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July 01, 2011

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Recommended Citation

Sum, Andrew and McLaughlin, Joseph, "Who has benefitted from the post-great recession recovery? A new look at the growth performance of jobs, wages, corporate profits, and stock price indices during the first two years of recovery" (2011). *Center for Labor Market Studies Publications.* Paper 33. http://hdl.handle.net/2047/d20003551

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Who Has Benefitted from the Post-Great Recession Recovery? A New Look at the Growth Performance of Jobs, Wages, Corporate Profits, and Stock Price Indices During the First Two Years of Recovery

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July 2011

CENTER FOR LABOR MARKET STUDIES
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Introduction

The so-called Great Recession of 2007-2009 began in December 2007, according to the National Bureau of Economic Research, and officially ended in June 2009, an 18 month recession, the longest in the past sixty years. Many working Americans held a quite different idea about whether the recession was over for them.[1] While the nation's real output as measured by its Gross Domestic Product fell by 4.1% from the fourth quarter of 2007 to the second quarter of 2009, labor markets were far more adversely affected with steep declines in payroll jobs and a rapid buildup in the numbers of unemployed, especially in the private sector and the nation's goods producing industries.[2] Unemployment rates between 2007 and 2009 increased far more extensively in the U.S. than in all other large OECD countries, with the exception of Spain, especially among men.[3]

The recovery from the Great Recession through early 2011 has been highly uneven in its effects on workers, capital, and savers in traditional interest bearing accounts. Through the first quarter of 2011, the recovery has been both a jobless and wageless one.[4] Aggregate employment still remained below its level in the trough quarter of 2009, and aggregate wages and salaries in real terms still had not recovered its 2009 II level while corporate profits increased substantially. Recent national public opinion polls have found that a majority (56%) of adult respondents believed in the spring of 2011 that the U.S. economy was still in a recession or a depression.[5] During the past few months, job creation as measured by the national payroll survey has slowed considerably, and the unemployment rate has risen steadily, pushing the unemployment rate back up to 9.2% in June 2011.[6]

This paper is primarily designed to track the extent of the economic recovery in the U.S. over the past two years from the second quarter of 2009 through the second quarter of 2011. The major focus will be on key employment measures, real hourly and weekly wage measures, and

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[1] See: Robert Belender and John Benson, "Public Pessimism and the Coming Election," Challenge, September-October 2010, pp. 14-33.
[2] See: Andrew Sum and Joseph McLaughlin, "The Massive Shedding of Jobs in America," Challenge, November/December 2010, pp. 62-76.
[3] Ibid, pp.74-75.
[4] See: Andrew Sum, Ishwar Khatiwada, Joseph McLaughlin, and Sheila Palma, The Jobless and Wageless Recovery from the Great Recession of 2007-2009,Employment Policy Research Network, www.employmentpolicy.org, June 2011.
[5] Dennis Jacobe, More than Half Still Say U.S. Is in Recession or Depression, www.gallup.com, April 28, 2011.
[6] See: (i) Meg Woolhouse, "Jarring Slowdown in Hiring Raises Concerns," Boston Globe, July 9, 2011, pp. A-1, A-7; (ii) U.S. Bureau of Labor Statistics, The Employment Situation: June 2011, July 8, 2011, Washington, D.C.

the growth of corporate profits and selected national stock price indices, including the Dow Jones Industrial Average and the Standard and Poor's 500 Stock Index. The paper will present key findings on changes in nine major new indices of jobs, wages, corporate profits, and stock prices over the past two years.

