THE OBAMA ECONOMY: A CHART BOOK

October 2014

SENATE BUDGET COMMITTEE

Republicans

The great economic tragedy of our time is the erosion of the American middle class. Millions of Americans find themselves locked out of the American Dream. Their wages are either flat or falling, even as the price of energy and goods surges; the labor force is shrinking; and the government stimulus which was claimed to lift the economy to prosperity has instead sunk the nation into a chasm of debt.

This chart book highlights what working people know all too well: under President Obama, economic life today is much harder today than it was just a few years ago.

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Figure 1

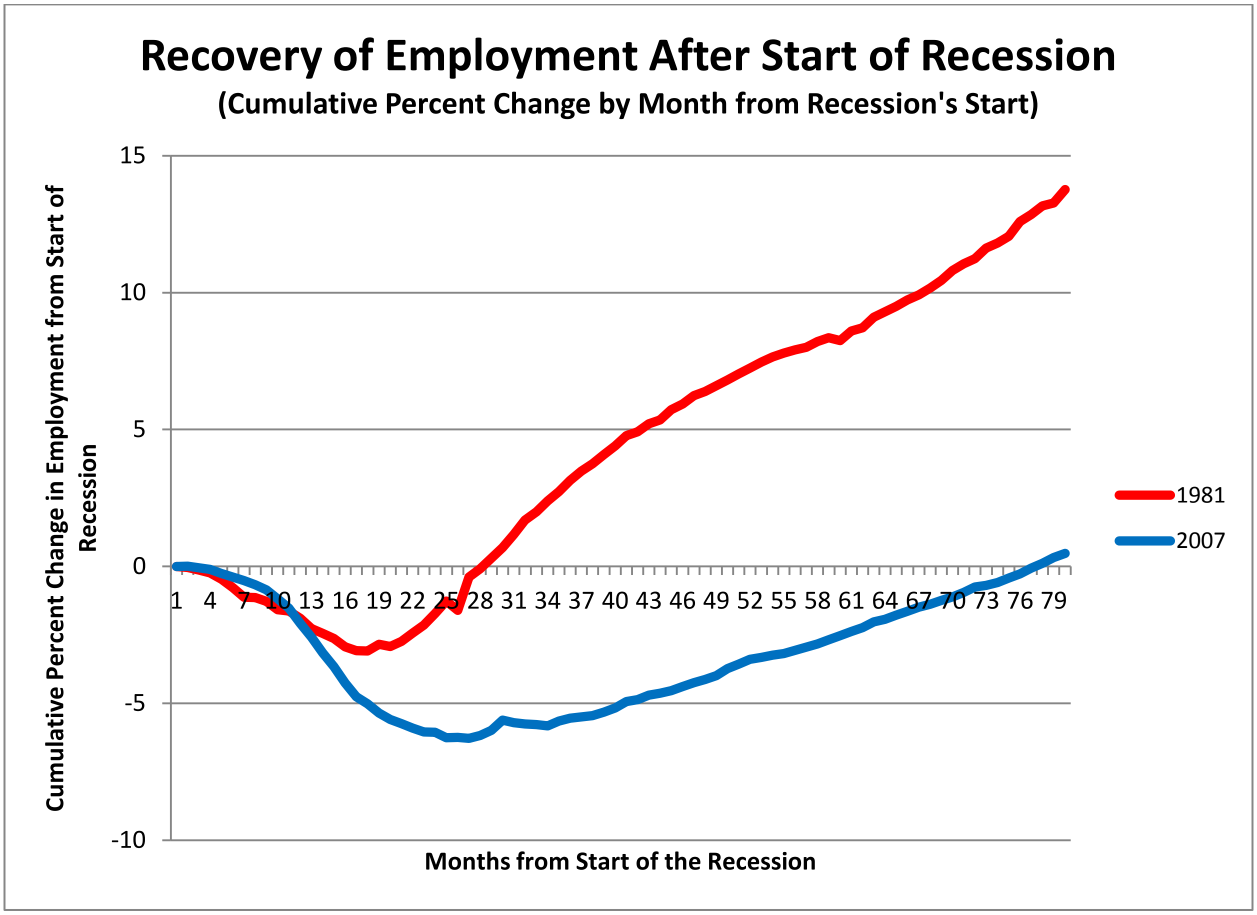
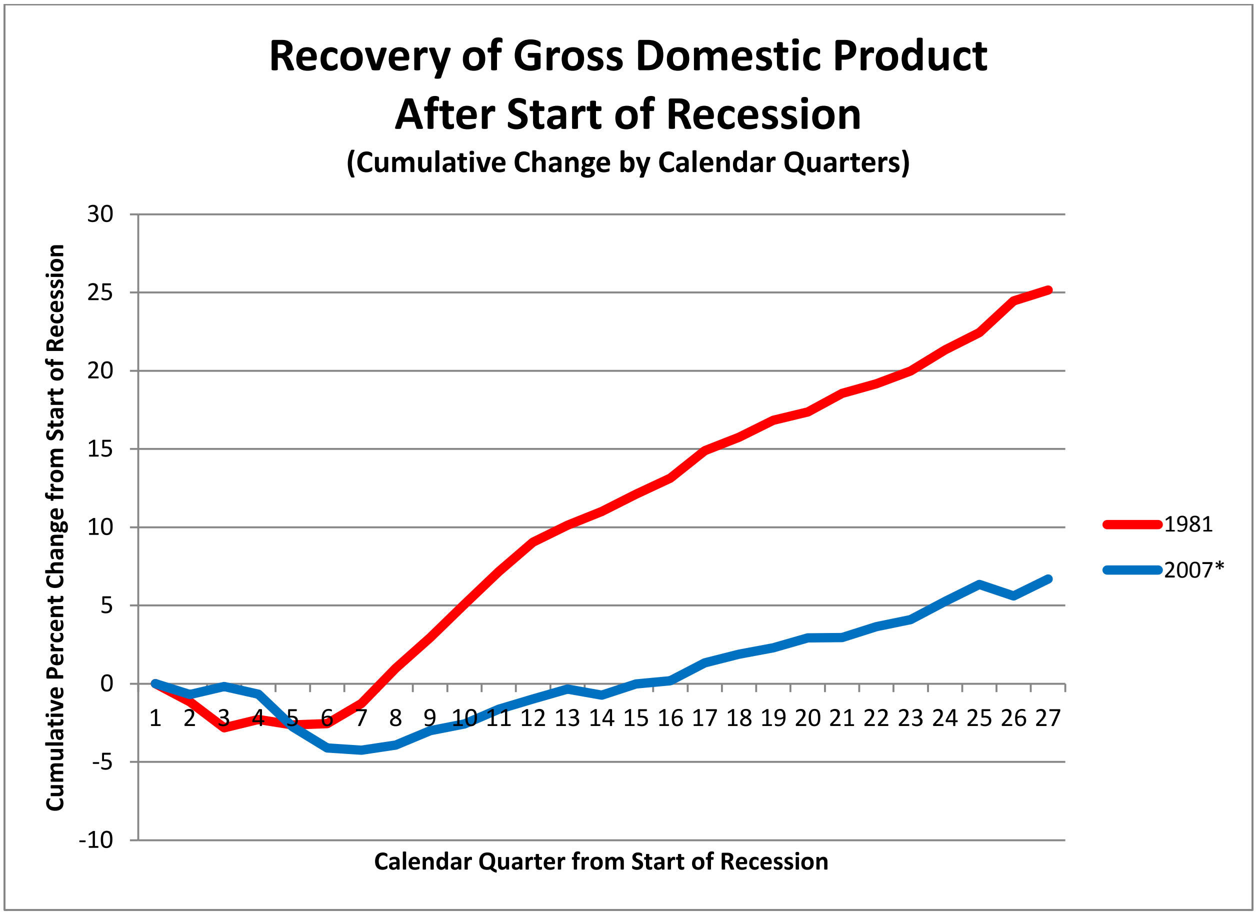


