is households with incomes below $35,000.

Beginning in 2009, in response to the crisis, the Democratic Congress gave the Obama Administration well over a trillion dollars in "stimulus" funds, much of it borrowed from the incomes of future taxpayers. The Federal Reserve received full administration support for its low-interest policy and its quantitative easing program, which plowed over a trillion dollars into the credit system. The result? Boom times for Wall Street. The Dow Jones Industrial Average has more than doubled since President Obama took office. The NASDAQ has increased by 192 percent over this same time period.

But if you are a typical wage earner, your income dropped or held flat. Employment and hours worked have still not recovered to 2007 levels. February 2014 marked the 74th consecutive month when total employment failed to exceed the number employed in December 2007 when the recession began:

- December 2007 we had 146,273,000 people working;
- February 2014 we had 145,266,000 people working;
- Difference is a shortfall of 1,007,000;

**No recovery since World War II has taken as long as this one to return total employment to its pre-recession level.**

## Slowest Jobs Recovery since World War II

*Figure 1*

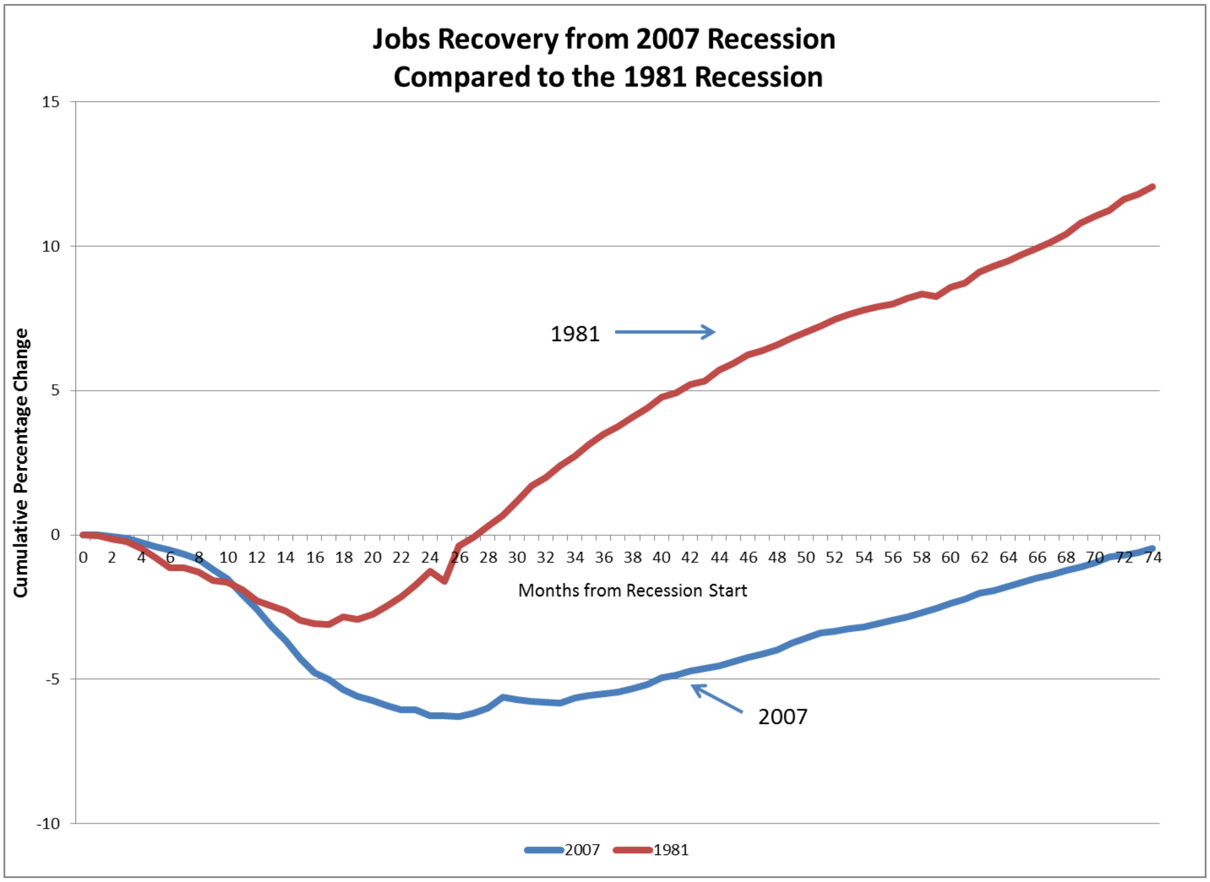
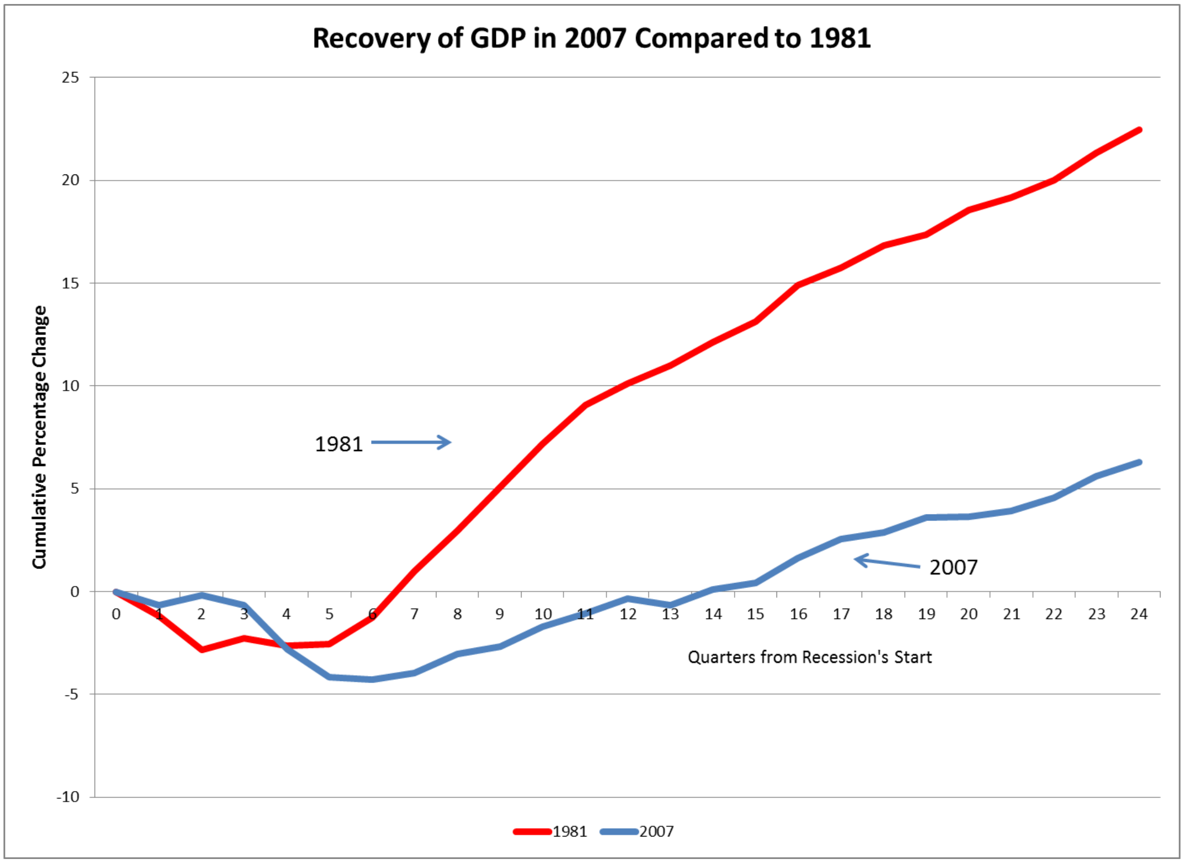



Figure 1 illustrates how slowly jobs have recovered from this recession compared to the 1981 recession, which was nearly as severe.[1] Figure 1 shows the percentage change in the total number of jobs from the beginning of each recession through the 75th month. When the line goes above the horizontal zero line, then the number of jobs is greater than when the recession started. Thus, the total number of jobs in the 1981 recession, which lasted 16 months, had fully recovered by the 27th month, or by October of 1983. By contrast, total jobs had still not fully recovered by March of 2014, a full 75 months following the recession's onset.