Labor Market, Corporate Profits and Stock Price Variables Used to Measure Post-Recession Recovery

We have selected nine economic variables to measure the degree of recovery achieved in the labor market, in corporate earnings, and in stock prices over the past two years (2009 II – 2011 II). The names and definitions of each of these variables are displayed in Table 1. They include two aggregate employment measures (the national count of employed wage and salary workers on the payrolls of private sector firms and government agencies, the number of employed civilians (16+) including the self-employed), four wage variables, an aggregate corporate profits measure, and two stock price indices (the Dow Jones Industrial Average and the S & P 500 Index). The four hourly and weekly wage variables include two hourly earnings estimates for private sector workers and two weekly earnings measures. One of these measures the mean weekly earnings of private sector wage and salary workers, while the other measures the median weekly earnings of all full-time wage and salary workers in both the private and public sectors. All wage and earnings variables were converted into constant 2010 dollars via use of the Consumer Price Index for All Urban Consumers. The corporate profits variable represents the annualized value of pre-tax, corporate profits including inventory change and capital consumption allowance adjustments. They also are measured in 2010 dollars. The last two variables measure the value of two stock price indices: the Dow Jones Industrial Average and the S & P 500. Their values are measured either at the closing trading day of the quarter or on July 1, 2011 for the 2011 II estimate.[7]

[7] The stock price indices were not adjusted for inflation. The National Consumer Price Index (CPI-U) rose by about 5.5% over this 2 year period.

Table 1:
Definitions of the Variables Used to Measure the Degree of
Post-Recession Recovery from 2009 II to 2011 II

Variable	Definition
National Nonfarm Payroll Employment	Number of wage and salary workers on the payrolls of nonfarm employers in the private and public sectors.
National Civilian Employment (16+)	Number of employed persons (16+), including self-employment and unpaid workers in family firms.
Average real hourly earnings of private sector workers	Mean hourly earnings of all private sector wage and salary workers (in constant 2010 dollars).
Average real hourly earnings of production or non-supervisory workers	Mean hourly earnings of private sector production and non-supervisory workers (in constant 2010 dollars)
Median weekly real earning of all full-time wage and salary workers	Median weekly earnings of all full-time wage and salary workers (in constant 2010 dollars).
Average weekly real earnings of private sector wage and salary workers	Mean weekly earnings of all private sector wage and salary workers (in constant 2010 dollars) .
Real corporate profits, pre-tax	Annualized value of corporate profits before tax with inventory adjustment and capital consumption allowances (in 2010 dollars).
Dow Jones Industrial Average	Value of the Dow Jones Industrial Average at Close of Quarter.
Standard and Poor's 500 Index	Value of the S & P 500 Stock Index at Close of Quarter.

Trends in Key Employment and Wage Outcomes Over the Recovery

Findings on key employment and wage developments over the first two years of the economic recovery are presented in Table 2. While the national recession has been identified as ending in June 2009, payroll employment (seasonally adjusted) continued to fall steadily through the first quarter of 2010. By the second quarter of that year, it was still one million below its level in the second quarter of 2009 (Table 2). Payroll employment has grown over the past year, by slightly more than 1 million, but aggregate payroll employment in the most recent quarter has only returned to its recessionary trough level in 2009 II. The recession still remains a jobless recovery two years after the trough quarter.

Table 2:
Trends in Key Aggregate Employment and Hourly/Weekly Wages for U.S. Workers During the First Eight Quarters of Economic Recovery from the Great Recession of 2007-2009

Time Period	(A) Wage and Salary Payroll Employment (in 1000s)	(B) Total Civilian Employment (16+) (in 1000s)	(C) Real Mean Hourly Earnings of All Private Sector Wage and Salary Workers	(D) Real Mean Hourly Earnings of Production/ Nonsupervisory Wage and Salary Workers	(E) Real Weekly Earnings of All Private Sector Wage and Salary Workers	(F) Real Median Weekly Earnings of Full-Time Wage and Salary Workers
2009 II	130,956	140,330	$22.53	$18.95	$764	$750
2010 II	129,956	139,276	$22.62	$19.10	$774	$742
2011 II	130,997	139,596	$22.29	$18.83	$765	$743[(1)]
Absolute Change	+41	-734	-$.24	-$.12	+$1	-7
Per Cent Change from 2009 II – 2010 II	0%	-.5%	-1.0%	-.6%	+.1%	-1.0%

Note: [(1)] The data for real median weekly earnings of all full-time wage and salary workers were based on the first quarter of 2011. Second quarter data have not yet been released by the Bureau of Labor Statistics.