Figure 1 illustrates how slowly jobs have recovered from this recession compared to the 1981 recession, which exceeded the recent recession in both the rate of unemployment and the ferocity of inflation.[1] Figure 1 shows the percentage change in the total number of jobs from the beginning of each recession through the 79th month, or a little over six and a half years since December of 2007. 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 did not reach the pre-recession level until July of 2014, a full 75 months following the recession's onset. That means that during a period of almost 8 years during which the U.S. population 16 years and above grew by 15,653,000 or by 5.3 percent, not one net job was created.

[1] The unemployment rate peaked at 10.8 percent in December of 1982 and inflation at 11 percent (annual rate) in September of 1981. The 2007 recession's unemployment rate reached 10 percent in October of 2009 and inflation never exceeded 5.6 percent. The durations of each recession were similar (16 months in 1981 vs. 18 months in 2007). Data from the Minneapolis Federal Reserve Bank, "The Recession and Recovery in Perspective," available at http://bit.ly/1kD1cSw, the Bureau of Labor Statistics and Haver Analytics.

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 six 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 that 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 six years following the start of the recession, inflation-adjusted personal income (after subtracting income assistance and other transfer payments) had declined by $397 per person, for a **decrease** of 1.1 percent. The six years of recovery from the 1981 recession, by contrast, saw a 16.1 percent **increase** ($3,335) in per-capita personal income after transfer payments.

[2] Ibid.

SLOW IMPROVEMENT FOR LONG-TERM UNEMPLOYED WORKERS

Figure 3

A more concrete way to visualize the costs of the slow economic recovery is to see how little improvement there has been to the population of long-term unemployed workers.[3] The Labor Department counts as long-term unemployed anyone who is in the labor force and has been continuously out of work for 27 or more weeks. As of August 2014, nearly one-third of all unemployed workers (2,963,000) fell into this category. When President Obama took office in January of 2009, less than one-fourth (22.9 percent) of all unemployed workers were long-term unemployed.

The social and economic costs from remaining unemployed so long are enormous. Skills degrade, and the long-term unemployed find themselves frequently utilizing public assistance programs for long periods. The Congressional Budget Office noted in its January 2014 Budget and Economic Outlook that the significant personal cost of long-term unemployment (lost skills and hours of work) will be a drag on the economy for at least the next decade.[4]

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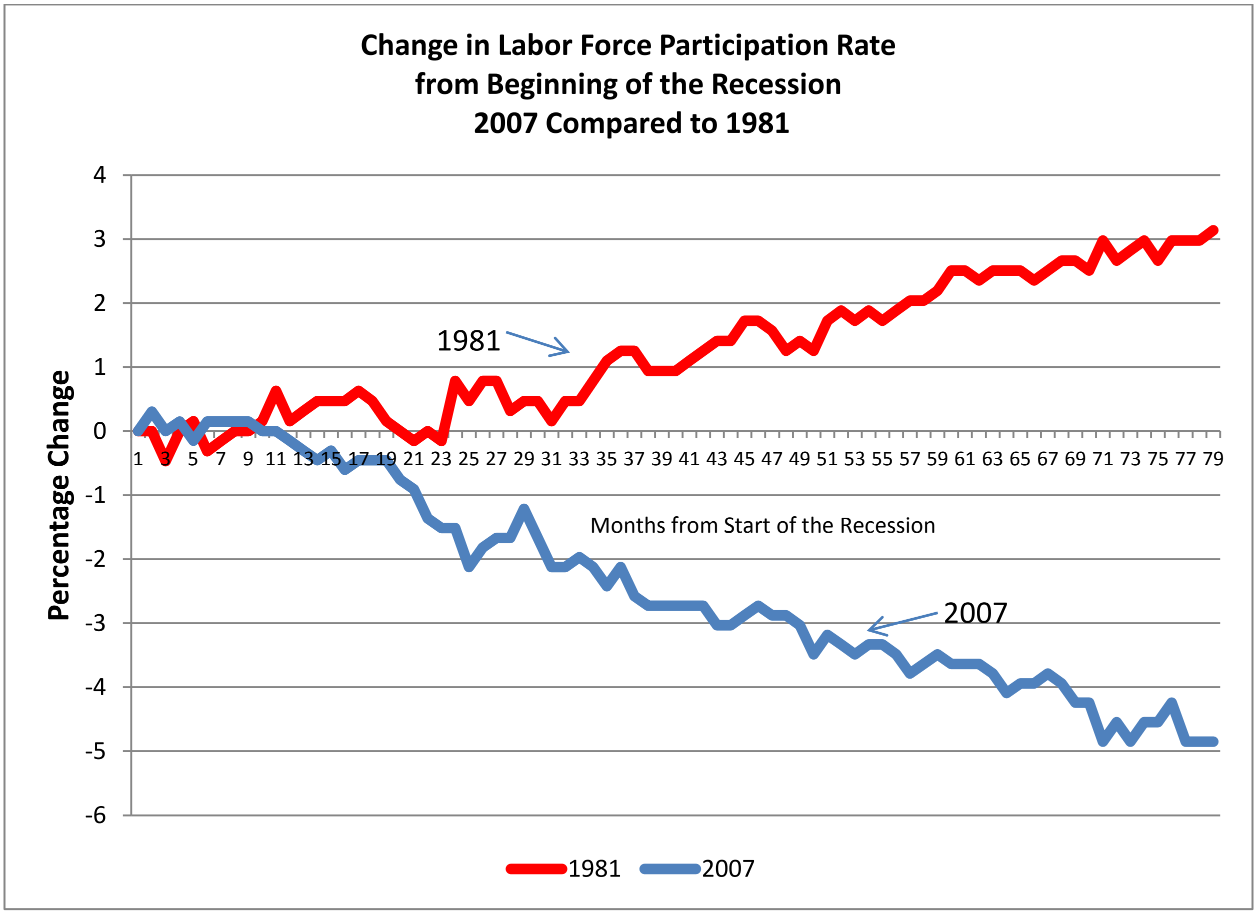
[3] Data from the Bureau of Labor Statistics, Employment Situation Report, Table A-12.