[1] For example, the durations of each recession were similar (16 months in 1981 vs. 18 months in 2007), while the 1981 recession saw even higher unemployment (10.8 percent vs. a peak of 10 percent during the 2007 recession). Data from the Minneapolis Federal Reserve Bank, "The Recession and Recovery in Perspective," available at http://bit.ly/1kD1cSw.

Slow Recovery of GDP

*Figure 2*



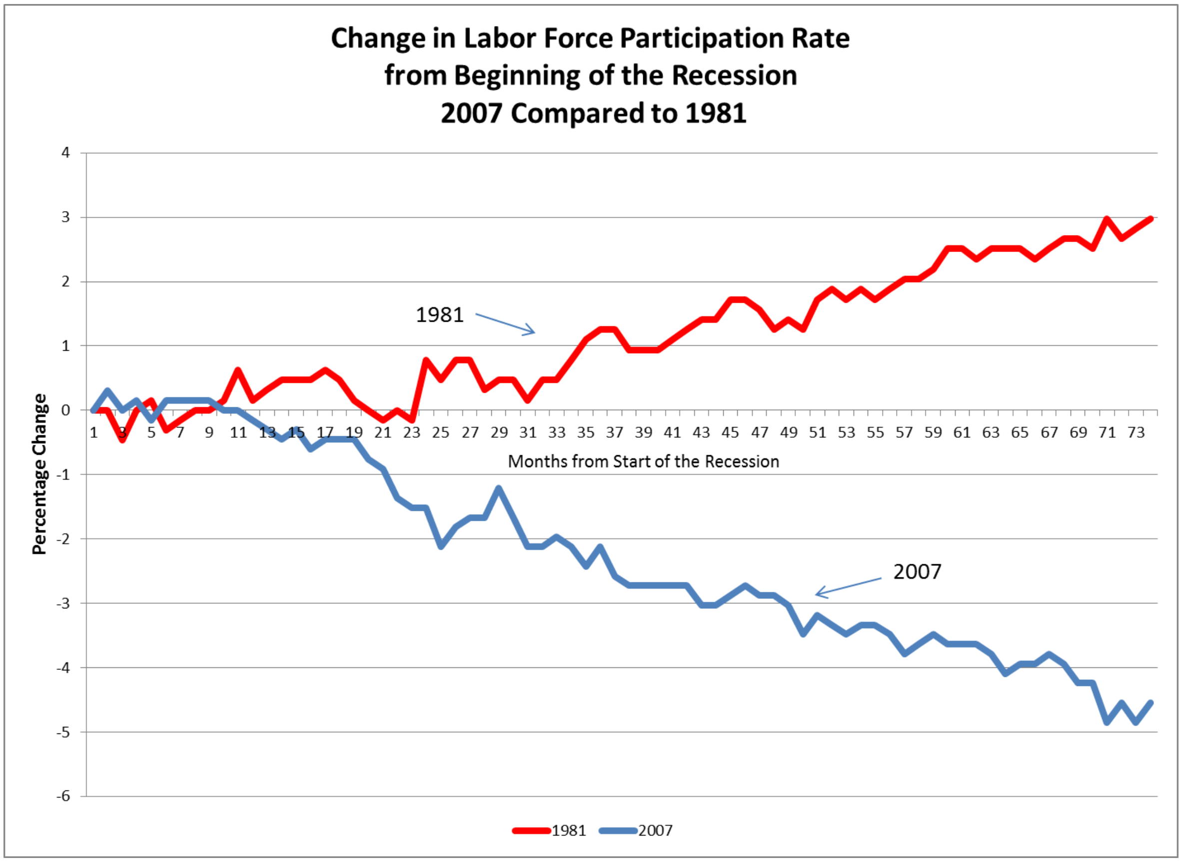

Another way to visualize the slow recovery is look at the cumulative change in Gross Domestic Product (adjusted for inflation) since the beginning of the recessions in 1981 and 2007.[2] The horizontal line shows calendar quarters from the beginning of the recessions. Note that GDP shrank for 6 quarters following the start of the 1981 recession. GDP rose above the level of July 1981 in a sustained way beginning in the first quarter of 1983. Six years after this recession's start, or by 1987, GDP was nearly 22.4 percent larger than when the recession began.