Total civilian employment has fared even worse than payroll employment over the past two years. Civilian employment continued to decline through the end of 2009 before recovering in early 2010. In the second quarter of 2010, civilian employment was still more than 1 million below its level in the second quarter of 2009, and by the second quarter of 2011, it still remained 734,000 below its employment level in the trough quarter of 2009.[8] No net growth in civilian employment has yet taken place.

Findings are no more favorable for each of our four hourly and weekly earnings measures. Each of them shows no growth in real terms over the past two years despite important gains in labor productivity over this time period. Real mean hourly earnings of all private sector wage and salary workers, including corporate managers and officials, rose very modestly (by $.09 per hour) in the first post-recovery year but then fell back by $.33 in the second year. In 2011 II, the mean hourly earnings of these wage and salary workers was $.24 or 1% below its level two years earlier. Very similar results prevailed for the mean hourly earnings of production and non-supervisory workers.

[8] Part but not all of the gap in civilian employment between 2009 II and 2011 II is due to population adjustments by the U.S. Census Bureau in January 2010 and 2011 that lowered the count of the civilian labor force and the employed population in 2009 II and 2011 II. The impact of this adjustment on civilian employment in 2009 II was about -600,000.

The two weekly real earnings measures also showed no growth over the past two years. Mean weekly earnings of all private sector wage and salary workers were flat over this two year period (Table 2) while the mean real weekly earnings of all full-time wage and salary workers fell by $7 or about 1 per cent. The absence of any job growth combined with no wage growth for those employed have made this recovery both a jobless and a wageless recover through the second year. This is the first time in post World War II history that aggregate wages and salaries have not experienced any growth two years into an economic recovery.

To identify whether certain high wage earners may have achieved larger gains in their weekly earnings than those in the middle of the distribution over this two year period, we estimated changes in real weekly earnings for workers at the low, middle, and high end of the earnings distribution. These weekly wages pertain to those at the 10th, 25th, 50th, 75th, and 90th percentiles. The findings are displayed in Table 3. Not one of these five groups of full-time wage and salary workers received a real earnings boost over this two year period. Each group experienced a modest weekly wage decline of 1 to 2 per cent over this period with the top two wage groups actually faring slightly worse. Over the entire decade (2001 I – 2011 I), those workers at the top (90th percentile) obtained a real weekly wage increase of $92 or 6% while those at the bottom (10th percentile) experienced a wage loss of 1%. The lost decade did not generate any substantive improvement in the real weekly earnings of the vast majority of U.S. workers.

Table 3:
Changes in the Real Weekly Earnings of Full-Time Wage and Salary Workers in the U.S. at Selected Percentiles of the Weekly Wage Distribution, 2009 I to 2011 I
(in Constant 2010 Dollars)

	(A)	(B)	(C)	(D)
Percentile	2009 I	2011 I	Change (B – A)	Per Cent Change
10	$355	$351	-4	-1%
25	497	491	-6	-1%
50	750	741	-9	-1%
75	1,170	1,149	-21	-2%
90	1,777	1,734	-43	-2%

Source: www.BLS.gov and authors' conversions into 2010 dollars using the CPI-U price index.

Trends in Corporate Profits and Stock Price Indices Over the Recovery

In contrast to the absence of any growth in aggregate wages and salaries or in the mean or median hourly and weekly wages of individual workers, corporate profits have experienced very strong growth over the recovery (Table 4). Annualized corporate profits exploded from the second quarter of 2009 to the second quarter of 2010, growing by more than $410 billion, and increased further to $1.694 billion in the first quarter of 2011. During the first seven quarters of recovery, corporate profits rose by $491 billion or 41%. A substantial jump in labor productivity (of 9%) from the last quarter of 2008 to 2011 I with no increase in real wages provided the major portion of the boost in corporate profits.[9] The link between productivity growth and real wage growth was completely separate.