[4] Congressional Budget Office, "The Budget and Economic Outlook: 2014-2024," p. 40. The number of those chronically jobless is large when you take into account discouraged workers, those who have delayed entering the work force, or those who have been forced into early retirement.

COLLAPSE OF THE LABOR FORCE PARTICIPATION RATE

Figure 4



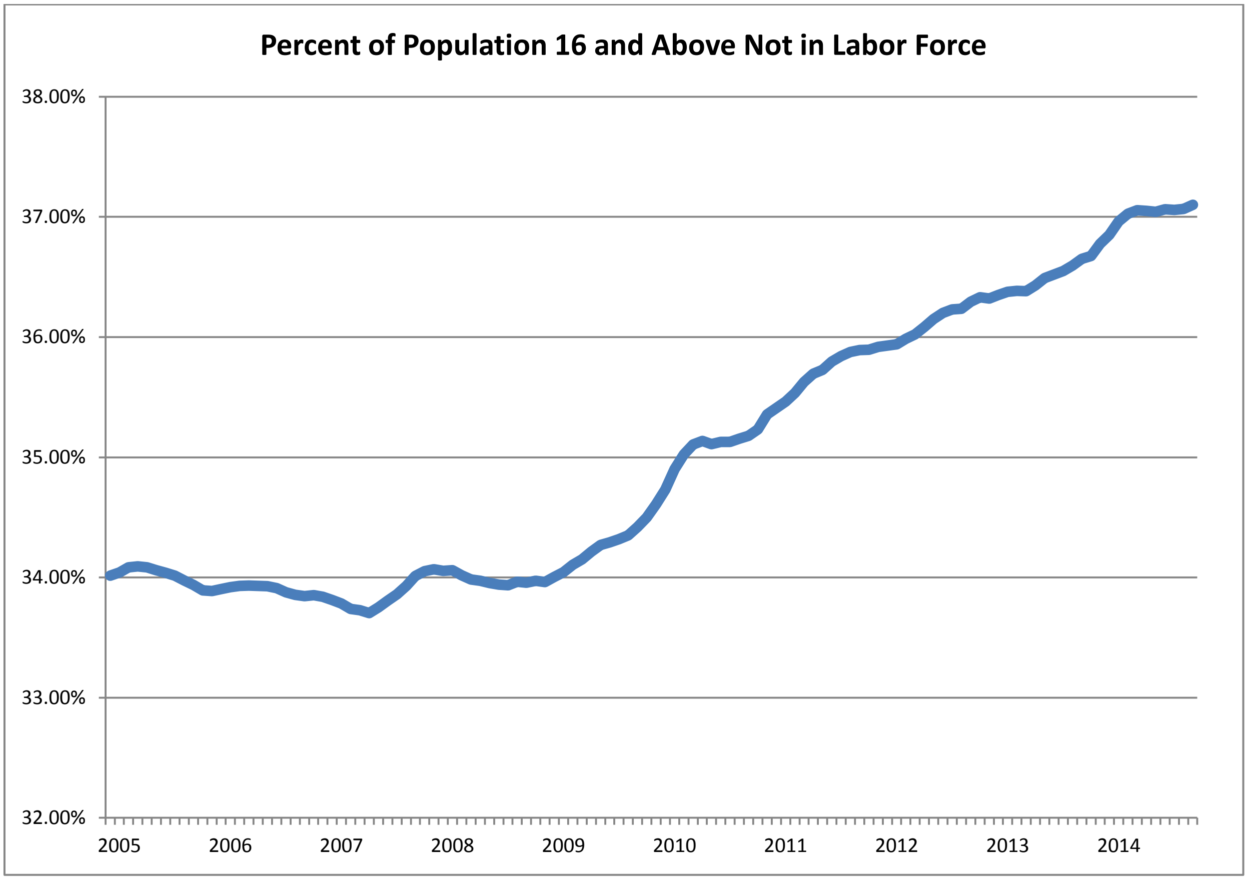
The labor force participation rate reveals even worse news for everyday workers.[5] This statistic measures the percentage of people working or looking for work out of the total population that is 16 years or older.

The reduced capacity of an economy heavily burdened with new regulations and taxes to create jobs following the end of the 2007 recession explains much of the decline in the labor force participation. By August of 2014, the participation rate had fallen to 62.8 percent of the civilian population, which is the lowest level since March 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 2009, an estimated 4.1 million workers have simply stopped working and looking for work. More worrying is the number that has disappeared since the recession started: 9.7 million people have dropped out over the past six years.

[5] Data from the Bureau of Labor Statistics, Current Population Survey, Table A-1, Employment Status of the Population by Age and Sex; Haver Analytics. Over two-thirds of these dropouts are under the age of 55.