Compare that with the 2007 recession. GDP did not rise above its fourth quarter 2007 level until the summer of 2011. By the end of 2013, or 6 six years following the start of the recession, the economy was only 6.3 percent bigger. In other words, the economy grew more than three times faster during the recovery of the 1980s than it did during the current recovery.

[2] Ibid.

## Collapse of the Labor Force Participation Rate

*Figure 3*




The labor force participation rate reveals that the few economic gains during the Obama administration are not accruing to everyday workers.[3] This statistic measures the percentage of people working or looking for work out of the total population that is 16 years or older. The horizontal line in Figure 3 shows months following the start of recession. Public policies during the 1980s facilitated the explosion of jobs that accommodated the enormous flow of Baby Boomers into the work place, at the same time that the participation rate rose and the unemployment rate fell.

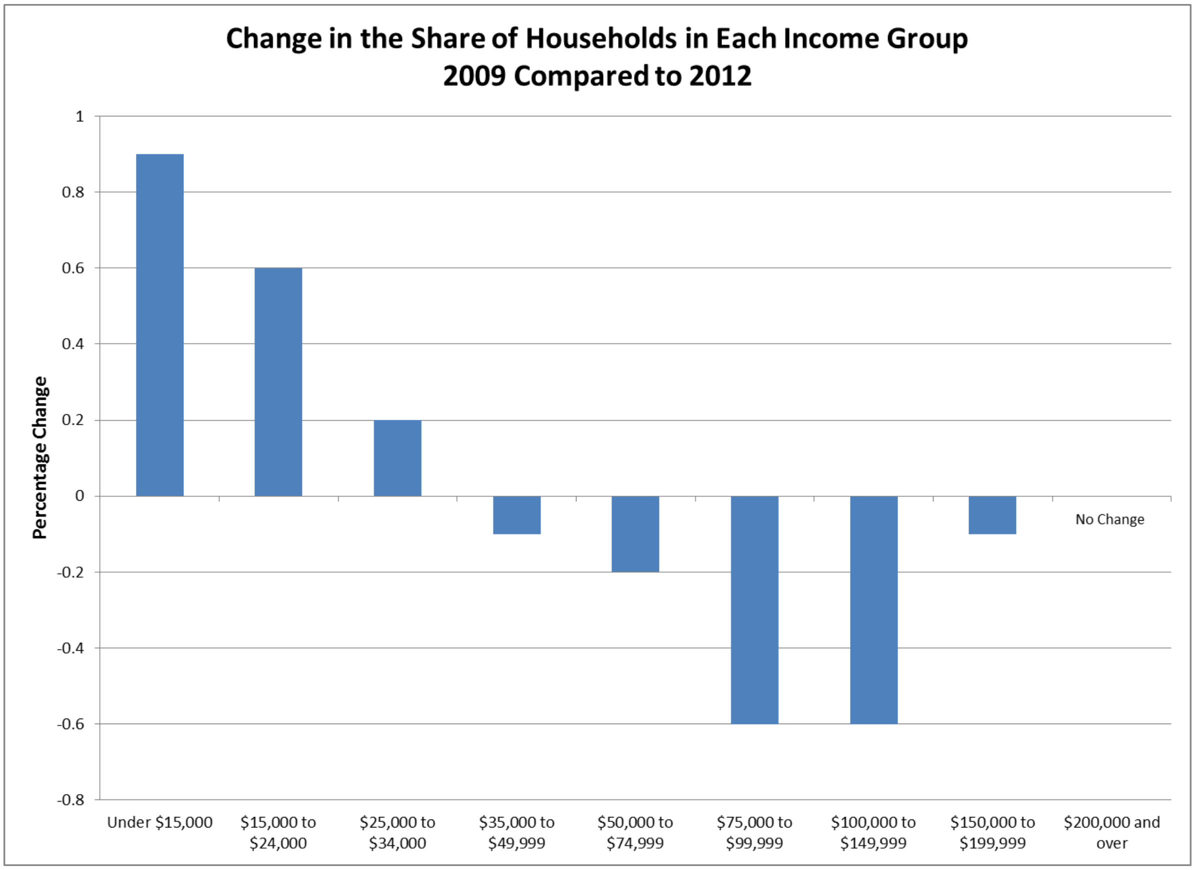
The inability of the economy to create jobs following the end of the 2007 recession explains much of the decline in the labor force participation. By February of 2014, the participation rate had fallen to 63 percent of the civilian population, which is the lowest level since April 1978, 36 years ago. It stood at 65.7 percent when President Obama took office in January 2009. **Nearly all of the improvement in the unemployment rate is attributable to people dropping out of the labor force altogether**. Since the end of the recession in 2009, an estimated 4.5 million workers have simply stopped working and looking for work. More