Table 4:
Trends in Aggregate Annualized Corporate Profits, the Dow Jones Industrial Average, and the Standard and Poor's Stock Index from 2009 II – 2011 II

Time Period	(A) Annualized Value of Corporate Profits (in billion of 2010 dollars)	(B) Dow Jones Industrial Average	(C) Standard and Poor 500 Index
2009 II	1,203	8,447	919
2010 II	1,619	9,774	1,035
2011 II	1,694(1)	12,583(2)	1,340(2)
Change	+491	+4,136	+421
Per Cent Change, 2009 II – 2011 II	41%	49%	46%

Note: (1) Corporate profits are measured for the first quarter of 2011. Second quarter data have not yet been release by the U.S. Bureau of Economic Analysis. (2) July 1, 2011 close of trading.

The surge in corporate profits helped generate a major jump in most stock market indices over the recovery. Over the past two years the Dow Jones Industrial average rose by 4,136 points or 49% while the Standard and Poor's 500 Stock Index increased by 421 points or 46%. The growth in real corporate profits alone accounted for 90% of the increase in the real national incomes of the U.S. over the first 7 quarters of recovery from the Great Recession, their largest such share in the post-World War II era.[10]

[9] Findings on labor productivity performance in the second quarter will not be available from the U.S. Bureau of Labor Statistics until late summer of 2011.
[10] See: Andrew Sum, Ishwar Khatiwada, and Joseph McLaughlin, The Jobless and Wageless Recovery….

Constructing Indices of Economic Performance for Employment, Wages, Profits, and Stock Prices Over the Recovery

The findings on the growth trends for the above employment, wage, profits, and stock price variables over the course of the recovery from the Great Recession can be used to construct an index of performance for each measure. The base period for the analysis will be the second quarter of 2009, the trough quarter of the recession. The value of the index in the base quarter is set equal of 100. Trends in the values of these nine indices are displayed in Table 4 and Chart 1 for selected quarters over the past two years.

Table 5:
Time Trends in the Indices of Post-Recession Recovery for
Key Employment, Wage, Corporate Profits, and Stock Price Measures

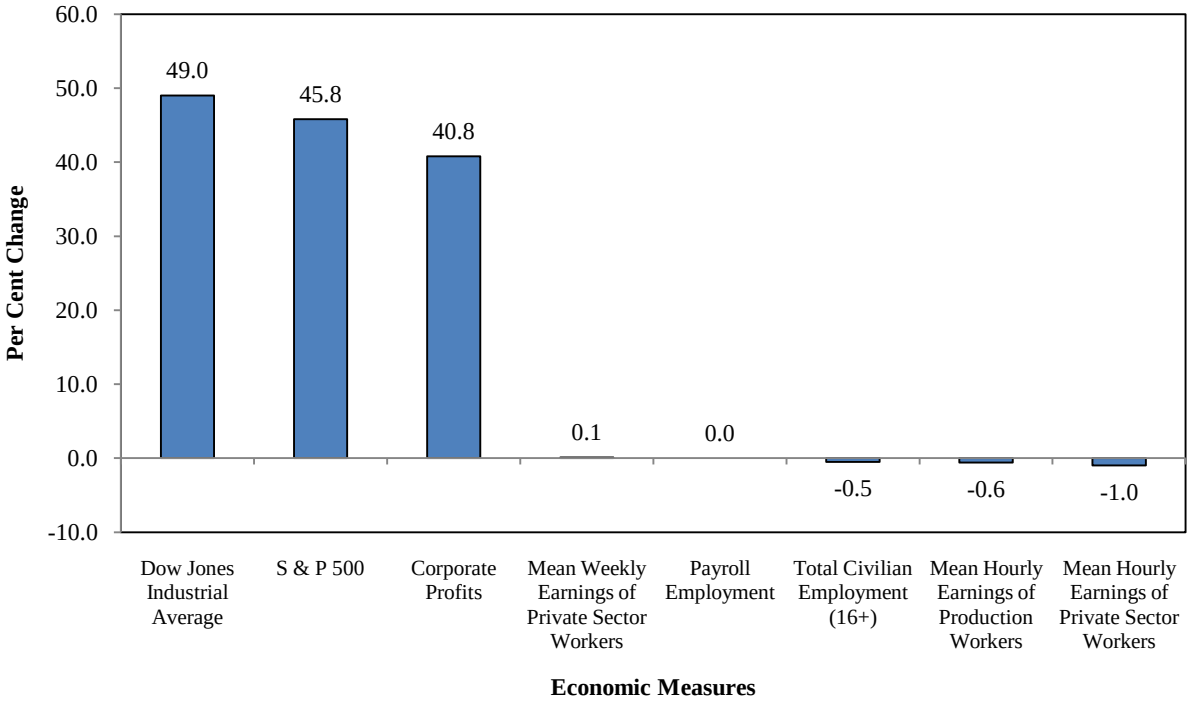
Measure	(A) 2009 II	(B) 2010 II	(C) 2011 II	(D) Per Cent Change in Index from 2009 II – 2011 II
Payroll wage and salary employment	100.0	98.9	100.0	0
Total civilian employment (16+)	100.0	99.2	99.5	-.5
Real mean hourly earnings of private sector wage and salary workers	100.0	100.4	99.0	-1.0
Real mean hourly earnings of production workers	100.0	100.8	99.4	-.6
Real mean weekly earnings of private sector wage and salary workers	100.0	101.3	100.1	+.1
Real median weekly earnings of full-time wage and salary workers	100.0	99.0	99.0[(1)]	-1.0
Corporate profits	100.0	134.6	140.8[(1)]	+40.8
Dow Jones Industrial Average	100.0	115.7	149.0	+49.0
S & P 500	100.0	112.6	145.8	+45.8