RAPID INCREASE IN ADULTS NOT IN THE LABOR FORCE

Figure 5



It has long been known that one of the great challenges of America's post-World War II economy would be the eventual retirement of the Baby Boom generation. Some of the increase in the percentage of adults not in the labor force shown above in Figure 5 is doubtless attributable to Boomer retirements. However, as this chart and the next several show, **retirements only explain about a third of the increase in labor force non-participation**.[6] The rest is due to labor force drop-outs, or people younger than 65 who never "dropped in."

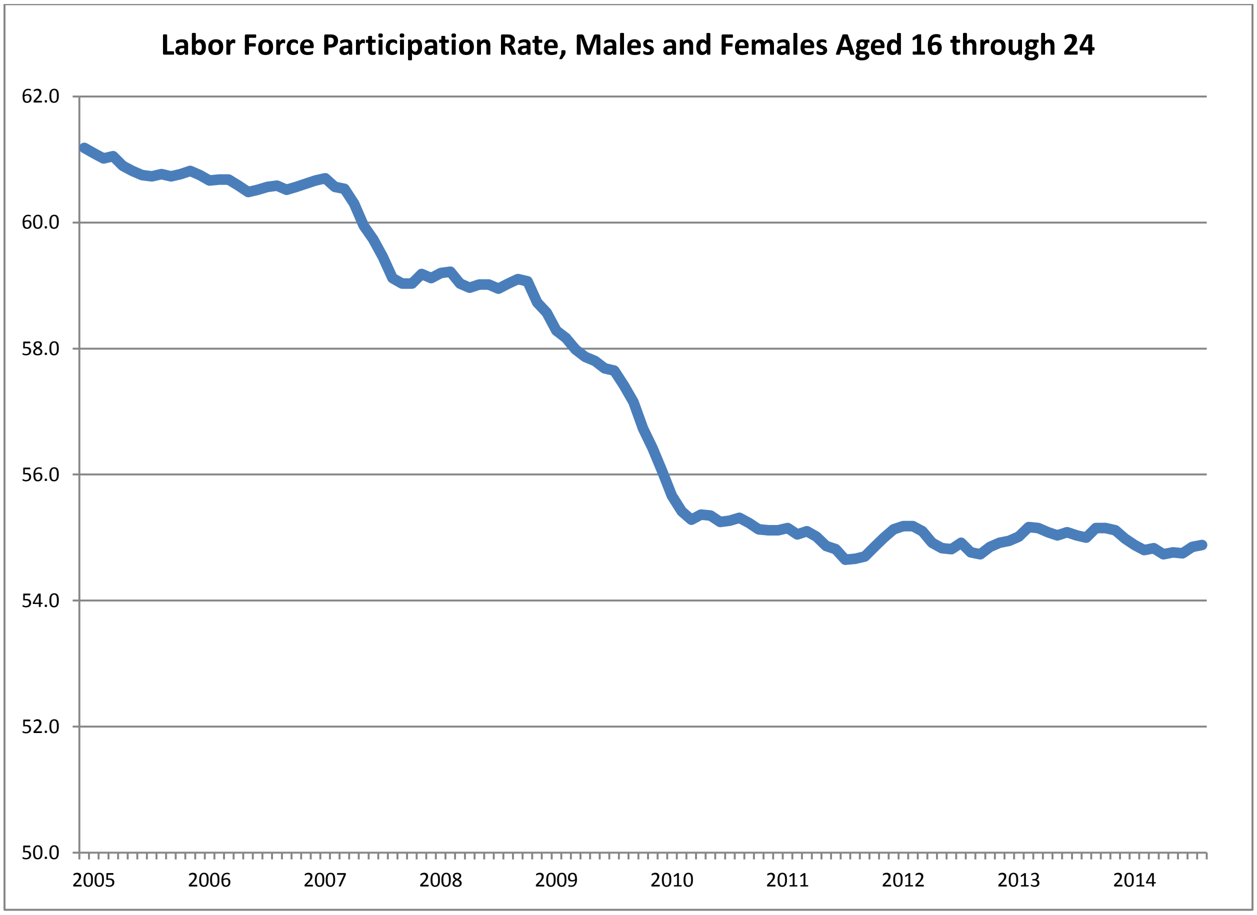
The most noticeable feature of Figure 5 is the sudden increase in the non-working population beginning in 2009. From January of 2009 through August of 2014, 11,740,000 people left the labor force.[7] Over an equivalent number of months prior to January of 2009, the size of the "not in the labor force" population grew by just 6,314,000. In other words, the rate nearly doubled over the past five years.

[6] Data from the Bureau of Labor Statistics, series LNS15000000.

[7] For departures other than those due to retirement, the individuals may one day re-enter the labor force if the economy improves.