[3] Data from the Bureau of Labor Statistics, Current Population Survey, Table A-1, Employment Status of the Population by Age and Sex; Haver Analytics.

worrying is the number that has disappeared since the recession started: 9.7 million people have dropped out over the past six years. Over two-thirds of these dropouts are under the age of 55.

**Declining Middle Class and Growing Lower Income Households, 2009 through 2012**

*Figure 4*




Under President Obama, household income remains depressed. Since he took office in January, 2009:

- Median household income has fallen an average of $2,268 per household. When spread across all incomes, that's a reduction in money income of $278 billion (after adjusting for inflation).
- The Census Bureau reports that the share of households in the middle of the income distribution shrank from 2009 through the end of 2012 (the last year for which data are available).[4] At the same time, the share of households in the bottom third of the income distribution grew.
- Figure 4 above shows the percentage change in the number of households in nine income categories. The fastest increases are for households with incomes below $35,000. Middle class income household categories all have decreased in number.

[4] Census Bureau, "Income, Poverty, and Health Insurance Coverage in the United States: 2012" (August 2013).

**Declining Pay**

One of the principal factors contributing to the decline in middle class household incomes (besides the exceptionally slow economy and sluggish job markets, but connected to both) has been the decline in compensation—specifically, the wage and salary component of total compensation. The Bureau of Labor statistics provides a quarterly survey of what various occupations received in pay.[5] The table below shows the change in wages and salaries alone and in total compensation, which includes employer provided benefits. These data from Employment Cost Index have been adjusted to remove the effects of inflation and they are based on the new occupational classifications of the North American Industrial Classification System.

Table 2

Total Compensation, 2009Q1 to 2013Q4

| | Wages and Salaries | Total Compensation |
|---|---|---|
| All Civilian Employees | -1.6 | -0.4 |
| Excluding incentive paid positions | -2.1 | -0.7 |
| Management | -1.3 | -0.8 |
| Professional | -2.2 | -1.1 |
| Office and Admin Support | -1.3 | 0.0 |
| Construction, farming, fisheries, etc. | -3.0 | -1.0 |
| Installation, maintenance, repair | -1.0 | 0.8 |
| Production | -1.7 | -0.5 |
| Transportation and moving | -0.9 | 0.8 |
| Service Occupations | -2.8 | -1.3 |
| Goods Producing Industries | -1.8 | -0.4 |
| Manufacturing | -1.0 | 0.3 |
| Service Producing Industries | -1.5 | -0.4 |
| Education Services | -3.3 | -1.4 |
| Health Care and Assistance | -1.6 | -0.7 |
| Public Administration | -3.4 | -0.4 |

Without including benefits, all of the classifications above show declines in money income. Total compensation is positive only for the occupations of "manufacturing," "installation, maintenance, and repair," and "transportation and moving."

[5] Bureau of Labor Statistics, Employment Cost Index, Tables 4 and 8, available at http://1.usa.gov/PG9TSw.