Note: [(1)] Figure is for 2011 I.

The two indices of aggregate employment growth are either completely flat (payroll employment) or modestly negative (household employment). The same findings prevail for our four hourly/weekly wage indices. The trends in their values over the past two years also are either flat or modestly downward (-1% for mean hourly and weekly earnings of private sector wage and salary workers) (Chart 1). In substantial contrast to these findings, the index of corporate profits was up by just under 41% through the first quarter of 2011 and should rise

further through the second quarter when the Bureau of Economic Analysis releases its findings on national income later this summer.

Chart 1:
Growth in the Index of Post-Recession Improvement for Key Employment, Wage, Corporate Profits, and Stock Price Measures, 2009 II to 2011 II



The indices for the two stock price measures show the highest rates of growth over the course of the recovery through the second quarter of this year. The index for the Dow Jones Industrial Average was up by 49% while the index for the S & P 500 is up by 46%. These two indices were not adjusted for inflation. Doing so would still leave them with growth rates of 42 and 39%, respectively, over this two year period.

The recovery from the Great Recession has been highly uneven in its effects on workers, wages, profits, stock prices, and savers (bank savings accounts, money market accounts, CDs). Many U.S. adults, especially from low income and middle income households, have reported to poll takers that the U.S. is still in a recession or depression.[11] From their vantage point, it still is. The same cannot be said for corporate profits, the CEOs of large corporations, or for those with

[11] See: Dennis Jacobe, op.cit.

large stock holdings.[12] The disparities in economic rewards are the largest ever seen in a post World War II recovery.

[12] For recent findings on substantial growth in CEO pay during the past year in the U.S. and selected states throughout the nation, including Colorado, See: (i) Pradnya Joshi, "We Knew They Got Raises, But This?," The New York Times, July 3, 2011, Business Section, pp. 1, 5; (ii) Aldo Svaldi, "2010 Executive Pay Report on the Upswing, As State's Wages Stay Dormant: Pay for Officers Jumps More than 50%," The Denver Post, June 26, 2011; (ii) Peter Whoriskey, "With Executive Pay, Rich Pull Away from Rest of America," The Washington Post, June 18, 2011.