LABOR FORCE PARTICIPATION RATES FALL
IN THE ADULT POPULATION UNDER 55 YEARS OF AGE

Figure 6



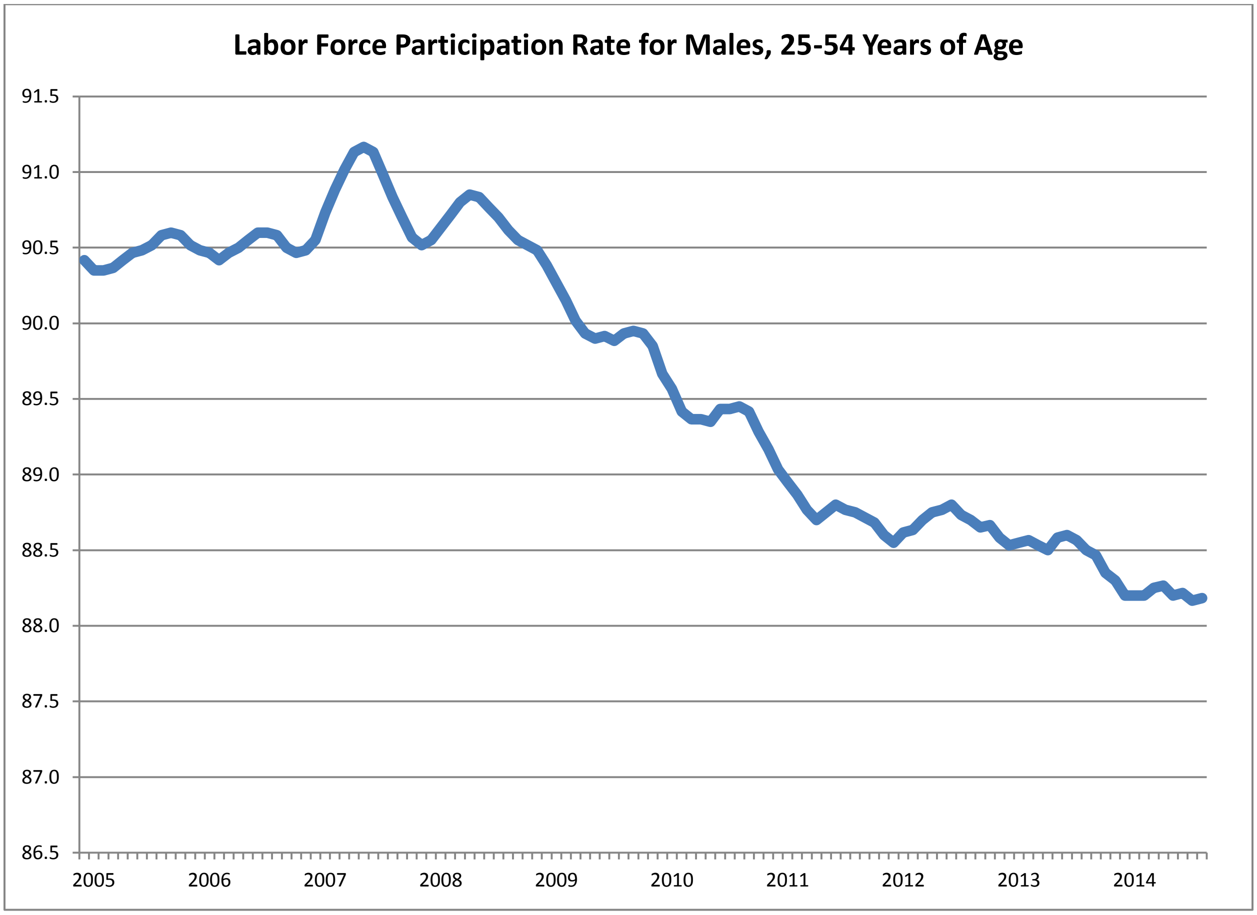
The participation rate of males and females aged 16 through 24 years of age declined sharply during the recession and has failed to recover any of its pre-recession strength.[8] The rate declined by 10 percent from 2005 to 2014. In other words, 1 out of 10 young workers dropped out and have not yet returned. The drop-out rate for males was even higher—1 out of 8 exited the workforce, or a 12 percent decline in their participation rate.[9]

Young jobseekers tend to learn foundational employment skills—e.g. accountability, punctuality, and working in groups—during their early years. Thus, the decline in workforce participation in this group severely undermines their long-term earning potential and erodes future middle class growth.

[8] Data from the Bureau of Labor Statistics, series LNS11324887.
[9] See BLS, series LNS11324885.

LABOR FORCE PARTICIPATION RATE PLUMMETS
FOR MALES BETWEEN 25 THROUGH 54 YEARS OF AGE

Figure 7

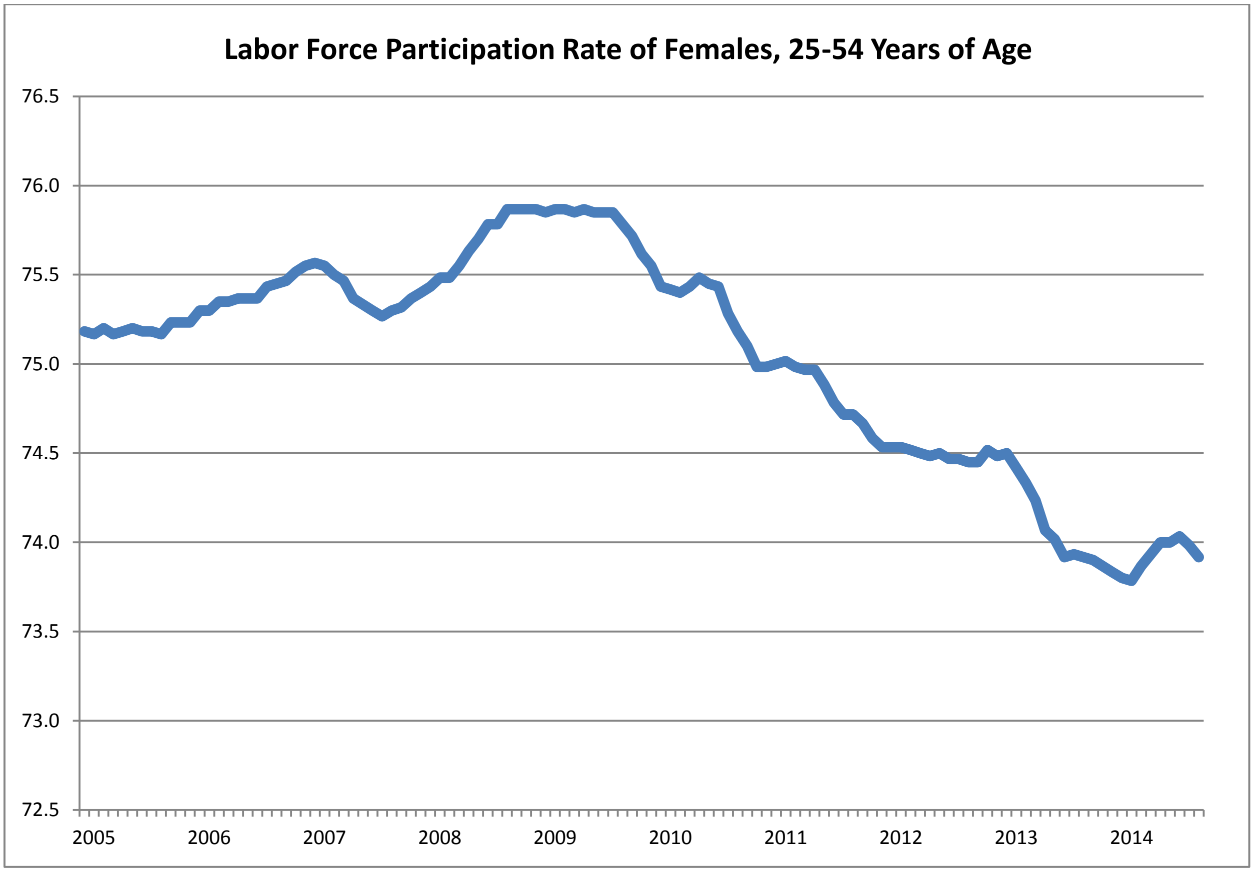


More worrisome than the fall in the participation rate of Americans under 25 years of age is the decline in participation of those in their prime working years, 25 to 54 years of age. Figure 6 displays the rate for males in this age group between 2005 and August of 2014.[10] The decline has been sharp and steady since the beginning of the recession in late 2007. Unfortunately for this population cohort, the decline continues. The labor force for this age group has declined by 2,496,000 since the beginning of the recession, and it has declined by 1,735,000 since the beginning of the recovery. At the same time, the population of males grew by 946,000 from 2005 and by 279,000 since 2009, the year the economic recovery began.

[10] Data from BLS series LNS11300061.

LABOR FORCE PARTICIPATION RATE DROPS
FOR WOMEN BETWEEN 25 AND 54 YEARS OF AGE

Figure 8



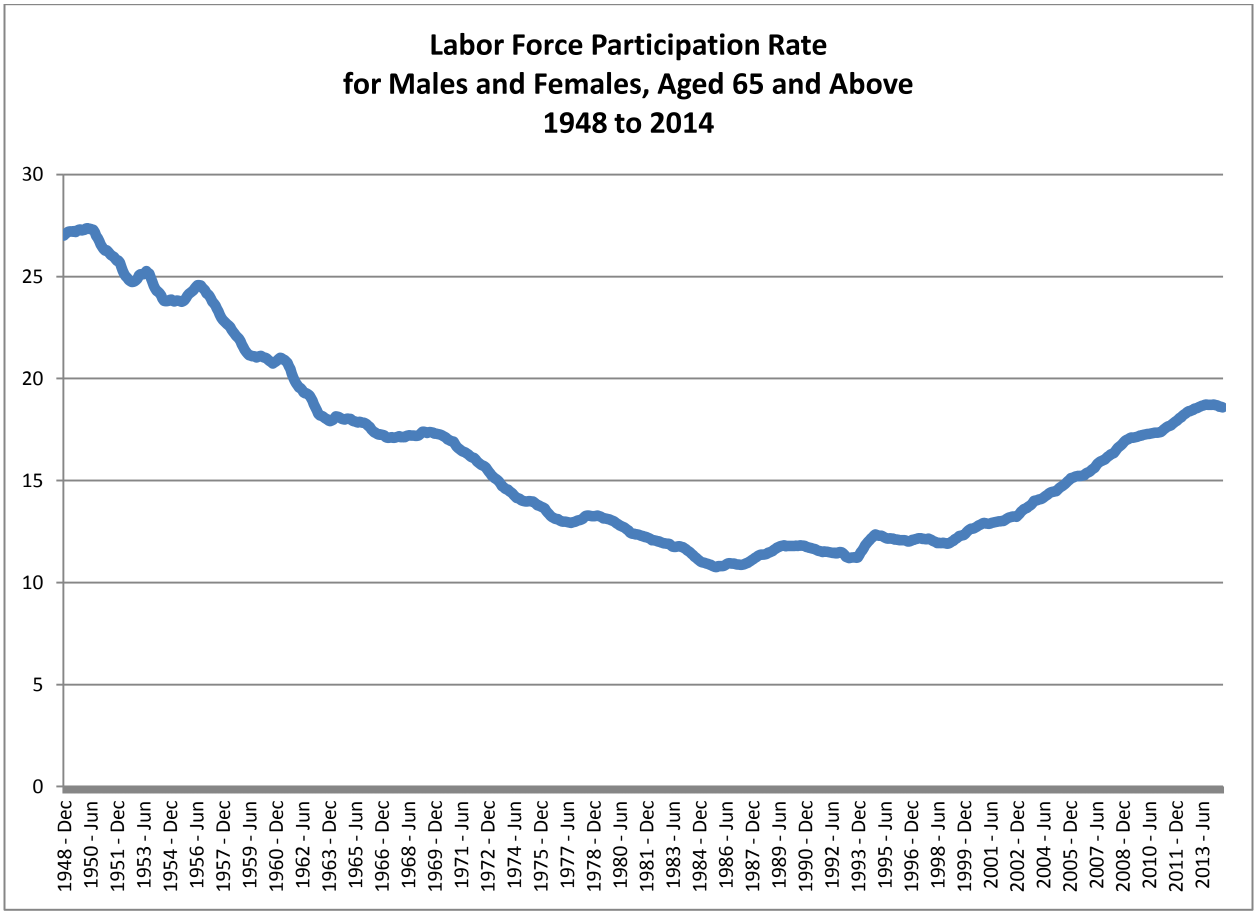
Like men, the participation rate of prime working age women has continued to fall sharply since the official end of the recession in the late spring of 2009.[11] The August 2014 participation rate stands at 74 percent, which makes it the lowest rate since February of 1991. **In other words, all of the labor force gains by working women over the past 23 years in this cohort has been wiped out during this economic "recovery."**

There are significant income consequences stemming from these sharp declines in male and female labor force participation. First, prime working age labor force dropouts draw down savings, thus reducing their future economic wellbeing, and they depend much more on government income assistance, which provides far less economic stability and potential income growth. Additionally, the economy-wide decline in labor hours resulting from the labor force departures reduces total output, which reduces labor income and consumption, thus, overall economic growth. In short, the decline in participation comes at a large cost that is borne by the entire society.

[11] Data from BLS, series LNS11300062.

LABOR FORCE PARTICIPATION RATES UP FOR WORKERS AGED 65 AND OLDER

Figure 9



It is often believed that most of the overall decline in the labor force participation rate is due to an aging, retiring population. But in fact, workers 65 years of age and older have seen their participation rates nearly double since the late 1980s, from 10.8 percent in June of 1986 to 18.6 in August of 2014. This 71 percent growth in participation has outstripped the 64 percent growth in the population of people 65 years and older.

The contributions of older workers to the economy since 2004 and 2009 are even more pronounced. As Tables 1 and 2 below show, all of the labor force growth in the key 25 to 64 age group since 2004 and especially since 2009 stems solely from growth in the older end of the cohort: 55 to 64. Since 2009, the labor force composed of those aged 25 to 54 actually shrank by 3,020,000. However, the labor force of those 55 to 64 grew by a more-than-offsetting amount: 3,200,000. At the same time, the labor force aged 65 and above grew 1.6 times faster than the cohort aged 16 to 24.

OLDER WORKERS SUSTAIN LABOR FORCE[12]

Table 1a

2004 through 2014

Changes in Civilian Population and Labor Force, 2004-2014

Age Cohort	Total Population in 2014	Population Change Number	Population Change Percent	Labor Force Change Number	Labor Force Change Percent
16+	248,229,000	26,068,000	12.0	9,117,000	6.2
16 - 24	38,706,000	3,421,000	9.4	197,000	0.9
25 - 54	125,549,000	1,454,000	1.2	-978,000	-1.0
55 - 64	39,858,000	11,527,000	40.1	7,751,000	44.0
25 - 64	165,407,000	12,345,000	8.1	6,773,000	5.6
16 - 64	204,113,000	15,402,000	8.2	6,970,000	4.9
65+	45,116,000	10,665,000	31.0	3,395,000	70.0

Table 1b

2009 through 2014

Changes in Civilian Population and Labor Force, 2009-2014

Age Cohort	Total Population in 2014	Population Change Number	Population Change Percent	Labor Force Change Number	Labor Force Change Percent
16+	248,229,000	13,491,000	5.8	2,989,000	2.0
16 - 24	38,706,000	1,215,000	3.2	1,071,000	5.1
25 - 54	125,549,000	-912,000	-0.7	3,020,000	-2.9
55 - 64	39,858,000	5,749,000	17.0	3,200,000	14.0
25 - 64	165,407,000	4,837,000	3.0	180,000	0.1
16 - 64	204,113,000	6,052,000	3.1	1,251,000	0.9
65+	45,116,000	7,439,000	19.7	1,738,000	26.7

[12] Data for Tables 1a and 1b taken from the Bureau of Labor Statistics, various series.

Figure 10

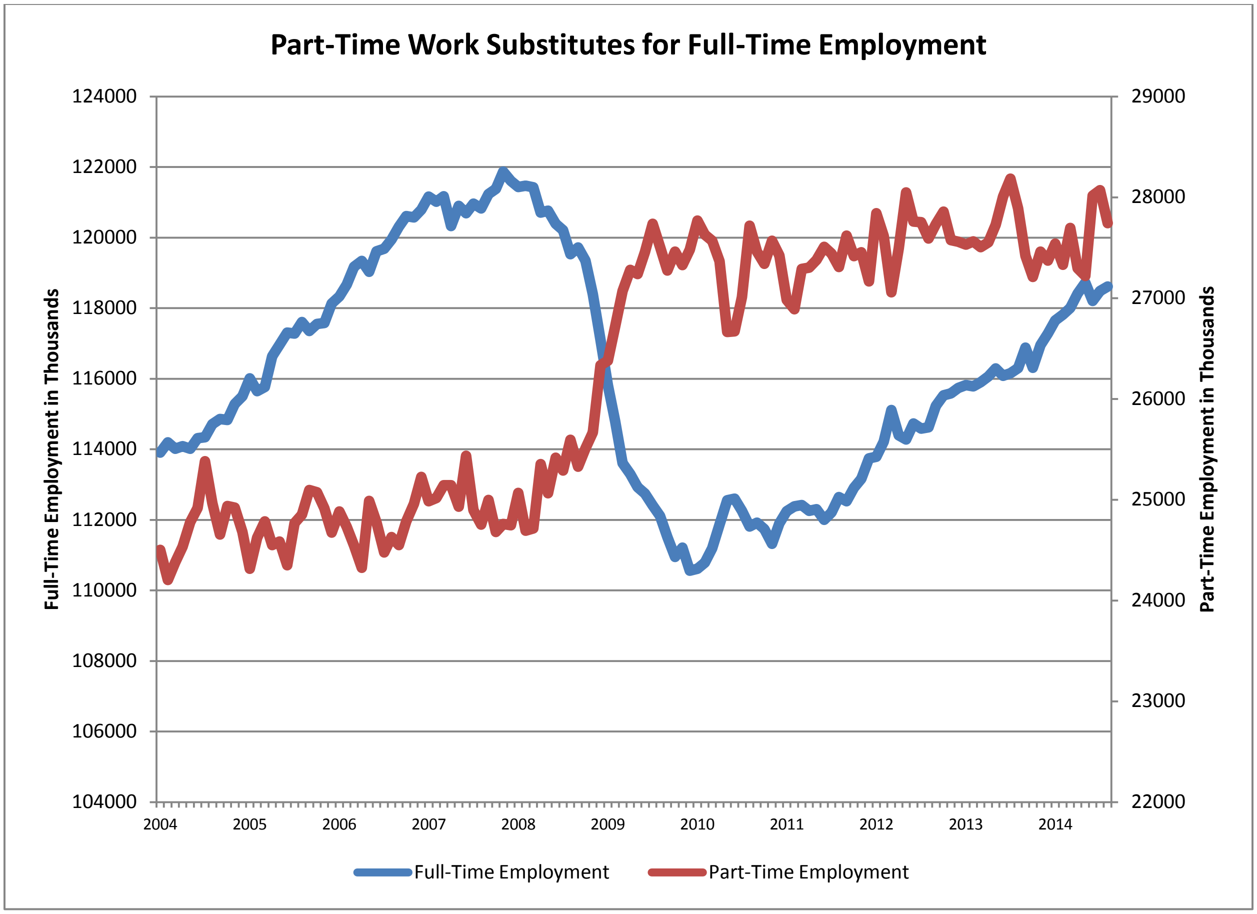


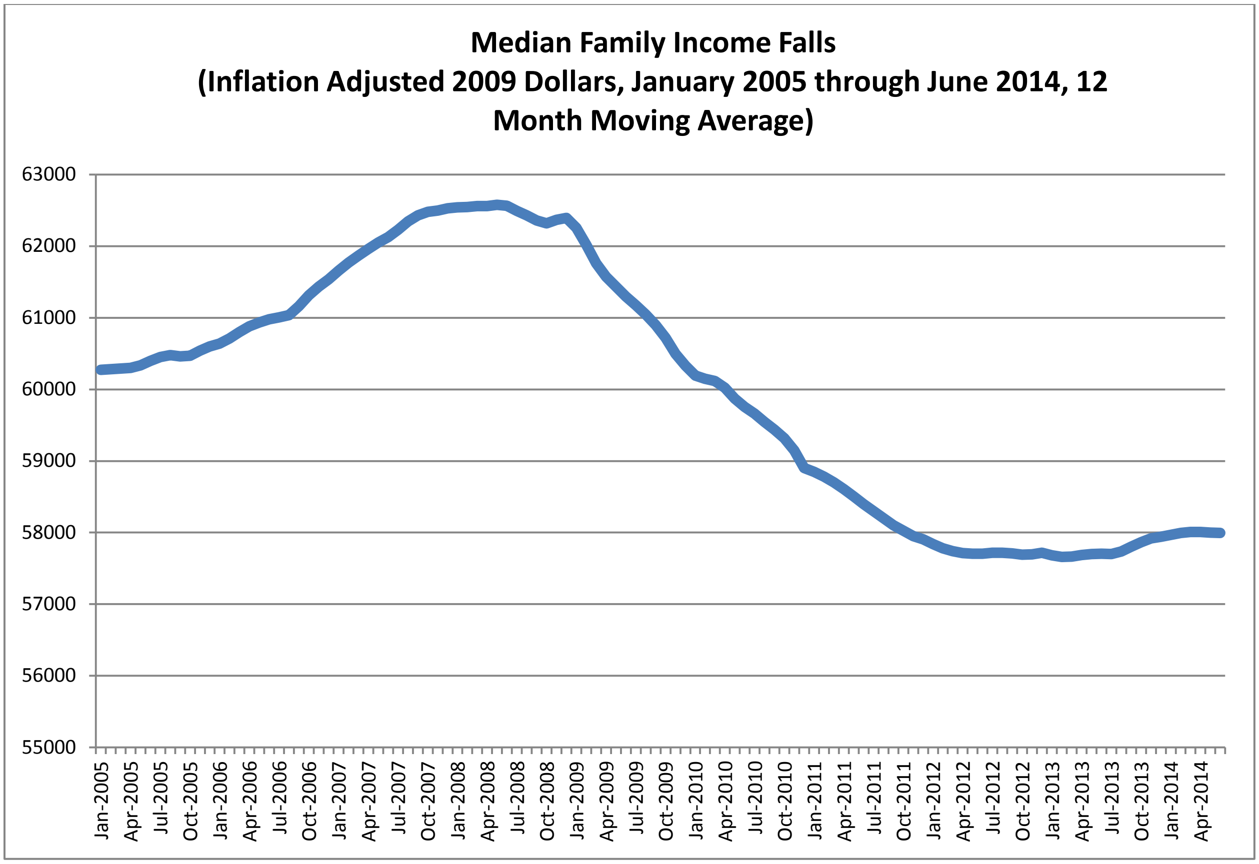
Figure 10 displays changes in full-time and part-time employment since January of 2004.[13] The most striking feature of the Obama economy is the persistently high level of part-time work. That part-time employment should spike during a recession is no surprise, but part-time work has still not declined almost eight years later.

It should also be noted that full-time work has also not yet recovered to its pre-recession peak. Indeed, the difference between the current level of full-time work and its peak in 2007 is around the size of the increase in part-time work, or about 3 million workers. Some analysts conclude that the persistently high level of part-time workers is due to the incentive employers have to keep their full-time workforce below 50 employees, particularly the mandates contained in the President's health care law. Others ascribe this persistence to the combinations of regulations and taxes that have slowed the recovery and made it harder for businesses to maintain full-time workers. Either way, workers are being forced into jobs with inferior wages and benefits.

[13] Data for full-time and part-time employment are BLS series, respectively, LNS12500000 and LNS 12600000.

FAMILY INCOME IS DOWN

Figure 11



Inflation-adjusted median family income has fallen from $62,611 in December of 2007 to $57,847 as of June 2014, or by $4,764.[14] That is a 7.6 percent decline in six-and-one-half years. Since January of 2009, this indictor has fallen by $3,194, or by 5 percent. Note also in Figure 11 that median family incomes after inflation adjustment have been virtually flat since late 2011.

Some of the decline in family income can be traced to the decay in good-paying jobs that have not come back. The recession wiped out 8.7 million jobs, many in the high-wage sectors of manufacturing and construction. As the U.S. Conference of Mayors recently reported, workers in these sectors earned an average income of $61,637. When jobs began coming back during the "recovery," they were concentrated in lower-paying sectors, like retail, trade, accommodation, administration, and the like. These jobs paid an average of $47,171. In other words, high-paying jobs were replaced by lower-paying jobs. This 23 percent wage gap caused the income of many families to fall, thus lowering the median of all.[15]

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[14] Data from estimates prepared by the National Association of Realtors and provided to the Budget Committee by Haver Analytics.

[15] United States Conference of Mayors, "U.S. Metro Economies: Income and Wage Gaps Across the US" (August, 2014): pp. 1-2. This report was prepared for the Conference of Mayors by IHS Global Insight.

Table 2

CHANGE IN TOTAL COMPENSATION FOR KEY OCCUPATIONS 2009, FIRST QUARTER THROUGH 2014, SECOND QUARTER[16]

Total Compensation (ECI 100=Dec. 2005)	**2014 Q2 - 2009 Q1** Constant Dollars
All Civilian Employees	-1.4
Excluding incentive paid positions	-1.7
Management	-1.9
Professional	-2.4
Office and Admin Support	-0.8
Construction, farming, fisheries, etc.	-2.3
Installation, maintenance, repair	0.7
Production	-0.9
Transportation and moving	-0.2
Service Occupations	-2.9
Goods Producing Industries	-1.5
Manufacturing	-0.5
Service Producing Industries	-1.4
Education Services	-3.2
Health Care and Assistance	-2.3
Public Administration	-1.4
Unionized workers	2.3
Non-Union workers	-1.3

[16] Source for data in Table 1 from the Bureau of Labor Statistics at http://www.bls.gov/web/eci/ecconstnaics.pdf.